



VIETNAM

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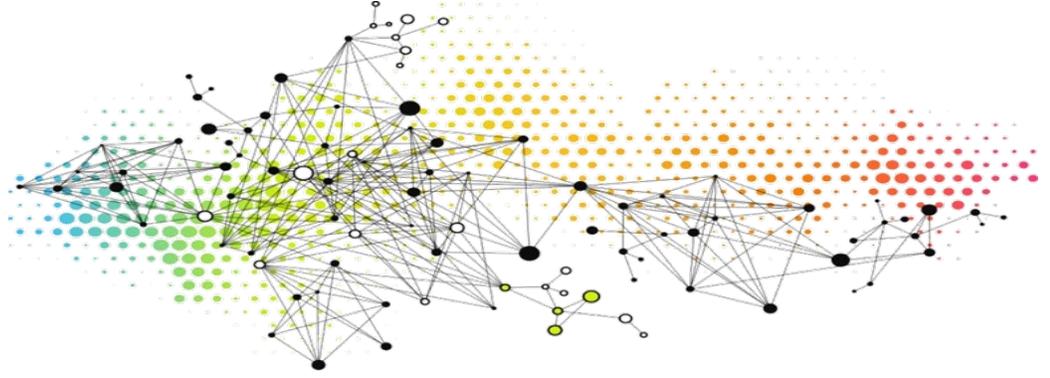
TECHNICAL ASSISTANCE REPORT—NATIONAL ACCOUNTS STATISTICS MISSION

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 on April 2021.

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REPORT ON NATIONAL ACCOUNTS STATISTICS MISSION (APRIL 19–23, 2021)

Prepared by Gregory Legoff

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Glossary

GSO	General Statistics Office
IOTs	Input-output tables
SUTs	Supply and Use Tables
TA	Technical assistance

SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

1. **At the request of the General Statistics Office (GSO) of Vietnam, a national accounts technical assistance (TA) mission was conducted remotely during April 19–26, 2021.**¹ The purpose of the mission was to provide training and recommendations to the GSO on measurement of non-observed economy. This was part of a series of missions to support the compilation of a new national accounts benchmark. Following technical discussions during a mission conducted in November 2020, additional considerations were given to the choice of the benchmark year in the context of the pandemic. This mission was funded by the IMF's Data for Decisions project.² Further TA is required to assist the GSO in rebasing its national accounts, compiling supply and use tables (SUTs), input-output tables (IOTs), and reviewing GDP estimates for recent years.

2. **A good measure of non-observed activities is important for policy makers for formulating, implementing, monitoring, and analyzing macroeconomic and social policies.** Following recommendation from the previous mission, the GSO has identified all non-observed activities and possible indicators to be incorporated in the next national accounts benchmark. While all activities in scope of GDP should be measured, it is necessary to prioritize the activities based on GDP contributions. This will maximize the use of statistical resources and enable focus on key activities. The GSO indicated that estimates of illegal and underground activities will be compiled but not incorporated in the published GDP estimates. It is recommended to provide users with the best statistics available, including on illegal and underground activities in scope of GDP. Excluding some activities from sets of estimates would introduce inconsistencies in accounts.

3. **The GSO should lead the statistical process with other data providers to measure non-observed activities.** Government agencies, such as Customs, will provide key source data. However, data providers lack statistical capacities and the GSO, which has statistical expertise, should guide the process ensuring source data are suitable for national accounts and coordinate and engage with data providers.

4. **A careful review of the choice of benchmark year is needed.** Initially, 2020 was selected before the pandemic and large collection programs have already started, the structural impact of the pandemic on the economy could adversely impact quality of the benchmark. Discussions with the GSO showed ratios and assumptions derived from the benchmark year will be used to derive estimates for following year. While this is a common practice, unusual patterns, i.e., tourism-related activities, will not be represented in following years. This could distort future estimates. The view of the mission is that distortions created by an unusual benchmark year would

¹ Initially the planned mission for April 19-23, was moved to one session on April 26 due to a Vietnamese holiday.

² See <https://www.imf.org/en/Capacity-Development/D4D>.

be greater than benefits gained from better source data for 2020.

5. To support progress in the above work areas, the mission recommended a detailed action plan with the following priority recommendations to improve the measurement of non-observed activities. The mission also followed up on previous recommendations and encouraged the GSO in pursuing efforts to develop a monthly indicator of economic growth and to improve the business register with TA from the IMF.

Table 1. Vietnam: Priority Recommendations

Target Date	Priority Recommendation	Responsible Institutions
August 2021	Finalize the choice of the benchmark year.	GSO
August 2021	Prioritize the list of non-observed activities.	GSO
August 2021	Develop methodologies to improve the coverage of the non-observed economy.	GSO

Further details on the priority recommendations and the related actions/milestones can be found in the action plan under *Detailed Technical Assessment and Recommendations*.

DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

Table 2. Vietnam: Detailed Recommendations

Priority	Action/Milestone	Target Completion Date
Outcome: Data are compiled and disseminated using the concepts and definitions of the latest manual/guide		
HIGH	Finalize the choice of the new benchmark year.	August 2021
HIGH	Prioritize the non-observed activities.	August 2021
MEDIUM	Coordinate data on non-observed activities with providers.	August 2021
HIGH	Develop methodologies to improve coverage of non-observed economy.	August 2021
MEDIUM	Finalize the data collection for the new benchmark year.	December 2021
MEDIUM	Populate the SUTs for the benchmark year incorporating non-observed activities and new source data from administrative sources, economic census, agriculture, forestry and fishery survey, household living standard survey, and capital investment survey.	March 2022
MEDIUM	Develop methodologies and procedures to compile chain-linked volume estimates for annual and quarterly GDP estimates.	March 2022
MEDIUM	Balance the SUTs for the benchmark year.	May 2022
HIGH	Finalize the SUTs and IOTs for the benchmark year.	June 2022

Priority	Action/Milestone	Target Completion Date
MEDIUM	Develop a strategy and methodologies to backcast national accounts estimates aligned with the new benchmark.	August 2022
MEDIUM	Organize outreach events to users to communicate the rebase and new methodologies.	September 2022
MEDIUM	Backcast national accounts estimates.	November 2022
MEDIUM	Start pilot-testing compilation and preparation of quarterly national accounts using chain-linking.	December 2022
MEDIUM	Publish rebased national accounts and backcasted series.	March 2023

A. Improving the Coverage of Non-Observed Activities

6. Progress was achieved by the GSO since the November 2020 mission to identify non-observed activities classified into the categories below according to the following:

- a. **Underground activities:** Legal economic activities that are deliberately concealed to avoid payment of taxes and social security contributions or complying with some regulations.
- b. **Illegal activities:** Productive activities that generate goods and services forbidden by law or that are unlawful when carried out by unauthorized producers.
- c. **Informal sector production:** Productive activities conducted by unincorporated enterprises in the household sector that are unregistered and/or are less than a specified size in terms of employment and have some market production. The GSO clarified that these activities do not require business registration.
- d. **Household production for own final use:** Productive activities that result in goods or services consumed or capitalized by the households that produced them.
- e. **Missing activities due to statistical deficiencies:** Productive activities to be accounted for by the basic data collection program but are missed due to statistical deficiencies.

7. The GSO would like to produce exhaustive estimates of GDP but also separate estimates for each of the non-observed economy categories. Assessing the contribution of non-observed activities to GDP would help policy makers understanding the implication of moving some activities from the informal sector to the formal sector to increase tax revenues for example. A measure of the number of workers or the number of producing units in the non-observed activities would help formulating and monitoring social and economic policies.

8. Categories used to measure non-observed activities often overlap. For example, underground activities have an illegal component since lacking to comply with regulations or avoiding due taxes is illegal. However, the distinction between the legality of the activity itself and possible law infringements while conducting this activity needs to be made. For example, failure to comply with safety regulations, even when this leads to criminal charges, does not mean that the activity is illegal if it relates to the legal production of goods and services. The example of taxi drivers was discussed during the mission: failure to comply with safety or road regulations may lead to fatal accidents, lawsuits, and criminal charges. However, this would not justify classifying the activity itself—transport services in this example—as illegal. There may be borderline cases,

but the overall approach discussed during the mission is to strictly stick to the definition above. For the same reason, the approach envisaged by the GSO to use the level of maximum legal charges as a criterion to classify the activities in the underground or illegal category is not recommended.

9. Non-observed activities contributing to the economy need to be prioritized to maximize the use of limited statistical resources by focusing on key activities. The list of activities identified by the GSO is very long and detailed. It seems unrealistic to dedicate significant statistical resources to measure each of these activities and the impact of some of them appear to be very limited. For example, the GSO identified several organ trafficking activities which may exist but are assumed to be limited. Activities and possible indicators are discussed in the Appendix.

10. The GSO should provide statistical leadership needed to collect source data on non-observed activities in the context of the National Statistical System. Data providers such as ministries, Committees of provinces or cities, and other data producers are rarely statistical experts, particularly on national accounts. They should receive clear guidance from the GSO on what should be measured and how. The GSO should review the methodologies used by data providers to assess the quality of the source data for their incorporation in the national accounts estimates.

11. Only transactions, based on mutual agreements, are to be included in national accounts. Therefore, theft, extortion, robbery, and kidnapping are not in scope. This could lead to small inconsistencies since part of the income generated by these activities would be spent on legal and good and services or other legal transactions such as the acquisition of legal assets.

12. A key objective when measuring non-observed activities is to improve the coverage of national accounts and compile representative estimates of the economy for decision makers. Developing supply and use tables for the benchmark year will assist in filling gaps and identifying missing transactions. By selecting better quality data either on the supply or on the use side at the detailed product level, non-observed activities can be detected, and corrections can be made to improve their coverage. Lacking to include some productive activities would distort the estimates, impair international comparisons, and bias the estimate of GDP growth rate. Failing to include some activities would also create internal inconsistencies in the accounts. It is essential to publish estimates on the non-observed activities to all users.

13. A key statistical principle relates to equality of access to information. This is the first statistical principle from the United Nations Statistics Division³ and the IMF's Data Quality Assessment Framework.⁴ The mission recommended to compile and publish estimates of all non-observed activities publicly, including illegal and underground activities, making a significant contribution to GDP. A primary objective of measuring non-observed activities, is improving the

³ See <https://unstats.un.org/unsd/goodprac/bpaboutpr.asp?Reclid=1>.

⁴ See item 5.1.4 at https://dsbb.imf.org/content/pdfs/dqrs_nag.pdf.

coverage of economic activities and the representativity of GDP, but the risk of double counting some activities should also be monitored.

14. Informal digital activities will require particular attention. Detailed training was provided on measurement issues of digital activities in addition to a training on the measurement of non-observed activities. Digital activities, informal or not, do not have specific conceptual issues but the development of digital platforms has facilitated informal production activities by households which have increased in recent years. These activities used to take place before, but they have been facilitated by digital platforms which ease the intermediation between producers and consumers. For example, informal taxis have existed for a long time but the availability of platforms like Uber or Grab in Vietnam have greatly increased the possibility of intermediation.

15. Digital activities are growing and specific source data to measure them may be available. Resident digital platforms may be formal, particularly large-scale operations. Like other corporations, these businesses should provide data from usual sources such as business surveys, tax records, and these data could help measuring informal activities conducted by households registered on the platform. For example, households reselling goods online using domestic digital platforms are likely to be informal units but the digital platforms itself may be formal. Households would not be registered as employees with these platforms but data on sales for example could provide useful indicators. Data from non-resident platforms could be captured from the banking system when international transactions are involved such as payments to Vietnamese residents.

B. The New Benchmark Year

16. The choice of the new benchmark year could be reconsidered. Unusual economic patterns for 2020 due to the pandemic and its economic consequences will adversely affect the quality of future post-pandemic estimates if they are based on 2020 benchmark. Adopting 2020 as the new benchmark year was decided before the pandemic and large collection programs such as the household survey and the economic census could not be rescheduled. This point was made during the previous mission conducted in November-December 2020 and the GSO indicated at that time that plans were too advanced to change the choice of the new benchmark year. The points discussed below could be considered by the GSO before making a final decision.

17. Assumptions derived from the benchmark year will be used to compile estimates for following years. Benchmark estimates should be representative of the period until a new benchmark is compiled. A key objective of the benchmark is to collect better source data which cannot be collected every year and derive economic relationships that can be extrapolated. For example, detailed estimates of the non-observed economy derived from the benchmark year could be extrapolated for following years when annual data collection and analysis are not possible. This could lead to biases in estimates if during the pandemic workers lost their formal jobs, i.e., the tourism industry, and moved to the informal sector. During periods of economic hardship, the informal sector can be counter-cyclical. Other structural economic changes due to the pandemic would also affect the representativity of the benchmark year if 2020 is used. Extrapolating

temporary situations created by the pandemic would distort estimates for following years.

18. The extrapolations of ratios derived during the pandemic could create biases in specific industries. Detailed intermediate consumption estimates by product cannot be collected every year and some ratios derived from the benchmark will be used during following years. Depending on the extent of this practice, selecting 2020 as the new benchmark will introduce biases in estimates derived after 2020 when the economic situation will get back to normal. One example is the tourism industry which was greatly affected by the pandemic in 2020: both the number but also the type of tourists in 2020 would be different from normal years. With the reduction of international flights, local tourists would represent a higher proportion of the total number of tourists during normal years than in 2020 and their consumption pattern would be different for foreign tourists. One can assume that foreign tourists would spend more per person and per day for example by staying in more expensive hotels than local tourists. The intermediate consumption-to-output ratio is likely to be different depending on the type of accommodation and extrapolating these ratios will bias the estimates when the economy is back to normal. The GSO confirmed that ratios compiled for the benchmark year are used for following years, at least for some industries but no detailed information on their contribution to GDP was available during the mission. While chain-linking will mechanically update the price structure of the national accounts' components, it will not correct these types of ratios.

19. Temporary closures due to the pandemic could also affect future data collection and the business register. Using the example of tourism again, the closure of hotels and restaurants, and more particularly those receiving foreign tourists would also introduce biases in the business register due to non-response. This risk should be monitored by the GSO and corrections should be made, if needed, using alternative data sources such as tax records for example.

20. Volume and price adjustments could be made to data collected before 2019 to improve the quality of source data if 2019 was selected as the benchmark year. For example, the household living standard survey for 2018 could be adjusted to 2019 by adjusting for price and volume changes. On the contrary, data collected for households in 2020 could be misleading if patterns of consumption were to be extrapolated from 2020 due to their lack of representativity as explained in previous paragraphs. The availability of supply and use tables for 2016 could also assist with the compilation of a new benchmark for 2019.

21. New source data collected for 2020 would remain relevant to compile estimates. One could argue that 2020 may be representative for a longer period than expected if the pandemic and its economic effects persist. Shortcomings related to 2019 could be overcome by compiling a new benchmark in the coming years. The overarching objective remains to publish the best possible national accounts estimates and the view of the mission is that this objective might be best achieved by using 2019 instead of 2020. Further analysis considering the issues discussed above would be required. A key aspect will be the contribution of activities to the total GDP for which fixed ratios are used. If large components of GDP are compiled using fixed ratios derived from the benchmark year, then the risk of biases will increase for post-pandemic years. The GSO should compile information to guide the decision. The mission remains available to provide further

guidance as needed. The table below summarizes some of the points articulated in this section.

Table 3. Vietnam: Summary of Considerations for the Benchmark Year

Issue	2019	2020
Source data	Pros: Specific survey data available for example trade and construction. Some source data available for 2017 or 2018 could be adjusted. Cons: the coverage and detail of collected data is less than for 2020.	Pros: More source data available, most notably the from the economic census or household survey. Cons: data collected in 2020 may be biased due to non-responses resulting from temporary closures of businesses.
Representativity	Pros: 2019 is more representative of a normal year. Cons: 2019 is less representative of “pandemic” years.	Pros and cons: reverse of 2019 depending on how long the pandemic and its economic effects will last.
Planning, budget, and communication with users	Cons: the GSO would have to change its plans. Survey costs may appear difficult to justify if results are not used for the benchmark. Changes will have to be explained to users. Pros: data collected for 2020 will be useful to measure activities of years affected by the pandemic.	Pros: plans are already in place for 2020. Expenditures made on surveys are easier to justify.

C. Officials Met During the Mission

Name	Title	Department
Lê Trung Hiếu	Director	SNA department
Nguyễn Thị Mai Hạnh	Deputy Director	SNA department
Nguyễn Diệu Huyền	Deputy Director	SNA department
Nghiêm Thị Vân	Senior Statistician	SNA department
Nguyễn Thùy Dương	Senior Statistician	SNA department
Vũ Thị Hải Anh	Senior Statistician	SNA department
Nguyễn Thị Hậu (A)	Senior Statistician	SNA department
Hà Quang Hải	Senior Statistician	SNA department
Nguyễn Phương Anh	Senior Statistician	SNA department
Ngô Như Vẻ	Statistician	SNA department
Nguyễn Thị Ngân	Statistician	SNA department
Nguyễn Thị Hậu (B)	Statistician	SNA department
Đặng Thị Bích Hồng	Statistician	SNA department
Lê Thị Phương	Statistician	SNA department
Đặng Ngọc Tú	Statistician	SNA department
Nguy Thị Thu Hường	Statistician	SNA department
Nguyễn Thị Ngọc Mai	Statistician	SNA department
Đoàn Thị Hồng Hạnh	Senior Statistician	

Đinh Sỹ Nguyên	Statistician	Agriculture, forestry and fishery Statistics Department
Nguyễn Nam Phương	Statistician	Industrial and Construction Statistics Department
Ngô Thị Ngân	Statistician	
Nguyễn Thanh Thế	Statistician	Trade and Services Statistics Department
Đinh Thị Việt Phương	Senior Statistician	
Nguyễn Thu Dung	Statistician	Population and Labor Statistics Department
Hồ Thị Kim Nhung	Senior Statistician	Social and Environment Statistics Department
Nguyễn Thị Thanh Tâm	Senior Statistician	
Vũ Thị Như Trang	Senior Statistician	Statistical Methodology and Quality Management Department
Đậu Thị Quỳnh Trang	Researcher	Institute of Statistical Science

Appendix I. Review of Indicators to Measure Non-Observed Activities

The GSO should clearly specify its data needs from data providers and review their methodology to assess the source data quality. For example, values of sales, volumes produced (quantities, volume indices, etc., estimates of intermediate consumption, income generated, and the number of employees (if possible, by gender for other types of analysis) would be key data items to collect. The availability, coverage, frequency of estimates (annual, quarterly, or monthly), the availability of current price and volume estimates, as well as how closely the source data relate to national accounts concepts should be considered when assessing the source data.

The GSO provided a long list of activities and related indicators which for presentational reasons is not all included in this report but the mission highlighted that some activities, which do not appear to be of significant importance in the economy, could be considered as a lower priority. The mission recommended focusing on key activities contributing to GDP to prioritize this review. A selection of activities and comments are discussed below.

Underground Activities:

Since these activities relate to underreporting or concealment from the authorities, it should be assumed that all economic activities can potentially be affected. When activities are concealed to avoid compliance with regulations (employment, safety, etc.) the GSO could approach the relevant regulatory authorities to collect some information. A major reason of underreporting is to avoid paying taxes. The tax office should be approached by the GSO to collect data or qualitative information on the types of fraud and their magnitude by industry. Qualitative information can be useful in the absence of quantitative estimates.

Some activities identified by the GSO appear to be relatively insignificant, for example “Transferring shares, bonds to be offered for sale or privately issued during the transfer restriction period, except for cases prescribed by law to gain illegal profits”. While these fraudulent activities exist, they might be very limited in terms of impact to GDP and the statistical resources dedicated to their measurement should therefore be limited.

Illegal Activities:

Again, law enforcement agencies should be a key source of data. Illegal fishing may be a significant activity and agencies involved in monitoring fishing activities should be approached by the GSO to enquire about the data availability. Major illegal activities usually relate to prostitution as well as production and trafficking of illegal drugs.

Informal Activities:

This is a key component of the non-observed activities and it should attract particular attention from the GSO. The mission recommended adding agriculture and fishing in the informal activities listed by the GSO. Additional source data for the agriculture industry to those listed by the GSO may include data on areas under cultivation and average yield rates (may be available from the Ministry of Agriculture and Rural Development). The latest agriculture census or aerial/satellite images could be used. Livestock data, including livestock models, which might be produced by

other institutions could be useful.

For constructions services, building permits and housing models could be used. Using the product flow approach could assist in measuring the production of informal construction activities.

Construction materials can be used as indicators.

Common industries with large informal activities components are trade and transport. Using a product flow approach and estimates of household final consumption expenditure can assist in measuring the value of trade and transport margins produced by households. Trade and transport surveys are also useful. For informal transportation services, registration records data can be used.

Accommodation services, food services, domestic services, education, health and personal services, can be measured using household final consumption expenditure estimates. Information measured for tourists could also be used for accommodation and food services. Domestic services are often provided informally, and household expenditure surveys results could provide useful source data. The GSO should concentrate on other informal activities if they make a significant contribution to the economy.

Mining and quarrying activities also appeared to be missing in the list of informal activities provided to the mission although their importance might be limited. If mined minerals are exported without processing, the merchandise trade statistics of these raw minerals could be used as an indicator particularly if exports from formal producers are known.

The advent of digital platforms has also facilitated the production of services by households for example programming of mobile applications. Business, professional, and technical services can also be provided through digital platforms, exacerbating the production and transactions of these services.

Production for Own Final Consumption:

The production of housing services by owner occupiers is major component which should require particular attention. Estimates already exist and it is important to review these estimates using basic plausibility checks such as the average monthly rental services for the new benchmark.

Other large items in this category include agriculture, fishing, and construction activities which should be measured using the same approach, and potentially the same data sources as for the other non-observed activity categories.