



# VIETNAM

## TECHNICAL ASSISTANCE REPORT—GOVERNMENT FINANCE STATISTICS (JUNE 10–14, 2019)

August 2020

This Technical Assistance report on Vietnam was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed in August 2019.

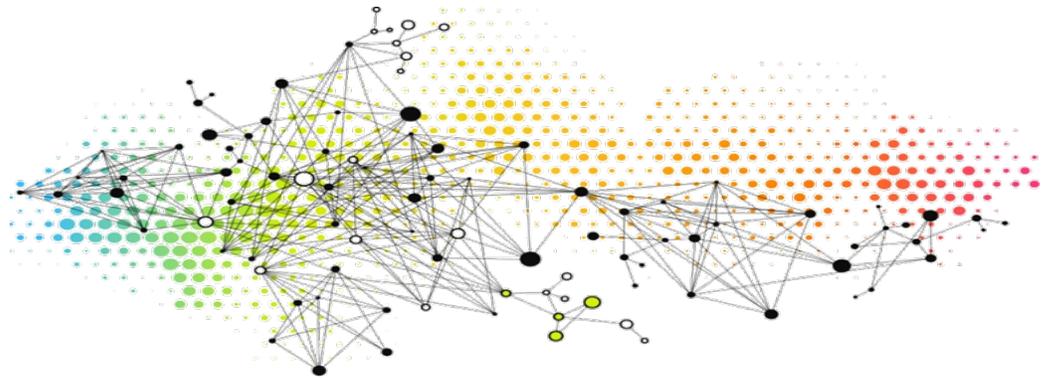
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AUGUST  
2019

## REPORT ON GOVERNMENT FINANCE STATISTICS MISSION (JUNE 10–14, 2019)

Prepared by Anthony Olliffe

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# CONTENTS

Glossary	3
<b>SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS</b>	<b>4</b>
<b>DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS</b>	<b>5</b>
A. Institutional and Data Coverage of the General Government and Public Sectors	5
B. Accounting and Statistical Reporting	6
C. GFS Manual for Vietnam	6
D. Updated <i>GFSY</i> Data	7
E. Road-Map for Further Development of GFS	8
F. Other Mission Tasks	8
G. Officials Met During the Mission	9
 <b>TABLE</b>	
1. Priority Recommendations for Improvement of Government Finance Statistics	5
 <b>APPENDIX</b>	
I. Priority Recommendations of the January 2018 Mission	11

## Glossary

AAA	World Bank Analytical and Advisory Activities
CoA	Chart of Accounts
GFS	Government Finance Statistics
GGS	General Government Sector
<i>GFSY</i>	<i>Government Finance Statistics Yearbook</i>
<i>GFSM 2014</i>	<i>Government Finance Statistics Manual 2014</i>
JSA	Japan Administered Account for Selected IMF Activities
MPI	Ministry of Planning and Investment
MOF	Ministry of Finance
PFM	Public Financial Management
SBB	State Budget Balances
SBD	State Budget Department
TA	Technical Assistance
TABMIS	Treasury and Budget Management Information System
VST	Vietnam State Treasury

## SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

This technical assistance (TA) mission on Government Finance Statistics (GFS) comprised Anthony Olliffe (GFS expert), Nguyen Thi Van Anh (Economist, IMF Resident Representative Office) and Nguyen Phuong Anh (Public Sector Specialist, World Bank (WB)) and was conducted in response to the progress achieved, and the positive feedback received from the Ministry of Finance (MOF) officials during the previous IMF/WB GFS missions, in Hanoi, Vietnam.

1. The main purpose of the mission was to continue TA to assist with upgrading the compilation and dissemination of fiscal data and GFS in Vietnam in line with the international standard, the *Government Finance Statistics Manual 2014 (GFSM 2014)*.

2. The main objectives of the mission were achieved:

- Reviewed GFS data produced from the State Budget Balances (SBB). The authorities have updated data from 2003 to 2013 consistent with GFS data provided for three additional years (2014 to 2016). This data was reviewed post mission and, after release approval from the MOF, will be used to update the *Government Finance Statistics Yearbook (GFSY)*;
- Bridge tables were agreed with the authorities. The MOF still regard differences between Treasury and Budget Management Information System (TABMIS) and SBB final accounts as an impediment to using the economic classification of the bridge table to produce GFS data from TABMIS. However, there is acknowledgement by the MOF that there are now a smaller number of differences;
- The road-map for further implementation of GFS was discussed. It includes using the 2018 National Financial Statements that will be published in 2020 to provide GFS data on assets and liabilities and using the GFS data to improve fiscal analysis. A proposed road-map is included in this report; and
- Changes to “GFS Manual for Vietnam” were identified to enable its finalization. Chapter I of the “GFS Manual for Vietnam” was finalized during the mission. Detailed drafting guidelines were provided to enable the completion of Chapter II by various departments. Chapter III will be finalized once Chapter II is complete and the road-map for further implementation of GFS has been agreed by MOF.<sup>1</sup>

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<sup>1</sup> See details on the GFS manual for Vietnam in Section C below.

**Table 1. Vietnam: Priority Recommendations for Improvement of Government Finance Statistics**

Target Date	Priority Recommendation	Responsible Institutions
<b>December 2019</b>	<i>Produce a national GFS compilation and procedures manual, to encourage a demand side interest in GFS</i>	<b>Expert working directly with State Budget Department (SBD) funded by the WB</b>
<b>June 2020</b>	<i>Produce annual GFS data from TABMIS using the bridge tables for reporting to the IMF</i>	<b>SBD and IMF/WB</b>

## DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

### A. Institutional and Data Coverage of the General Government and Public Sectors

#### 3. The general government sector (GGS) in Vietnam has four levels: central, provincial, district, and commune:

- Central government consists of budgetary central government, extrabudgetary funds including Social Security funds and public service delivery agencies that generally provide government services but are increasingly charging for goods and services.
- Sub-national governments are classified as local governments in the GFS framework and comprise 63 provinces, approximately 700 districts, and over 11,000 communes, wards, and district towns. In addition, there are 12 extrabudgetary funds that are managed by sub-national governments.

#### 4. The State Budget in Vietnam covers all levels of government and is managed as a decentralized system within a unitary system of government, under which national authority is delegated to the lower levels of government.

About half of the expenditure on public services is the responsibility of sub-national governments. They are assigned their own sources of revenue and any shortfall is made good by equalization transfers.

#### 5. With assistance from the World Bank, the VST launched TABMIS in early 2013.

Although TABMIS is a primary source of data for the published SBB, data in TABMIS does not reflect all changes in final annual data identified in the audit review. Therefore, the published SBB data is compiled manually by the State Budget Department and presents consolidated operations of the

budget GGS excluding, extrabudgetary funds and the own source revenue and expenditure of public service delivery agencies. In due course, the GFS project will seek to cover data for extra-budgetary funds by working with the authorities in the next phase of the GFS project (JSA3).

## B. Accounting and Statistical Reporting

**6. Institutional coverage of fiscal data compiled and disseminated in the GFSY is currently limited to the State Budget (budget GGS).** The GFS data loaded into the *GFSY* from 2003 to 2013, compiled by the two 2015 GFS missions,<sup>2</sup> was extracted from the published SBB tables. Additional GFS data for years 2014 to 2016, consistent with the 2015 State Budget Law, was provided to the mission for review. Updated data for years 2003 to 2013, on a consistent basis with the three additional years, was also provided to the mission. *GFSY* data compiled from SBB does not include detailed economic categories of current expenditure, such as wages and salaries, as SBB current expenditure is only presented by function. TABMIS provides details on economic classification of expenditure and a priority objective is to produce more complete annual GFS data from TABMIS using the bridge tables for *GFSY*.

**7. The State Budget Law allows budget spending units, investment holders, and budget-funded governments to carry over their unused budgets to the following year for implementation and recording.** The final accounts are settled in the following fiscal year with respect to some special expenditure items, including: (i) capital expenditures, which can be carried over from one year to the next in accordance with the Public Investment Law; (ii) expenditures for the procurement of equipment that have all the documentation and contracts signed prior to December 31 of the fiscal year; (iii) expenditures earmarked for wage policies; (iv) expenditures in block grant budgets already allocated to public service delivery units and State administrative units; (v) expenditures in supplementary budgets authorized after September 30 of the fiscal year; (vi) expenditure in allocated research budgets; (vii) budgetary savings (from over-realized revenues and expenditure savings) allowed by relevant authorities to be carried over for spending in the following year.

**8. All the carry over expenditures in a fiscal year are accounted for as carry-over revenue in the year following the fiscal year, resulting in double counting of both expenditure and revenues.** Vietnam GFS records only actual cash flows in each fiscal year, and carryover revenues and expenditures are therefore excluded.

## C. GFS Manual for Vietnam

**9. The Revised State Budget Law provisions issued in 2015, the Accounting Law issued in 2016, the Public Debt Management Law issued in 2017, and the Public Asset Management Law issued in 2017 include PFM reforms in budget classification, accounting standards, charts**

<sup>2</sup> Report on the GFS missions; February 2–10, 2015, and March 30–April 3, 2015; Anthony Olliffe.

**of accounts, public debt management, and asset management.** The MOF views the GFS framework as a means of highlighting the inter-relationships between these various reforms and requested the compilation of a “GFS manual for Vietnam” which was commenced during the June 2017 GFS mission. Funding from the World Bank’s Analytical and Advisory Activities (AAA) public financial management reform program enabled the development of a series of drafts.

**10. The manual comprises three chapters: I. Overview of GFS; II. Background of Vietnam GFS; and III. Technical Guidance on Reporting GFS.** Chapter I of the “GFS Manual for Vietnam” was finalized during the mission. Chapter II includes descriptions of debt management, asset registries, accounting standards, planned National Financial Statements, and a road-map for further development of GFS. Detailed drafting guidelines were provided to enable the completion of Chapter II by various departments. Chapter III will be finalized once Chapter II is complete and the road-map for further implementation of GFS agreed by MoF. **The mission emphasized that the manual is a ‘living document’ and should be regularly updated.**

***Recommended Actions:***

- Publish the “GFS Manual for Vietnam” by the end of 2019 as agreed with authorities during the mission.
- Disseminate GFS manual to statistical staff, financial staff, as well as financial academy to be used more widely.

#### **D. Updated GFSY Data**

**11. Under the first JSA funded GFS project (2012–2015), GFS TA missions worked on bridge tables mapping the Chart of Accounts (COA) economic classification to the GFSM 2014 classifications with the aim of automating the generation of GFS tables from TABMIS.** The MOF still regards, TABMIS data differences with final accounts in the SBB, arising from the audit of the final accounts, an impediment to using the economic classification in the bridge table to produce GFS data from TABMIS. However, there is acknowledgement by the MOF that there are now a smaller number of differences and the differences may not be material for GFS reporting.

**12. GFS TA in 2015 helped compile GFSY data from 2003–13 from the published SBB, which is also used for surveillance by APD missions, but this data had limited expenditure detail.** The authorities have updated data back to 2003, consistent with the GFS data provided for three additional years (2014 to 2016) which was reviewed and agreed post mission.

***Recommended Actions:***

- MOF approve the update of GFS data and, after release approval from the MOF, update the *Government Finance Statistics Yearbook (GFSY)* from 2003 to 2016. The MOF will generate GFS

tables from TABMIS for one year and see if the differences between final annual data and TABMIS are material for GFS reporting.

## E. Road-Map for Further Development of GFS

**13. Priority recommendations listed in Table 1 and discussed above are to produce a “GFS Manual for Vietnam” and annual GFS data from TABMIS using the bridge tables.**

**14. Ongoing production of GFS data from TABMIS will provide the opportunity to improve fiscal analysis as it will provide additional expense data categories.** The publication of the manual will provide the opportunity to focus on GFS coverage. The manual details the coverage of GFS and outlines where the coverage could be extended to include the material extrabudgetary funds and the own-source funding of material Public Sector Delivery Units.

**15. Once GFS data is produced annually from TABMIS, there can also be a reconciliation of the deficit with below-the-line financing data.** Supplementary financing data will need to be obtained from:

- Segment 2 of the CoA that records cash and investments (also mapped to GFS); and
- External debt data from the Debt Management Department.

**16. SBD publishes quarterly SBB data and this data can be mapped to GFS to produce higher frequency GFS data.** Quarterly data can also be produced from TABMIS and provide additional expenditure detail.

**17. The publication of the 2018 National Financial Statement in 2020 will provide data to assist in compiling GFS assets and liabilities.** A balance sheet will provide the most comprehensive picture of Vietnam public wealth, looking beyond simply debt and deficits, and showing not only what Vietnam owes (liabilities) but also what they own (assets). The national financial statement also includes financial data of the extrabudgetary funds, which will provide a wider coverage of the public sector than the current SBB.

## F. Other Mission Tasks

**18. Discussions were held with the World Bank on the mapping of COFOG, recurrent functional classification, and the capital classification used by the Ministry of Planning and Investment (MPI).** The State Budget classifies expenditure to 13 functional categories while the MPI classifies capital investment to 20 sectors and industries. Higher level categories for both these classifications can be broadly mapped to the 10 major COFOG functions but after an initial review the mission proposed some minimal changes.

**Recommended Actions:**

- Review the Decision 40 on the classification of the MPI to enable a detailed mapping to the recurrent functional classification used by the MOF. Provide recommendations to the MPI to revise the classification to align with the later and adopt it for budget allocation and reporting.
- Disaggregate “economic services” in the recurrent functional expenditure classification to various sectors (transport, agriculture, tourism, etc.) to provide closer alignment with MPI’s categories.
- Split MPI category 19 Defense and Security into 2 separate categories to be consistent with COFOG and SBD;
- Remove MPI category 19 Industry as it relates to many SBL and COFOG categories. For instance, VST suggested Industry could be allocated to SBL National Defense, Social Order and Safety, and Economic Services;
- Split MPI category 5 Water supply, Waste Water and Waste Treatment, and assign any housing and water supply to a new Housing and Community Amenities category while waste water and treatment would remain classified to category 5 to be consistent with COFOG and SBD environment protection function; and
- Merge MPI category 13 Information Technology into Science and Technology to reduce a difference with the SBD functional classification.

**G. Officials Met During the Mission**

Full name	Position	Organization
Nguyen Van Hao	Deputy Director General	State Accounting Department—VST
Luong Dinh Manh	Deputy Division Head	State Accounting Department—VST
Le Minh Hoa	Official	State Accounting Department—VST
Nguyen Thu Canh Yen	Official	State Accounting Department—VST
Nguyen Thanh Quynh	Official	State Accounting Department—VST
Tran Thi Thu ha	Chief of Office	Public Asset Management Department
Ngo Viet Hung	Official	Public Asset Management Department
c Linh	Official	Data Center—Public Asset Management Department
Ha Thi Hoan	Official	Debt Management and External Finance Department

Full name	Position	Organization
Do Thi Thu Hien	Official	Accounting & Auditing Supervisory Department
Tran Minh Nghia	Official	Public Expenditure Department
Nguyen Thu Thuy	Deputy Division Head	Public Expenditure Department
Nguyen Thi Ngoc Khanh	Head of Division 4	Corporate Finance Department
Bui Le Phuong	Official	Corporate Finance Department
Nguyen Thi Thu Phuong	Official	Corporate Finance Department
Le Thi Thanh Hoa	Official	Price Surveillance Department
Do Thi Hong Quyen	Official	Financial Officer Training School
Nguyen Minh Tan	Deputy Director General	State Budget Department
Dinh Thi Mai Anh	Deputy Division Head	State Budget Department
Hoang Dieu Thuy	Official	State Budget Department
Nguyen Thi Thu Huyen	Official	State Budget Department

## Appendix I. Priority Recommendations of the January 2018 Mission

Recommendation	Comments
Produce a revised draft of the “GFS manual for Vietnam” by early March 2018 to allow for further comments from officials before the June 2018 workshop to launch the manual.	Revised drafts were produced since the January 2018 mission and the MOF plan is to publish the manual by December 2019.
Prepare for the June 2018 workshop including development of an agenda, training materials and presentations from experts on accrual accounting, CoA and consolidation to support the production of the State Financial Statements.	Achieved. A successful workshop was conducted.
Review data for years from 2014 prepared by the SBD at the June 2018 workshop and request for its release to the GFSY.	Data for years from 2014 have been reviewed since the June 2018 workshop and were agreed after the June 2019 mission (Appendix II).