Development Finance Assessment Snapshot

Viet Nam

Financing the future with an integrated national financing framework

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Viet Nam: Financing the future with an integrated national financing framework

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Executive summary

Across Viet Nam and the ASEAN region as a whole, ambitions are high for the progress that can be achieved in the era of the Sustainable Development Goals (SDGs). Realizing these ambitions will require mobilizing the right scale and mix of financing, incorporating all resources—public and private, domestic and international. This paper forms part of a project to assess the financing challenges and opportunities that ASEAN countries face, and the policies and institutional frameworks that governments can use to address them in implementing the SDGs. It is one of 10 country studies undertaken alongside an ASEAN regional report, in order to facilitate dialogue at the country and regional levels about financing the SDGs. Viet Nam has embraced and is committed to the 2030 Agenda and the implementation of the global SDGs. This paper outlines its sustainable development context and current financing landscape, and applies the lens of an integrated national financing framework (INFF) to examine how government policies and institutional structures are set up to respond to the financing challenges and opportunities that Viet Nam will face.

Sustainable development and financing context: Substantial economic growth following significant reforms in the 1980s, along with external assistance, have helped Viet Nam to achieve significant social and developmental progress in recent decades. Broad, measurable achievements have been made in public health and education, as well as major reductions in extreme poverty and chronic hunger. The greatest challenges in the SDG era are likely to include targets for nutrition, tuberculosis and child labour. Viet Nam also faces significant challenges in some of the environmental dimensions of sustainable development, namely targets for climate change vulnerability, deforestation and water pollution.

The country’s financing landscape has changed in recent years, with steady growth in total resources, including from domestic, international, public and private sources (Figure 1). While the overall composition of resources generally resembles the average mix for the ASEAN region, international private finance constitutes a greater share of total financing (27 percent) in Viet Nam than in other ASEAN states (an average of 23 percent). Conversely, domestic private finance constitutes a smaller share of total resources (23 percent) in Viet Nam than in other ASEAN states (31 percent average). International public resources currently account for 7 percent of total resources, and grew up until 2015, when they saw a small decrease. Official development assistance (ODA), other official flows (OOF) and international public climate finance are particularly significant in Viet Nam, and are higher in per capita terms than in many other ASEAN states. Domestic public finance has also grown in recent years. Non-government revenue is the largest source of this type, and indeed the single biggest resource type overall. Notably, however, tax-based revenues represent a smaller share of total government revenue than in other ASEAN nations.

Looking ahead, Viet Nam’s key financing challenges and opportunities relate to the need to diversify its tax base away from oil and natural resource revenues; reduce the share of ODA in international public finance; and mobilize additional domestic private capital and maximize the potential of foreign direct investment (FDI).
An Integrated National Financing Framework (INFF) for Viet Nam: An INFF is a framework of policies and institutional structures designed to take a holistic approach towards managing and mobilizing all types of financing—domestic, international, public, private—for sustainable development results. It has six building blocks, which work together to align a government’s financing strategy across all available resources. These frameworks provide a structure and a prompt for governments to assess their financing frameworks as a whole, and to guide thinking about reforms that are needed to strengthen them to implement a strategic, holistic, results-driven approach to financing their development objectives. Viet Nam could benefit from such a framework, utilizing the INFF concept to strengthen its approach to financing both the SDGs and its own national vision.

Looking ahead, Viet Nam is targeting accelerated economic growth and greater macroeconomic stability. Toward these ends, it has an established framework for planning and financing its national development objectives. Its Socio-Economic Development Strategy (SEDS) outlines the national vision, together with directions and actions for national development, while a five-year financial plan and public investment plan provide a financing framework to mobilize and operationalize budgetary resources for this vision. This provides a strong enabling environment for adopting the SDGs. Viet Nam has a formal National Action Plan (NAP) for the Implementation of the 2030 Sustainable Development Agenda, which provides actions for aligning the SDGs with national policies and goals, and also has a National Council on Sustainable Development and Competitiveness Enhancement, which leads and supports the implementation of Agenda 2030 and the SDGs.

The government has a number of general financing policies in place in support of national development and to prevent unsustainable public debt: for example, it has public debt ceiling and policies on managing public debts. To improve the efficiency of public spending, it has the Public Investment Law, which regulates use of the government budget and helps to consolidate the management of public investment. The law also helps to improve the transparency of public investment processes, specifically
by encouraging public participation in the identification of priorities. There are also a number of policy and legal frameworks to attract private investment into the economy, such as FDI and public–private partnerships (PPPs), which are either currently being implemented or are in development.

Viet Nam has relatively good data and has experience in mainstreaming Millennium Development Goal (MDG) monitoring into national systems. The high number of SDG indicators and disaggregation requirements, however, pose significant challenges for its statistical system.

**Recommendations:** Viet Nam is at a pivotal moment, in the early stages of planning and operationalizing its own sustainable development agenda and Agenda 2030. The ambitious objectives outlined in its NAP and SEDP will require mobilizing the right scale and mix of resources for these to be realized. Doing this sustainably requires a series of policies focused on each area—to raise government revenues, invest public finance, stimulate FDI and domestic SME growth—as does the effective management of external resources, such as ODA and climate-specific finance. Ensuring that these policies are grounded in a clear overall financing strategy that outlines their respective roles and expected contributions to sustainable development would help to enhance their focus and effectiveness. Such an overarching financing strategy could be incorporated within the NAP and future SEDPs. Looking ahead, it is crucial that plans at ministerial, sectoral and local levels are coherent and that implementation efforts are coordinated for the most effective delivery of the national vision and development results.

The government could also consider making stronger links between resources and development results. Because there is no results-based framework either in development planning or in the budgeting system, it is impossible to link actual mobilized investment with achieved outcomes. Moving to a results-based management system might better serve the government to implement, monitor and evaluate financing strategies and policies. Additionally, establishing a centralized monitoring framework to track the impact of financing across government outputs, financing instruments, outcomes and contributions to the long-term national vision might also contribute to greater efficiency in mobilizing financing for sustainable development.
1. Introduction

Across Viet Nam and the ASEAN region as a whole, ambitions are high for the progress that can be achieved in the era of the Sustainable Development Goals (SDGs). Realizing these ambitions will require mobilizing the right scale and mix of financing, incorporating all resources—public and private, domestic and international. This paper forms part of a project to assess the financing challenges and opportunities that ASEAN countries face, and the policies and institutional frameworks that governments can use to address them in implementing the SDGs. It is one of 10 country studies undertaken alongside an ASEAN regional report, in order to facilitate dialogue at the country and regional levels about financing the SDGs.

With substantial economic growth and with external assistance, Viet Nam has achieved commendable development progress in recent decades and has experienced broad, measurable improvements in living standards and in health and education, as well as major reductions in extreme poverty and chronic hunger. It has embraced and is committed to the 2030 Agenda and the implementation of the global SDGs, and has its own ambitious agenda for sustainable development.

Action at the country level will be key to implementing the SDGs, Financing for Development and other global agendas. The Addis Ababa Action Agenda states: “Cohesive nationally owned sustainable development strategies, supported by integrated national financing frameworks [INFFs], will be at the heart of our efforts.”¹ The Inter-Agency Task Force on Financing for Development notes in its 2017 report that INFFs, which take into consideration all financing sources and policies, can provide coherence across strategies and plans designed to implement the SDGs.² An INFF is a framework of policies and institutional structures designed to take a holistic approach to managing and mobilizing all types of financing—domestic, international, public, private—for sustainable development results. It has six building blocks, which work together to align a government’s financing strategy across all available resources. These frameworks provide a structure and a prompt for governments to assess their financing frameworks as a whole, and to guide thinking about reforms that are needed to strengthen them to implement a strategic, holistic, results-driven approach to financing their development objectives.

Using the concept of an INFF, the Development Finance Assessment (DFA) approach³ that this paper follows can help countries to identify areas for strengthening their management of financing for the

³ UNDP’s Bangkok Regional Hub has been developing the Development Finance Assessment (DFA) and Integrated Financing Solutions to respond to growing demand from countries to establish evidence and analysis and to introduce policy and institutional reforms for managing the increasing complexity of domestic and international sources of finance for development. The DFA and Integrated Financing Solutions support governments to use the concept of the INFF to help strengthen policies and actions for mobilizing different types of finance for economic, environmental and social results within a single, coherent framework. See more at: http://www.asia-pacific.undp.org/content/rbap/en/home/ourwork/democratic-governance-and-peacebuilding/ap-def.html. More on the DFA approach can be found here: http://www.asia-pacific.undp.org/content/dam/rbap/docs/MeetTheSDGs/Achieving%20the%20Sustainable%20Development%20Goals%20in%20the%20Era%20of%20the%20AAA%20-%20DFSas%20a%20tool%20for%20Linking%20Finance%20with%20Results.pdf
SDGs with Integrated Financing Solutions. A DFA helps a government to understand and adapt its policies, institutions and strategies for the financing challenges that it will face in realizing results across the economic, environmental and social dimensions of sustainable development, and supports the government to establish and strengthen an INFF. It assesses two main questions:

1. What are the main financing challenges and opportunities for achieving sustainable development objectives?
2. How can the government strengthen an INFF that will address these challenges and opportunities?

The approach aggregates a wide range of existing assessments from government, international agencies and other partners that analyse specific aspects of this sustainable development, financing and policy and institutional context. It adds value by collating these analyses, taking a ‘big picture’ perspective across them all and applying the lens of an INFF to assess the priorities for government across financing as a whole. In doing this, the paper establishes an analytical baseline for an INFF and provides recommendations on how to strengthen the policies and institutional structures that the government uses to manage its financing strategies. It presents a roadmap outlining steps that the government and its partners can take to strengthen the INFF or to leverage new flows, including follow-up discussions and analysis that may be developed in a later phase. The results of this exercise will feed into an additional study, to be produced with a nationally-coordinated team of consultants, exploring the future of development finance in more detail.
2. Context

This chapter outlines the key trends and outlook against the social, economic and environmental dimensions of the 2030 Agenda and presents available information on progress to date against the SDG targets.

2.1 Sustainable development

Viet Nam is a lower-middle-income country which has experienced substantial economic growth since a number of major reforms were introduced in 1986. Strong, uninterrupted GDP growth since 1990, driven primarily by growth in productivity, has contributed to measurable social and developmental progress across various sectors.

The country report on Viet Nam’s progress on the Millennium Development Goals (MDGs), produced in 2015 and reporting on the final stage of implementation, shows that the country made significant progress towards achieving the MDGs. The report highlights particular achievements in economic growth, poverty reduction, gender equality and the introduction of environmental protection policies. The latest available data from the UN and the World Bank show that Viet Nam has achieved more than 70 percent of the 21 targets set as part of the MDG process. It was still classified as being ‘on track’ for achieving one target; on three others it was considered to be making slow progress, and on only one target—CO\(_2\) emissions per unit of GDP—was it considered to be regressing (there are no data available on gender equality in secondary education). The country has witnessed major reductions in the incidence of extreme poverty, achieving and far exceeding its target within the MDG period; the most recent data show that the proportion of people experiencing extreme poverty had fallen from 38.8 percent of the population in 2002 to just 3.1 percent in 2014—the largest reduction of any ASEAN country over this period. Viet Nam has also maintained its already positive education indicators, with the most significant improvements being made in the proportion of children reaching the final grade, which increased from 82.8 percent in 1999 to 96 percent in 2014. Health-based indicators showed mixed success, however: while the incidence of TB has fallen by 29 percent since 1990, neither the maternal nor infant mortality rate has fallen as much as was needed to meet the targets set in the MDG process.

Viet Nam’s briefing note for countries on the 2016 Human Development Report (HDR) provides a snapshot of its human development context and an overview of recent progress, using key indicators of human development. The report highlights the country’s improvements in life expectancy, mean and expected years of schooling and income per capita. Viet Nam’s calculated Human Development Index (HDI) value for 2015 of 0.683 puts it in the medium human development category, just below above the average for East Asia and the Pacific (0.746). On this measure it is above Myanmar (0.556), Cambodia (0.563) and Laos PDR (0.586), and similar to the Philippines (0.682). Viet Nam is, however, outranked by Indonesia (0.689), Thailand (0.740), Malaysia (0.789), Brunei (0.865) and Singapore (0.925).

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Looking ahead, Viet Nam will face particular challenges in achieving SDG targets in a number of areas, especially across the social and environmental dimensions of sustainable development. The most recent data indicate which targets may be the most difficult for it to achieve.6 These include the prevalence of stunting (low height for age) in children under five years old (Goal 2); the incidence of TB (Goal 3); expected years of schooling (Goal 4); the percentage of children aged 5–14 involved in child labour (Goal 8); improved, piped water sources (Goal 11); the percentage of anthropogenic wastewater that receives treatment (Goal 12); the Climate Change Vulnerability Index (Goal 13); the Ocean Health Index—Clean Waters (Goal 14); annual changes in forest area (Goal 15); and the Corruption Perception Index (Goal 16).

Economic development

**Figure 2.1: GNI per capita, 2000–2015**

<table>
<thead>
<tr>
<th>Year</th>
<th>GNI per capita (Atlas Method), US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>500</td>
</tr>
<tr>
<td>2005</td>
<td>1,000</td>
</tr>
<tr>
<td>2010</td>
<td>1,500</td>
</tr>
<tr>
<td>2015</td>
<td>2,000</td>
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</tbody>
</table>

**Source:** World Bank data bank

The macroeconomic outlook for Viet Nam is an upward trend, and the country has made strong progress towards financing the SDGs. As a result of strong growth in gross national income (GNI), it graduated from low-income country (LIC) status in 2008, moving to lower-middle-income country (LMIC) status. GNI per capita has increased robustly, more than tripling from $680 in 2005 to $2,050 in 2016. However, Viet Nam still lags significantly behind the ASEAN average, which reached $4,011 per capita in 2015.

Following the Asian financial crisis, gross domestic product (GDP) has experienced a lesser, but still significant, increase since 2000, with a per capita increase of 118 percent—up from $957 in 2000 to $2,088 in 2015.

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Viet Nam is one of the best-performing nations in terms of poverty reduction, having attained the MDG target on poverty reduction ahead of schedule. The rate of extreme poverty (the proportion of the population living on less than PPP$1.90 a day) is now 3.1 percent—below the ASEAN average, which itself has decreased substantially in recent years. Against the national poverty line, poverty has also reduced significantly in recent years, with the rate currently standing at 7 percent.

This remarkable achievement in poverty reduction is the outcome of powerful and inclusive economic growth, together with trade liberalization and poverty reduction policies targeted directly at disadvantaged groups.

In addition to the reduction in extreme poverty, inequality amongst the population is an important factor to consider. Inequality is measured by the Gini index, a measure between 0 and 1, where 0 represents perfect equality and 1 represents perfect inequality. For Viet Nam, the index has fluctuated from 0.373 in 2002 to 0.427 in 2010, and back to 0.376 in 2014, suggesting that inequality has fallen since 2010. A reduction in inequality will be vital to ensure that any gains from economic development are experienced by the entire population and not just a few. Data from 2015 show that the unemployment rate is relatively low, at around 2.1 percent, although child labour still remains prevalent, with children making up 16.4 percent of the workforce in 2014.

Like other countries in the region, Viet Nam had a relatively high primary school enrolment rate even at the beginning of the MDG period, and this has stayed relatively constant over time. But there have been improvements in the proportion of children reaching the final grade in primary education, which increased from 82.8 percent in 1999 to 96 percent in 2014. Furthermore, data on primary completion show a positive trend, with the proportion of children completing primary education reaching 104 percent in 2015. Viet Nam’s MDG progress report in 2015 highlights an enrolment rate of 81.3 percent in 2013.

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7 These figures are based on the latest available data, sourced from ESCAP Online Statistical Database and based on data from the UNESCO Institute for Statistics (UIS) Data Centre, 25 October 2016. http://data.unescap.org/escap_stat/
8 Due to the methodology of this indicator, values can exceed 100 percent in some circumstances e.g. as a result of under- or over-aged children entering education later/earlier or repeating some grades.
Regarding health, attainment of the targets was mixed for Viet Nam over the MDG period; nevertheless, it is making progress towards most of them, albeit at different rates. As in most other ASEAN countries, the incidence and prevalence of TB\(^\text{10}\) have been falling, with the prevalence rate dropping from 560 per 100,000 people in 1990 to 209 per 100,000 people in 2013. In addition, Viet Nam has met its target for safe drinking water and basic sanitation; over the MDG period, it significantly increased the proportion of people with access to safe drinking water, from 63 percent in 1990 to 98 percent in 2015. This progress has been replicated with improvements in the population’s access to basic sanitation, which has more than doubled to 78 percent over the same timeframe.

Although targets on maternal and infant mortality are yet to be achieved, progress has been made in reducing maternal mortality, with rates falling by 61 percent from the beginning of the MDG period. Viet Nam has the fifth lowest maternal mortality rate in the ASEAN region.\(^\text{11}\) However, after falling consistently year on year, levels of maternal mortality have remained relatively constant since 2005, decreasing only from 61 per 100,000 in 2005 to 54 per 100,000 in 2015.

Over the MDG period HIV prevalence increased sharply, from 0.01 percent in 1990 to a peak of 0.42 percent in 2007 and 2008. Since 2008, however, the rate has stabilized, with the most recent data showing that the prevalence of HIV has fallen marginally, to 0.4 percent in 2013. Lastly, road traffic deaths stand at 24 per 100,000, the second highest rate in ASEAN.

Following on from the health indicators, according to the most recently available data\(^\text{12}\) on nutrition, the rate of stunting in children under the age of five stands at 23.3 percent. While this is lower than in some other ASEAN countries, the prevalence of stunting could present a major challenge to Viet Nam and threaten the success of the global target to reduce the number of stunted children to fewer than 100 million by 2025. There is significant research to suggest that investments in combating child malnutrition can lead to economic returns in the future;\(^\text{13}\) therefore it is important that continued investments are made in the nutrition sector. Figures on the prevalence of wasting show a more positive trend relative to the global average, with 4.4 percent of the population experiencing wasting and a further 1.5 percent with severe wasting—both below the global figures of 7.7 percent and 2.5 percent respectively.\(^\text{14}\)

Like almost all other ASEAN nations, Viet Nam has achieved or exceeded targets for gender parity in primary education,\(^\text{15}\) with the gender parity index for primary education reaching 0.99 in 2015. There is poor availability of data for secondary education, with the latest available data being from 1998, but in that year the gender parity index recorded 0.9 females for every male. At the tertiary level, the gender enrolment ratio reached parity in 2007.

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\(^{10}\) This indicator is from SDG 3. The target is to end the epidemic of TB by 2030.

\(^{11}\) This indicator is from Goal 3 of the SDGs. The target is to reduce the global mortality ratio to less than 70 per 100,000 live births.

\(^{12}\) World Bank (2010), World Development Indicators.


\(^{14}\) This indicator is from SDG 2. The target is to end all forms of malnutrition.

\(^{15}\) This indicator is from SDG 5. The target is to provide women and girls with equal access to education.
Furthermore, beyond education Viet Nam is also showing positive trends in gender equality. It has the third highest share of female parliamentary representatives in the ASEAN region, with 24 percent in 2015. This proportion has decreased marginally since 2007, but has remained consistently at around one in four. The proportion of women in managerial positions has increased, from 17 percent in 2000 to 26 percent in 2015.\textsuperscript{16} On UNDP’s Gender Inequality Index (GII), Viet Nam has recorded some of the lowest scores of any ASEAN country since 2000. Viet Nam has experienced a 3 percent decrease on this indicator, suggesting general progress on gender inequality. Continued progress in these areas and a renewed commitment towards gender equality, empowerment and a reduction in discrimination are pivotal to success in meeting SDG 5.

Environmental vulnerability and sustainability

Coastal areas of Viet Nam are particularly exposed and vulnerable to natural hazards and climate change. The country is ranked eighth in the world for its exposure to natural hazards, according to the INFORM risk management index, and the fourth most exposed amongst ASEAN countries. In terms of exposure to flooding, it is ranked joint first in the world. It is also ranked 105th in the world for lack of capacity to cope with natural hazards. Therefore, investments in disaster preparedness and disaster risk reduction (DRR) to improve its capacity to cope with such disasters will be vital to attaining sustainable development.

Like many ASEAN countries, Viet Nam has seen a rise in CO\textsubscript{2} emissions since 1990.\textsuperscript{17} The latest available data show that it produces the largest amount of CO\textsubscript{2} (per $1 GDP) of any ASEAN country, reaching 0.42 kg/$ in 2011. This represented a 94 percent increase since 1990 and was almost 27 percent above the world average of 0.26 kg/$. However, renewable energy sources represent more than a third (35.6 percent) of total energy consumption—the third highest value in ASEAN.

In terms of sustainability, Viet Nam is close to the ASEAN average in terms of the proportion of the population having primary reliance on clean fuels and technology for cooking, at 51 percent. It is one of five ASEAN countries to have experienced an increase in its forested area,\textsuperscript{18} which expanded from 29 percent at the beginning of the MDG era to 46 percent in 2010.

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\textsuperscript{16} This indicator is from SDG 5. The target is to provide women and girls with equal representation in political and economic decision-making processes.

\textsuperscript{17} This indicator is from SDG 13. The target is to take urgent action to combat climate change and its impacts by regulating emissions.

\textsuperscript{18} This indicator is from SDG 15. The target is, by 2020, to promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.
Further environmental indicators show that freshwater withdrawal rates in Viet Nam were 9.3 percent\textsuperscript{19}, while 8 percent of local species are classified as being at risk of extinction.\textsuperscript{20} In pursuit of its economic goals and other SDGs, it is critical that economic progress in Viet Nam is not to the detriment to the natural environment and that natural resources are managed sustainably.

2.2 Policy objectives

The Government of Viet Nam’s national policy objectives and priorities are outlined in the latest Socio-Economic Development Plan (SEDP), which covers the period 2016–2020. The plan includes a set of overall objectives, along with specific economic, social and environmental targets. These are as follows:

**Overall objectives, SEDP 2016–2020**

To ensure macroeconomic stability, strive to achieve an economic growth rate higher than that of the previous five years. To accelerate the implementation of strategic breakthroughs, economic restructuring associated with growth model innovation and improving productivity, efficiency and competitiveness.

To promote cultural development, the practice of democracy, social progress and justice, ensure social security, enhance social welfare and improve people’s lives.

To actively respond to climate change, effectively manage resources and protect the environment. To strengthen national defence and security, stay resolute and persistent in the struggle to safeguard national independence, sovereignty, unity and territorial integrity and assure political security, social order and safety.

To increase the efficiency of external affairs and international integration. To maintain peace and stability, create a favourable environment and conditions for the construction and defence of the country. To improve the status of the country in the international arena. To strive to make Viet Nam essentially a modern industrialized country.

**Economic targets**

- GDP growth to be around 6.5–7 percent on average in five years
- GDP per capita to be approximately $3,200–3,500 by 2020
- Industry and services sectors to account for 85 percent of GDP by 2020
- Total investment from the society as a whole to account for approximately 32–34 percent of GDP on average in five years
- State budget deficit to be below 4 percent of GDP by 2020
- Total factor productivity (TFP) to contribute 30–35 percent to economic growth
- Social labour productivity to increase by about 5 percent annually
- Energy consumption based on GDP to reduce by 1–1.5 percent annually
- Rate of urbanization to reach 38–40 percent by 2020.

\textsuperscript{19} Latest available data are from 2007.

\textsuperscript{20} This indicator is from SDG 15. The target is, by 2020, to protect and prevent the extinction of threatened species.
Social targets

- Proportion of agricultural labour among the total workforce to be around 40 percent by 2020
- Proportion of trained labourers to reach approximately 65–70 percent by 2020, and the proportion of labourers having diplomas and certificates to reach 25 percent
- Urban unemployment rate to be below 4 percent by 2020
- By 2020, to have 9–10 doctors and more than 26.5 patient beds per 1,000 people
- Health insurance coverage to be over 80 percent of the population by 2020
- Poverty rate to reduce by about 1.0–1.5 percent annually and by 4 percent in the poorest areas.

Environmental targets

- Percentage of population using clean water to be 95 percent in urban areas and 90 percent in countryside by 2020
- Rate of hazardous waste processed to be 85 percent by 2020
- Rate of medical waste processed to be 95–100 percent by 2020
- Forest cover to reach about 42 percent by 2020.
3. The financing landscape

Viet Nam is targeting accelerated growth and greater macroeconomic stability and is aiming to ensure balanced social, economic and environmental development. This chapter explores current trends in the financing landscape in order to inform consideration of the policies and institutional structures required to mobilize the necessary resources. For an overview of how the data presented in this chapter were compiled, see Annex 1.

3.1 Overall financing landscape

Total resources available in Viet Nam —domestic, international, public, private—have increased in real terms in recent years, reaching $112 billion in 2015. Per capita levels have also increased, from $511 per person in 2002 to $1,226 in 2015. However, this is still below the average for ASEAN states of $1,937 per person, and is ahead of only Lao PDR, Cambodia and Myanmar.

With the exception of 2007, the composition of resources has remained relatively consistent. Following a dip in 2007, domestic public resources as a proportion of all resources have stabilized at around 40 percent. Despite an increase in absolute values, this represents a reduction of 7.5 percentage points since 2002, when such resources accounted for 47.5 percent of the total mix. In their place, international private resources have accounted for an increasing share of total resources, growing from 28 percent to 32 percent over the period.

Over the period 2002–2015, total international financing—public and private combined—has more than tripled in volume, with private borrowing from international sources driving the trend.

Figure 3: The mix of resources in Viet Nam
3.2 Domestic public finance

Since 2002, domestic public finance—measured by government revenue excluding grants—has experienced the largest absolute increase of any flow, doubling in value to $45 billion in 2015. Despite the increase in volume, however, government revenue as a proportion of total resources has steadily declined, from 48 percent in 2002 to 40 percent in 2015. Per capita levels increased by an average of 5 percent year-on-year from 2003 and peaked at $490 in 2015; however, this level is one of the lowest amongst ASEAN countries (higher only than Myanmar, Cambodia and Lao PDR) and is also below the ASEAN average of $690 per person.
The latest available data show that tax revenue represents only a small proportion of government revenues, at less than 29 percent in 2014. Of that, Viet Nam receives one of the lowest proportions of revenue from direct tax in the ASEAN region (6 percent). Instead, other revenues (38 percent), revenues from state-owned enterprises (SOEs) (12 percent) and revenues from oil and other natural resources (12 percent) play a more significant role in domestic non-grant revenues.

The significant role played by oil and natural resources revenue in particular has implications in terms of sustainability. While lower oil prices benefit the external balance of payments, they also increase the fiscal deficit in the absence of structural revenue-raising measures. An INFF, comprising a long-term overarching financing strategy for fulfilling development priorities, could provide the basis for the government to undertake necessary structural reforms, which may otherwise not be implemented due to potential negative repercussions on the voting base in the short term.

3.3 International public finance

International public finance—comprising official development assistance (ODA), other official flows (OOF)\(^2\) and government borrowing from international sources—has grown in recent years, reaching $7.1 billion in 2015, though not all of the sub-category resources have evolved equally.

\(^2\) OOF are defined by the OECD as transactions by the official sector which do not meet conditions for eligibility as ODA or official aid, either because they are not primarily aimed at development, or because they have a grant element of less than 25 percent. https://stats.oecd.org/glossary/detail.asp?id=1954
ODA continues to be especially significant, though its share as a proportion of all international public finance decreased from 84 percent in 2006 to 55 percent in 2015, following Viet Nam's graduation to lower-middle-income country status in 2009. While ODA per capita volumes have increased overall over the period, from $25 in 2006 to $42 in 2015, levels as a percentage of GDP have decreased to 2.0 percent, after a period of fluctuating growth that peaked at 2.74 percent in 2009. Regionally, ODA to Viet Nam has historically been second only to Lao PDR, barring Myanmar's significant increase in ODA as a percentage of GDP in 2013 and 2014.

Viet Nam's graduation to lower-middle-income status also explains the increasing volumes of less concessional OOF in recent years, with such flows increasing almost four-fold between 2009 and 2015. Government borrowing from international sources has also increased, reflecting the government's reliance on foreign financing to fulfil its spending requirements.
Notably, Viet Nam is also a recipient of considerable volumes of international public climate finance in various forms. In the period 2010–2014, it received the largest amount in the region—around $5.2 billion. Only Indonesia and the Philippines also surpassed $1 billion in this period. In 2014 alone, Viet Nam received an estimated $1.5 billion, which included $1.17 billion in concessional loans, $171 million in grants and a comparatively large amount of non-concessional loans (compared with previous years) of $141 million. These data include project-level spending for bilateral government agencies, bilateral and multilateral development finance institutions (DFIs) and bilateral and multilateral climate-specific funds. At least 63 percent of this funding was reported as being ODA-eligible, although distinguishing any further between this and non-ODA-eligible climate finance flows presents difficulties due to the way in which public climate finance data are reported. The amount of climate finance that Viet Nam has received has grown steadily since 2008, most consistently in the form of mitigation-related finance, which accounted for 46 percent in 2014, although adaptation was temporarily the most significant area in 2013. The majority of financing in each year was delivered as concessional loans, with a small proportion of grants, and in more recent years also non-concessional loans.

Figure 3.4: International public climate finance to Viet Nam

3.4 Domestic private finance

Domestic private finance in Viet Nam—measured by non-state investment as reported by the General Statistics Office (GSO)—has increased consistently since 2000, quadrupling to $24.2 billion in 2015. This is still below the regional average of $46 billion (excluding Singapore), and over $200 billion less than in Indonesia. The country’s commercial investment per capita of $301 is less than half the ASEAN average of $659. As a proportion of GDP, it has fluctuated from 8 percent in 2000 to 16 percent in 2007 and 13 percent in 2015.
Compared with international private finance, domestic investment is lower—$24.2 billion in 2015 compared with $36.2 billion. Moreover, it has been decreasing as a proportion of all resources, from 26.6 percent in 2004 to 21.5 percent in 2015. Further enhancing the government’s overall financing framework (as discussed in Chapter 4) can ensure that the potential of the domestic private sector is increasingly leveraged and that the risks associated with international investment—including greater volatility and currency risks, among others—are minimized.

The small and medium-sized enterprise (SME) sector in Viet Nam is expanding, with the total number of SMEs growing from just over 270,000 in 2010 to more than 390,000 in 2014—an increase of 45 percent over four years. The latest available data show that SMEs active in the industrial sector received the largest share of funding (in terms of bank loans), at 21.8 percent of the total. This was followed by trade and then by agriculture, forestry and fisheries, which received 18.2 percent and 10.2 percent respectively.
3.5 International private finance

Available data show that international private finance to Viet Nam increased from $12.7 billion in 2005 to $36.2 billion in 2015. While still only half that of Singapore and Indonesia, this was above the regional average of $28 billion. Foreign direct investment (FDI) and remittances are the two largest sources of international private finance and both have grown over the period, reaching $14.5 billion and $13.0 billion respectively in 2015. Remittances have grown the most consistently, and as of 2015 volumes were over three times the volume of ODA.

Private borrowing from international sources, though fluctuating, has increased since 2000, to account for 23.6 percent of all international private financing in 2015. Portfolio equity has been the most volatile of all flows, fluctuating between an outstanding peak of $9.8 billion in 2007 and just $134 million in 2015, though this reflects the nature of this type of investment.

Figure 3.7: Trends in international private flows

FDI to Viet Nam is a significant source of finance, accounting for 13 percent of all resources in 2015, and it supports a number of industries. In 2015, 68 percent of FDI was in the manufacturing sector, followed by the energy sector (12 percent) and retail (10 percent). FDI has increased substantially from a level of $5.4 billion in 2004, more than doubling in four years to $15 billion by 2008, driven by the country’s real estate boom. Levels then decreased, but in 2015 they returned to $14.5 billion. FDI has averaged $145 per capita in the years since its 2008 peak, rising to $158 per capita in 2015; however, this resurgence is not apparent when FDI is measured as a percentage of GDP, though levels remain higher than in other countries in the region (Figure 3.9). Looking ahead, it is important that FDI is considered strategically as part of a wider financing strategy in order to maximize the positive impacts it can have on national development targets—especially around employment, labour skills, competitiveness and wider industrial development.
Figure 3.8: FDI by sector, 2015 (%)

Source: DI calculations based on multiple sources

Figure 3.9: FDI as a percentage of GDP across ASEAN, 2015

Source: DI calculations based on multiple sources
4. The building blocks of an integrated national financing framework

Viet Nam’s evolving financing landscape offers opportunities to tackle the ambitious SDGs and the country’s own national vision, though it must manage the balance between economic acceleration and the environmental and social impacts it aims to achieve. In this context, it is pertinent to examine the framework through which the government currently manages its strategies regarding the diverse range of resources and financing instruments available to support such aims. The lens of an INFF provides a basis on which this ‘big picture’ perspective on financing policies and institutions can be strengthened.

4.1 Assessment of existing framework

In 2015, the Third International Conference on Financing for Development called for “cohesive nationally owned sustainable development strategies, supported by integrated national financing frameworks” to be at the heart of national efforts to finance the SDGs. The rationale behind an INFF is to support governments in implementing a strategic, holistic, results-driven approach to financing their development objectives that mobilizes all available financing—domestic, international, public, private—to meet country-specific needs and priorities. In doing so, it supports governments to link finance with results and facilitates nationally led implementation of the SDGs. The INFF concept covers six building blocks and, critically, the way that they interact and work together.

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Building Block 1: Leadership and institutional coherence

Viet Nam is engaged and committed to Agenda 2030 and has a strong system and institutions in place, with a largely shared vision for results, which it is ready to deliver against the SDGs. Looking ahead, it is crucial that the various plans that exist at ministerial, sectoral and local levels are coherent and that implementation efforts are coordinated for the most effective delivery of the national vision and sustainable development.

Viet Nam’s development vision is articulated primarily through its 10-year Socio-Economic Development Strategy (SEDS), approved by the Party Congress. This provides long-term strategic vision and directions for development planning. To realize the vision outlined in the SEDS and to address national and global
priority issues, the government approves and issues various strategies, sectoral plans, master plans and action plans, with relevant focal line ministries playing a leading and coordinating role in close cooperation with other stakeholders in drafting them. For example, in the early 2000s when poverty alleviation—a national priority—became a central commitment of the global agenda, a Comprehensive Poverty Reduction and Growth Strategy was developed. A National Strategy on Climate Change Adaptation and a Viet nam Green Growth Strategy (VGGS) have also been developed and approved by the Prime Minister (PM) in 2011 and 2012 respectively.

The key instruments for implementing these strategic documents are the five-year (and annual) national Socio-Economic Development Plans (SEDPs), which are drafted by the Ministry of Planning and Investment (MPI) in a consultative and coordinated process, and approved by the National Assembly. The SEDPs, in their turn, provide a framework for different sectors and provinces to develop their own sector- or provincial-level five-year and annual development plans and budgets. Sector-level development plans are made by line ministries, while provincial development plans are drafted by the Provincial People's Committees (PPCs), with provincial departments of planning and investment (DPI) playing a leading and coordinating role; these are then approved by the provincial People's Councils. Existing legal and policy frameworks make public consultations compulsory, with feedback gathered from citizens on draft strategies, master/action plans and development plans. Stakeholders can either provide oral comments in workshops, send written comments to the drafting committee or post online comments on the relevant webpages.

Development plans (and master/action plans) are implemented by government bodies, line ministries and local governments (local line departments) in line with their regular functions and responsibilities. Accountability for delivering the development goals and targets of these plans lies with the associated implementing body. The national government has the overall responsibility for achieving national development goals and for the overall coordination, guidance and management of SEDP implementation. The MPI assists with coordination, and both the MPI and the Ministry of Finance (MOF) assist with the allocation of resources—capital and recurrent expenditure respectively. The subnational People's Committees, with the assistance of DPIs and departments of finance (DOFs), similar to that at national level, are responsible for results at subnational levels.

Oversight of the government's implementation of SEDPs and the national budget rests with the National Assembly, and oversight of local governments' implementation of local development plans and budgets with the respective local People's Councils.

In addition to the system and institutions for implementing national development plans, the National Council on Sustainable Development and Competitiveness Enhancement leads and supports the implementation of Agenda 2030 and the SDGs.
National Council on Sustainable Development and Competitiveness Enhancement

The National Council on Sustainable Development and Competitiveness Enhancement acts as an advisory body to support the PM in guiding the formulation and implementation of strategies, policies and programmes regarding sustainable development and competitiveness enhancement; implementation of the government’s commitment to the UN and the international community on sustainable development (including the implementation of the SDGs), including on monitoring and reporting; and the development of advisory reports in the field of sustainable development.

The Council is headed by the Deputy Prime Minister, who is supported by four vice chairpersons, including the Minister of the MPI (the Council’s standing member), ministers of the Ministry of Labour, War Invalids and Social Affairs (MOLISA) and the Ministry of Natural Resources and Environment (MONRE) and the leadership of the Ministry of Foreign Affairs (MOFA). The Council also includes 36 other representatives from different ministries, CSOs, the business community and academia. It is structured with four committees: the Committee on Economic Sustainability, led by the MPI; the Committee on Social Sustainability, led by MOLISA; the Committee on Environmental Sustainability, led by MONRE; and the Committee for the Decade of Education for Sustainable Development in Viet Nam, led by MOFA.

The Sustainable Development Office serves as the Secretariat of the National Council on Sustainable Development and Competitiveness Enhancement, and is based in the MPI. The Office is responsible for assisting the Council to carry out its functions, and in particular (among other tasks) for drafting roadmaps and guidelines to mainstream sustainable development targets into SEDPs and local and sectoral plans and coordinating with line ministries and provinces to implement, monitor and report on the progress of SDG implementation.
Building Block 2: Vision for results

The country’s long-term development vision and orientation for different aspects of the economy are articulated primarily through the 10-year SEDS, which currently covers the period 2011–2020. The general objectives of the SEDS are as follows: “Strive to make our country a modern-oriented industrial one by 2020 with socio-political stability, agreement, democracy, discipline; people’s physical and spiritual life is clearly improved; independence and territorial unification are firmly maintained; Viet nam’s position in [the] international arena is continually improved; creating firm premises for higher development in the next period.”

The strategy details three breakthrough areas: promoting the development of high-quality human resources; improving market institutions; and developing infrastructure.

The SEDS provides the long-term strategic vision and direction for other more detailed strategies, such as the National Action Plan, Green Growth Strategy, and National Strategy on Climate Change Adaptation.

Note: The MTPIP and the 3YFBP and annual plans and budgets are costed.

as those for green growth and climate change, and for sectoral strategies, and helps to formulate five-year SEDPs. SEDPs are drafted and consolidated by the MPI and approved by the National Assembly, and effectively translate the development vision outlined in the SEDS and other strategic documents into more detailed medium-term targets and actions for implementation. The SEDP provides the planning framework for the formulation of the five-year Medium-Term Public Investment Plan (MTPIP), the three-year Financial and Budgetary Plan (3YFBP) and the plans and budgets of individual ministries, sectors and local-level governments. Figure 4.1 provides an overview of Viet Nam’s development planning system for achieving development results.

The effort to ‘nationalize’ the SDGs is epitomized by the National Action Plan for the Implementation of the 2030 Sustainable Development Agenda (NAP), issued by the PM in 2017. Drawing on these national strategies and planning documents and on the global SDGs and their targets, it outlines Viet Nam’s own sustainable development goals (the VSDGs) up to 2030, along with the targets, key tasks and organizational arrangements required for their implementation. The MPI is the designated focal point for the NAP and is responsible for coordinating its implementation and for the integration of the SDGs into national SEDPs.

Most of Viet Nam’s development goals and targets have been set out in its strategies and planning documents for the period up until 2020, and the NAP consists of two phases aimed at fully integrating and implementing the SDGs via the national planning system. The key tasks for the first phase (2017–2020) include developing laws, regulations, policies and mechanisms to produce a comprehensive enabling legal framework for SDG implementation; improving the governance system for national sustainable development; and ministries and provinces developing their own action plans for the implementation of SDGs where relevant. The VSDGs are also to be incorporated into annual development strategies, policies, master plans and sector plans—all no later than 2018.

Viet Nam’s vision for national development aligns well with the global Agenda 2030, and the SDGs and their targets largely align with the national development goals and targets set out in the NAP and the current SEDS and SEDP, as well as other strategic planning documents. As the NAP highlights, the 17 VSDGs for 2030 and their 115 related targets correspond well with the global SDGs adopted by the UN in September 2015. Table 4.1 demonstrates the comparability between the SDG targets, the VSDGs set out in the NAP and the SEDP 2016–2020.

Given these levels of compatibility and overlap, the SDGs are to an extent automatically included in routine plans and likely to be compulsorily implemented by relevant central agencies and local governments. Only the new VSDG targets (in line with the SDGs) that are not yet included in the current routine planning system need to be additionally incorporated through annual SEDPs. However, by the end of the first phase of NAP implementation, all the SDGs are due to be mainstreamed into the national planning system.

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24 Viet Nam demonstrated a strong commitment to the MDGs and made substantial efforts to implement and achieve them. They were incorporated as an integral part of previous SEDPs, National Target Programmes (NTPs) and other programmes and policies, which accelerated their implementation.

25 Compared with the 169 global SDG targets, the NAP sets out 115 corresponding VSDG targets. They exclude certain targets at global/regional levels, targets that are specific to certain groups of countries (such as landlocked and small islands) and some “means of implementation” targets, which it has translated into “actions” for implementing the VSDGs.
### Table 1: Examples of compatibility between the SDG targets in the NAP and the targets of the SEDP 2016–2020

<table>
<thead>
<tr>
<th>SDG targets</th>
<th>VSDG targets specified in the NAP</th>
<th>Targets in the SEDP 2016–2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than $1.25 a day.</td>
<td>Target 1.1: By 2020, eliminate extremely poverty for all citizens everywhere, using the poverty line with per capita income below $1.25 per day in purchasing power parity (in 2005 constant prices); by 2030, reduce poverty at least by half, using the national multi-dimensional poverty criteria.</td>
<td>Every year, the poverty rate is reduced by 1–1.5 percent on average, and in extremely poor communes and districts it is reduced by 4 percent.</td>
</tr>
<tr>
<td>1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definition.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2 By 2030, end all forms of malnutrition, including achieving, by 2025, the internationally agreed targets on stunting and wasting in children under five years of age, and address the nutritional needs of adolescent girls, pregnant and lactating women and older persons.</td>
<td>Target 2.2: By 2030 reduce all forms of malnutrition and meet the nutritional needs for all target groups who are children, adolescent girls, pregnant women, lactating mothers and elderly people.</td>
<td>Targets are to have nine - ten doctors and 26.5 beds for every 10,000 inhabitants, an under-five malnutrition ratio of less than 10 percent, and about 80 percent of the population to have health insurance.</td>
</tr>
<tr>
<td>3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.</td>
<td>Target 15.2: By 2020, fundamentally reduce the transfer of forest lands to other usage; by 2030, strengthen the implementation of sustainable management of forests of various types, halt deforestation, restore degraded forests, promote afforestation and reforestation, increase forest cover to approximately 44–45 percent of the country’s land area</td>
<td>By 2020, the forest coverage ratio to be 42 percent.</td>
</tr>
</tbody>
</table>

Source: SDGs, NAP and the SEDP 2016–2020

Addressing the coordination challenges involved in implementing the VSDGs, with their high levels of ambition and interlinkages, the NAP assigns different ministries to lead on specific targets. Each VSDG target specified in the NAP is associated with a lead agency, while others act as supporting agencies. For example, for VSDG target 1.4 (“By 2030, improve the resilience of the poor and, at the same time, reduce their exposure and vulnerability to climate-related extreme weather circumstances and other economic, social and environmental shocks and disasters”), which corresponds to SDG target 1.5, the Ministry of Agriculture and Rural Development (MARD) is designated as the lead agency, and other
agencies including MOLISA, the MPI, the MOF, the Ministry of Justice (MOJ) and the Ministry of Health (MOH) act as coordinating agencies, as well as other CSOs and PPCs.

This is designed so that when ministries implement their sectoral plans, as the leads on the assigned targets they also fulfil the sector-based targets, or in the case of supporting/participating agencies at least contribute to their achievement. However, fragmentation and a "silo approach" to development planning and implementation are widely acknowledged and often seen in Viet Nam. The ambitious, complex and interlinked nature of the SDGs, in a context of constrained resources, poses a serious challenge in effectively achieving the VSDGs. Additional efficiencies could be gained from greater coordination: horizontally between central government ministries and agencies, vertically between central and local governments in line with the 2030 Agenda's "whole government" principle, and between government and other stakeholders from the private sector and CSOs in line with the 2030 Agenda's "whole society" principle.

Building Block 3: Financing strategy

While the SEDP lays out a vision, a direction and specific actions, the Five-Year Financial Plan (5YFP), the Medium-Term Public Investment Plan (MTPIP), the Three-Year Financial and Budgetary Plan (3YFBP) and annual budgets provide a financing framework to mobilize and operationalize resources for the sustainable development results that the country is driving towards. The system, however, is fragmented. To achieve its development vision with greater efficiency, the government could consider creating stronger links between resources and development results. Additional resource mobilization, including from domestic private sources, and the effective utilization of such resources will be needed to realize the nation's vision for sustainable development.

The NAP by design is not a costed plan, although it does outline goals, targets and actions and assigns responsibilities for the integration of the SDGs into development plans and their implementation. It provides only general principles for setting up a national financing framework for implementation, though according to the PM’s Decision 622[^26] funding sources for implementing the NAP will consist of the state budget and investments from business, the private sector, local communities and external sources. In order to be operationalized, the goals must be mainstreamed into SEDPs, sector plans and local SEDPs. Only in this way can the budget can be allocated accordingly and the NAP put into practice.

While SEDPs are not fully costed, their main objectives are translated into public programmes and projects, which are aggregated into the MTPIP; this can thus be considered as the costed vehicle to implement the SEDPs. In the budgeting and planning process, the MPI and the MOF have to work closely together to set out budget plans for implementing the SEDPs. The process begins with the MPI’s role in setting out the macroeconomic outlook and providing forecasts (for the GDP growth rate, inflation, productivity and economic perspectives). Then the MOF makes revenue forecasts and sets expenditure ceilings for both the recurrent and capital budgets. Within a given capital budget ceiling, the MPI develops public (capital) investment plans, while the MOF develops recurrent expenditure plans. Finally, the MOF is responsible for consolidating recurrent and capital plans into a single aggregate budget plan.

(annually and the rolling three-year 3YFBP, which serves as a Medium-Term Expenditure Framework (MTEF)).

Funding from the state budget is allocated in the annual budget plans of ministries and provinces in line with provisions of the State Budget Law, and integrated into the budgets for SEDPs, the MTPIP and the 3YFBP. The MPI and the MOF are responsible for reconciling and allocating state budgets (capital and recurrent respectively) on an annual basis, in order to effectively implement the SEDPs and achieve the VSDG targets mainstreamed into them and stated in the NAP.

In addition, the NAP suggests setting up a Sustainable Development Support Fund (SDSF) to mobilize domestic and external financial resources for SDG implementation. The MPI has been assigned to prepare and submit to the PM a proposal for establishing the SDSF. It should be noted, however, that the scope of the SDSF, its linkages to the SEDPs, MTPIP and 3YFBP, the timeline and other details are yet to be made clear.

In the current setting, annual budgets are linked to annual SEDPs. The MPI is the lead and coordinating agency for state capital budgets (or public investment programmes and projects), plus the mobilization of ODA and FDI. The MOF is responsible for domestic revenue from tax collection, FDI and public debt management. The State Bank of Vietnam (SBV) is responsible for remittances, as well as providing state management of the banking system—an important source of domestic resource mobilization and financing. These three key bodies—the MPI, the MOF, the SBV—coordinate with one another to mobilize financial resources and channel them into different sectors and/or priorities, in alignment with national development strategies and plans.

Since 2017, as stated in the State Budget Law of 2015, the five-year SEDP also provides a macroeconomic development framework for budget revenue forecasts and is a key tool in setting medium-term fiscal indicators. These revenue forecasts and indicators are reflected in the 5YFP, which can be seen as a medium-term national fiscal framework. The 5YFP indicates the total ceiling for state capital budgets over a period of five years, which provides a basis for developing the MTPIP. The MTPIP is a shortlist of the potential public investment programmes and projects that are most likely to be funded in the course of the five-year period. There are a number of criteria for programmes and projects to meet in order to be listed, including a high level of relevance in relation to the priorities and development targets set in the five-year SEDP.

In this sense, the MTPIP can be seen as a costed public investment vehicle for implementing the five-year SEDP targets. Moreover, it includes different types of public investment, such as National Targeted Programmes (NTPs), targeted programmes and infrastructure development projects. NTPs and targeted programmes are funded from the central and local budgets and provide resources additional to the SEDP budget allocation to achieve national or sectoral targets, while public investment projects can be funded by either the central capital budget (if managed by ministries) or provincial capital budgets (if managed by provinces) to meet local development targets. Central and local government funding sources for the MTPIP can be government budget, government credit or borrowing (domestic and external, including ODA).
Also according to the State Budget Law, the 5YFP and the MTPIP must be mainstreamed into the 3YFBP, which serves as a national MTEF. While both the 5YFP and the MTPIP have a fixed five-year horizon, the 3YFBP is set on a three-year rolling basis, and so allows greater flexibility in adapting budget plans to changes in the actual macroeconomic situation. The 3YFBP is also different from the MTPIP in that it integrates both capital and recurrent expenditures into a single plan. The first year of the rolling 3YFBP is the annual budget plan, which is subject to approval by the National Assembly at central level and by the People's Councils at provincial level, while budget estimates for the other two years are only for reference by decision makers.

Under this system, the MTPIP, the 3YFBP and annual budget plans can be seen as a bridge to link targets contained in strategic plans to actual costed implementation of activities. However, since there are weak links between the activities identified in the current five-year SEDP and strategic targets at the outcome level, it is hard to demonstrate direct and causal links between strategic planned development targets and these three types of budget plan.

The 5YFP provides the strategic objectives for key economic and fiscal aggregates, including debt, revenues and expenditures. In line with the five-year national SEDP, it provides projections for the allocation of recurrent and investment expenditures across the main sectors and across central and provincial governments. The aim of the 3YFBP is to translate the strategic objectives of the 5YFP to the annual budget by determining the expenditure ceilings for central agencies and provinces for the next three years, taking into account recent fiscal developments. This is reflected in transparent and predictable rolling expenditure ceilings for central agencies and transfers to provincial governments. Both the 5YFP and the 3YFBP determine the aggregate expenditure ceiling as part of the overall fiscal framework. This then determines the ceilings for recurrent/operational and capital/development expenditures. Conditional upon the ceiling for capital/development expenditures in the 5YFB, the MTPIP prioritizes which investments will be funded by government over a five-year time-frame and then translates these into an annual public investment plan, which forms part of the annual budget. The total value of investments cannot exceed the ceiling for capital/development expenditures stipulated in the 3YFBP. The 5YFB, the MTPIP, the 3YFBP and the annual budgets therefore collectively provide the national financing framework for mobilizing and operationalizing budgetary resources for development.

The government recognizes that SDG implementation will involve huge demands for funding resources and technical assistance, and may not be achievable if the country has to rely on its own efforts alone. Therefore, the international donor community has played an important role in providing advisory and funding support. ODA has been a significant source of public capital for socio-economic development in Viet Nam over the past two decades. However, there are certain risks associated with utilizing these resources, especially with limited fiscal space for debt repayment. The associated debt burden will be larger in the coming years, especially considering that interest on loans will be higher and grace periods shorter. The country will also have to face a number of other risks, including currency exchange and cashflow risks due to budget deficits and increasing debt servicing obligations, along with technical risks and risks from natural disasters. With this in mind, Viet Nam might establish a better supervision mechanism to effectively utilize these resources.
Building Block 4: Financing policies

There is some emphasis on the role of the private sector, and Viet Nam has made efforts to improve the enabling environment for domestic and international businesses. However, there are few financing policies relating to specific resources. Specifically in terms of the NAP, the MOF is responsible for drafting policies to encourage different development actors, especially the private sector, to participate and fund the implementation of the SDGs.

A number of financing policies are in place to support development. Given the current high levels of public debt, the government is trying to tighten public investment and has introduced rigid policies to control new borrowing, which may potentially reduce the domestic public funds available for achieving its desired goals, at least in the 2017–2020 period. The key tools for public debt control are the Public Investment Law, promulgated in 2014, and the State Budget Law, promulgated in 2015. To sustain public borrowing and control public debt, the State Budget Law sets debt ceilings for provinces and centrally managed cities. This means that they cannot have a debt stock exceeding a certain percentage of their disposable budget revenue (or entitled revenue). The percentage varies depending on the fiscal position of each province. Since 2015, capital expenditure has been planned on a five-year basis as part of the MTPIP. This is then translated into Annual Public Investment Plans. Public investment projects proposed in the MTPIP must be aligned with projected available funds from different sources; only projects included in the approved MTPIP are eligible for funding and implementation. These laws will contribute significantly to ending the poor practice of many provinces of approving public investment projects without considering their affordability.

The Government of Viet Nam does have some mechanisms in place to protect and increase the efficiency of public spending. The Public Investment Law of 2014 strictly regulates the use of the government budget for public investment. The law is considered an important step in correcting the recurring challenges of inefficiencies in public investment. It seeks to establish a complete framework for the government’s management of investment, and clearly stipulates procedures for selecting and approving different types of project, including public–private partnerships (PPPs). The law also helps to reduce fragmentation across the investment cycle, including project selection, appraisal, budgeting, implementation and adjustment and monitoring and evaluation (M&E). Another of its breakthrough provisions is the move from annual planning of the capital budget to medium-term (five-year) planning, aligning with the five-year national SEDP. In addition, the law stipulates the mechanism for M&E of investment plans and programmes. Lastly, it provides increased transparency in the investment process by encouraging public participation in the selection of investment priorities.

A recent decree (Decree 52/2017/ND-CP, issued on 28 April 2017) specifies the eligibility conditions for provinces and centrally managed cities to receive new ODA and/or concessional loans. These include the following:

- The proposed loan project should be included in the approved provincial MTPIP
- Counterpart funds should be available

27 These are the local government’s revenue shares, from revenues collected, based on a formula approved by the central government.
There is no overdue amount on government loans or on-lending (overdue means more than 180 days after the due date)

Total outstanding debt (or debt stock) from all borrowing sources at the time of approval of the proposed project concept note should not exceed the borrowing ceiling (or debt limit), as set out in the State Budget Law of 2015

The projected annual amount of debt repayment should not exceed 10 percent of the province’s entitlement budget revenue.

Viet Nam has a target of becoming an industrialized country by 2020 and plans to invest $400 billion in infrastructure. It is intended that half of this amount will be privately funded. In order to meet this target, attracting private investors to participate in infrastructure development is crucial. The NAP provides the principle for attracting private sector investment towards the SDGs, based on the government’s legal frameworks and mechanisms and policies for the mobilization of resources. This includes PPPs, whereby the NAP sets out a clear goal to “improve the system of policies and institutions” that govern them, with a specific focus on technical assistance, financial support and the sharing of knowledge and experience. The SBV will also lead an effort to promote the country’s voice and position in monetary, banking, stock exchange and insurance forums within ASEAN. Improving private funding is paramount to Viet Nam, which this year was ranked last among 12 countries in a study by consultancy McKinsey & Company, in terms of both development maturity and the size of the local market as a share of GDP. McKinsey’s report suggested that increased liquidity in the sovereign bonds market would encourage more private finance, while Tyler Cheung, director of the institutional client division at ACB Securities, proposed that pension funds could grow to become an important source of development finance for infrastructure projects.

Businesses and CSOs are also encouraged to be proactive in developing and implementing initiatives towards SDG implementation. There are also a number of policy and legal frameworks intended to attract private investment into the economy, covering FDI, PPPs and other social investment initiatives, which are either currently being implemented or are in development. It is also expected, as indicated in the NAP, that the government will make continued efforts to improve the “laws, policies, mechanisms in the direction of amending and supplementing the existing ones or issuing new normative documents in order to provide an adequate legal framework for the implementation of the National Action Plan and sustainable development goals.”

The government is also exploring the potential of PPPs and is encouraging the private sector to participate in providing public services, with the aim of improving their quality and removing the burden of subsidy from its own budget. It is doing this by encouraging agencies that provide public services to shift from subsidizing services towards market-based pricing. For example, the Law on Fees and Charges of 2016 requires public services to move from a fee and charge collection mechanism (or subsidized tariff) to a market-based pricing mechanism (or cost-recovery tariff system). Since 2014, 44 types of service have been shifted to market price mechanisms, though 17 of these are subject to price controls by the government, including water-related public services. This move also applies to ferry

tolls and build–operate–transfer (BOT) road tolls, service fees at ports and terminals, and parking and sanitation charges. Although PPPs are increasingly being considered by governments in a number of countries, it is essential that these are accompanied by strong regulatory control to ensure that they do not lead to higher inequality in access to services.

In Viet Nam, the legal framework for PPPs has evolved significantly over the past 25 years. The first regulation concerning PPPs was Decree 87/1993/ND-CP (1993) on the investment modalities of BOT contracts. After that, specific regulations for domestic and foreign investors engaging in BOT arrangements were promulgated in Decree 77 in 1997 and Decree 62 in 1998 respectively. In the 2000s, Decree 78 (2007) and Decree 108 (2009) expanded the scope of the governing framework beyond BOT modalities to cover build–transfer–operate (BTO) and build–transfer (BT) arrangements. More recently, the regulatory framework has included Decree 15/2015/ND-CP, dated 14 February 2015, on PPP investment and Circular No. 02/2016/TT-BKHĐT, dated 1 March 2016, which provides guidance on preliminary project selection, establishment, appraisal and approval, and feasibility study reporting for PPP investment projects. This framework is complemented by the Law on Bidding no. 43/2013/QH13, dated 26 November 2013, and Decree 30/2015/ND-CP, dated 17 March 2015, which regulates the Law on Bidding in the matter of investor selection.

The MPI is the lead agency on PPPs and chairs an inter-ministerial taskforce. It has created a PPP unit and is working to develop a pipeline of projects with the help of the Ministry of Industry and Trade (MOIT) and several municipal governments. The State Steering Committee for PPP was established in 2012 and is led by the Deputy PM. In addition, each ministry, ministry-level agency and PPC may establish a PPP coordinating unit responsible for managing such partnerships. The improved legal framework has led to an increase in the number of PPP contracts. As of mid-2016, there were 68 BOT projects formulated under the management of the Ministry of Transportation (MOT) in the road, highway, airport, canal and railway sectors. The upcoming project pipeline amounts to $176 billion in value, with rail projects dominating the portfolio, followed by the power sector and the process industries. While this indicates the potential of the private sector to mobilize resources towards development-related outcomes, the associated risks need to be carefully managed. A strong coordinating, regulatory and monitoring mechanism for PPPs can ensure that the full potential of this financing mechanism is leveraged (including enhancements in efficiency and coverage) and that it can contribute to achieving identified national and sustainable development targets.

In addition, the government is taking steps to improve the business environment: for example, by removing obstacles to create a better enabling environment, removing around 3,500 unnecessary licences for conditional business operations, facilitating dialogue with the business community, issuing a number of policies to support SMEs and start-ups and limiting government inspections. Due to such efforts, the number of new business establishments reached a peak of 110,100 in 2016; this was an increase of 16.2 percent compared with 2015. Most new enterprises were established in the business and retail trade (35.4 percent), manufacturing (13.4 percent) and construction (13.2 percent) sectors. The average registered capital of newly established enterprises reached a peak in 2016, while total registered capital climbed by 48.1 percent.

30 World Bank PPP Knowledge Lab. https://pppknowledgelab.org/countries/vietnam
Economic integration is also a key factor in attracting additional FDI (see Chapter 3 for more on FDI). Viet Nam has emerged as a favoured investment destination in the Asia-Pacific region, due to rising labour costs in China, and in the medium and short terms it will maintain its cost-competitiveness in production. Over the past 20 years, it has consistently made efforts to foster bilateral and multilateral relationships with other countries, beginning in 1995 when it joined ASEAN and officially normalized its relationship with the United States. Trade and economic integration have provided momentum for economic development, while at the same time Viet Nam has undertaken an overhaul and restructuring of its economy, as well as its governance, to cope with the potential challenges of economic integration. Consequently, it has signed free trade agreements with a variety of trading partners, including the EU, Japan and South Korea.

Building Block 5: Monitoring and evaluation (M&E)

Viet Nam has a good data culture, and the government has experience of integrating monitoring of the MDGs into its national SEDS/SEDP monitoring systems. However, it is in an early phase of planning for M&E on progress towards achieving the SDGs, despite its rich experience with the MDGs. The high number of SDG indicators and disaggregation requirements pose significant challenges for its statistical system in a number of areas, and will require strengthening the capacity of government planning and statistical systems at different levels. These challenges include promoting more transparent data sharing and dissemination; developing and applying innovative data collection methods, including through better utilization of its rich administrative records and big data, and of information technologies (IT); promoting active participation by non-state actors in data collection and SDG monitoring; and applying more results-based approaches in planning and M&E, especially in connecting financing efforts to outcomes. These are all considered to be key factors for success.

The General Statistics Office (GSO) is tasked with developing an M&E system for the SDGs. In preparation, it has conducted a review of the SDG indicators and compared them with the set of indicators available in the current National Statistical Indicator System (NSIS), to assess the extent to which this is aligned with the global SDG indicators. The review, carried out with the help of the UN Statistics Division, showed that national coverage of the indicators is generally good. Data for 89 indicators are immediately available, of which 13 indicators are reflected in the GSO's Statistical Yearbooks. Data on another 76 indicators can be compiled via specific surveys or collected partially via other data sources. Collection of data for the remaining indicator set, however, will reportedly require the involvement of 22 ministries and central agencies.

Over the coming years, various efforts will be made to set up a workable M&E system for the SDGs in Viet Nam. Measures include improving the legal framework for monitoring; strengthening the organizational structure of the statistical office GSO system; introducing internationally accepted approaches to statistics; intensifying the application of IT in statistical practice; clearly defining the responsibilities and accountability of different government agencies in data collection, M&E and reporting; and mainstreaming SDG indicators into the existing NSIS and sectoral statistical indicator system.

An M&E system exists for the SEDP and this, along with the country’s experience in integrating M&E of the MDGs into the SEDS/SEDP monitoring system, suggests a good foundation for M&E of the implementation of the NAP and the SDGs. However, there remain a number of challenges, such as
including concrete VSDG indicators (beyond general targets) into the national SEDP and into sectoral and local SEDPs (and related NSIS and sectoral statistics indicator systems) and establishing links between development goals and targets and concrete policies, programmes and projects. As well as via the statistical system at national, ministerial and local levels and periodic national reports (such as on SEDP implementation and the MDGs), monitoring the progress of SEDP implementation is conducted via the periodic reporting systems of public administrations at various levels. The system involves regular written reports or face-to-face meetings, through which executive agencies can keep up with socio-economic development and budget usage and provide timely solutions to tackle any problems that may emerge. However, those documents and meetings involve a heavy administrative burden and there is no consistent reporting format through which M&E indicators can be gathered and archived regularly and systematically across all tiers of government.

The current M&E system allows some monitoring of government efforts to mobilize finance. Monthly and quarterly reports keep the government informed, for example, about tax revenue collection (from the General Department of Taxation), ODA mobilization, FDI registration and the development of domestic private businesses (from the MPI), public debt and borrowing and budget spending (from the MOF), FDI and the stock market (from the State Securities Commission) and remittances and banking deposits by individuals and businesses (from the SBV), among others. However, the reliability and objectivity of such a system is limited, as all data come from governmental agencies. Such data may therefore have limited independent oversight, potentially impacting on quality standards and the compatibility of definitions between data sources.

Public investment programmes and projects, as per the Public Investment Law, are subject to evaluation by different types of review, including ex ante, mid-term, terminal and post-completion reviews. Compliance with these requirements, however, is reportedly poor. A greater emphasis on outcomes might support a more effective approach to project-level M&E.

Due to the lack of a results-based framework, both in development planning and in the budgeting system, it is impossible to link actual mobilized investment with achieved outcomes. Looking ahead, funding from the state budget will be allocated to support M&E of SDG implementation, including funding for data collection and preparation of reports. Moving to a results-based management system might better serve the government in implementing, monitoring and evaluating financing strategies and policies.

Building Block 6: Accountability and dialogue

The government might consider building on and strengthening routine accountability and dialogue mechanisms, in order to build greater trust and to mobilize greater levels of financing from non-governmental stakeholders. Similarly, it might also consider how to better demonstrate that public views are articulated in national plans.

Platforms for dialogue between government and other stakeholders are important for building trust and shaping policy around the types of financing and investments that these actors make towards sustainable development. Dialogue is a basis for sharpening and refining government policy, to ensure that it sets out realistic roles for the types of financing within national plans, effectively addresses
constraints to private investment and creates incentives or mechanisms to ensure a positive impact on all aspects of sustainable development. Dialogue throughout the policy life cycle can inform the effectiveness of implementation and post-intervention reviews. Such platforms appear limited in the Vietnamese context, though the NAP does stipulate that communication and advocacy campaigns will be launched to increase public awareness on SDG implementation.

At the national level the Vietnam Development Forum (VDF), which convenes annually, provides a forum for the government and donors to discuss the progress of the country’s development and its future development strategies and policies. However, the VDF represents a high-level policy dialogue between government and development partners, in which engagement by local CSOs and the business community is limited. A key channel for the business community is the Vietnam Business Forum (VBF), led by the PM. This serves as a platform for the PM to learn about administrative obstacles to the business environment in Vietnam. Along with other efforts to engage with the private sector, this has led to improvements such as the removal of red tape and cumbersome administrative procedures, which are an impediment to the healthy development of the business sector.

While an M&E system exists for the SEDP, its effectiveness is reportedly limited, constrained by the lack of an effective accountability mechanism, including the lack of an independent monitoring system and weak mechanisms for civil society and non-governmental stakeholders to have their voices heard and share their perspectives. Although efforts have been made to engage with the public and to create more forums to communicate with non-governmental actors, it is too soon to assess the effectiveness of such mechanisms.

More generally, public scrutiny is compulsory, as stated in many pieces of legislation, including the State Budget Law, the Public Investment Law and the Ordinance on grassroots democracy. Public consultation is required when important laws and policies are drafted and budget planning and finalization are made public. The implementation of small-scale public investment projects must be scrutinized by grassroots communities, and citizens’ rights to be informed, to discuss and to check are clearly defined in different pieces of legislation. However, enforcement of these rights is poor, and there is still no transparent mechanism to ensure that the voices of “real” citizens are heard, actions can be taken and the answerability of civil servants is guaranteed.

No specific mechanism has yet been established to engage with the public on SDG implementation. However, for routine SEDP implementation and budget execution, various mechanisms are already in place. The NAP targets responsive decision-making processes that are “inclusive, participatory, and representative at all levels”. Crucially, it aims to create mechanisms that allow citizens to take part in the management of the state and society, with openness and transparency in “receiving and responding to citizens’ feedback, comments, and complaints”.

Vietnam is also presenting its Voluntary National Review (VNR) at the High-level Political Forum on Sustainable Development (HLPF) 2018.

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which should draw upon contributions from civil society, the private sector and other stakeholders. Therefore, the issue is not the existence of a relevant mechanism, but its effective enforcement. Ahead of the operationalization of the SDSF, the government might consider additional means of improving transparency and accountability relating to the use of development finance, such as forums for increased public participation.

5. Conclusion

The Government of Viet Nam is at a pivotal moment, in the early stages of planning and operationalizing its own sustainable development agenda and Agenda 2030. The ambitious objectives outlined in its NAP and SEDP will require mobilizing the right scale and mix of resources if they are to be realized. There are a number of steps that the government could consider to strengthen the policies and institutional structures it uses to manage its financing policy across all resources, in line with this vision.

5.1 Recommendations

Establish an overarching financing strategy

Realizing the balanced development that Viet Nam is aiming for will require investments from a wide range of resources—public and private, domestic and international. The instruments that make up these resources are diverse and complex, and often have impacts on many aspects of sustainable development beyond their primary purpose: for example, investments in key economic industries can create jobs and boost skills but may also have an impact on the environment.

As identified in Chapter 3, Viet Nam’s key financing challenges and opportunities relate to the needs to diversify the tax base away from oil and natural resource revenues; reduce the share of ODA in international public finance; and mobilize additional domestic private capital and maximize the potential of FDI. Addressing these challenges requires a series of policies focused on each area – to raise government revenues, invest public finance and stimulate FDI and domestic SME growth, for example, along with effective management of external resources such as ODA and climate-specific finance. Ensuring that these policies are grounded in a clear overall financing strategy that outlines their respective roles and expected contributions to sustainable development would help to enhance their focus and their effectiveness. Such an overarching financing strategy could be incorporated within the NAP and future SEDPs.

Strengthen systems for monitoring the impact of financing

Existing monitoring systems in Viet Nam do not systematically track the outcomes that different types of financing generate or the contributions that they make towards national sustainable development objectives. Building indicators and a data collection process into existing monitoring frameworks that would allow the government to track and link the volumes of financing mobilized, the outcomes generated and their contributions towards headline objectives could inform a more precise understanding of the strengths of different types of financing and different instruments in contributing toward the country’s overarching objectives.
Annex 1: Data notes

Analysis of financing flows has been undertaken from the country perspective, thus national data sources were preferred over international data sets, where adequate coverage and metadata were provided. Across the 10 country papers and the regional report included in this project, all financing data and analysis are in constant 2015 US$, unless otherwise specified. Data from national sources reported in national currencies were converted into constant US$ using exchange rates and GDP-based deflators, following normal practice.

Domestic public finance

Domestic public finance refers to government resources that originate domestically. It covers government revenue (excluding any grants received, to avoid double counting with international resources) and government borrowing from domestic sources (i.e. domestic financing). Both series were sourced from national budget documents where available, with data from IMF Article IV Reports used to fill gaps, where needed.

Domestic private finance

Domestic private finance refers to investment by the domestic private sector in the country. In Viet Nam’s case, data for this type of financing were sourced from the General Statistics Office (GSO)—more specifically, from its data on “investment by types of ownership, items and year”. The level of disaggregation available at the source allows distinctions to be made between domestic and foreign investment, as well as between public and private resources. Data on non-state investment were used.

International public finance

International public finance includes official development assistance (ODA), other official flows (OOF) and government borrowing from international sources. ODA is sourced from OECD DAC data. OOF data are sourced from OECD DAC Table 2B for all countries, as comprehensive data on this type of finance are not readily available from national sources. Government borrowing refers to lending from bilateral and multilateral institutions and private entities, received or guaranteed by the state. For consistency across country papers and to ensure that overlaps with ODA loans and OOF could be accounted for, data for this flow were also sourced from international data sets for all countries.

International private finance

International private finance includes FDI, portfolio equity, private borrowing from international sources and remittances. FDI data are based on national sources for all countries. Portfolio equity and remittances were based on national sources for countries with sufficient coverage, or World Bank data otherwise. Portfolio equity data based on national sources were sourced from the liabilities line of portfolio investments (equity component) in balance of payments (BOP) tables. Private borrowing from international sources refers to commercial debt (both long- and short-term) and is based on international data from the World Bank’s International Debt Statistics for all countries; this was done for consistency across the country papers and due to patchy coverage and availability of data on this type of finance in national sources.