

VIETNAM COUNTRY PRESENTATION IN FINANCIAL SECTOR

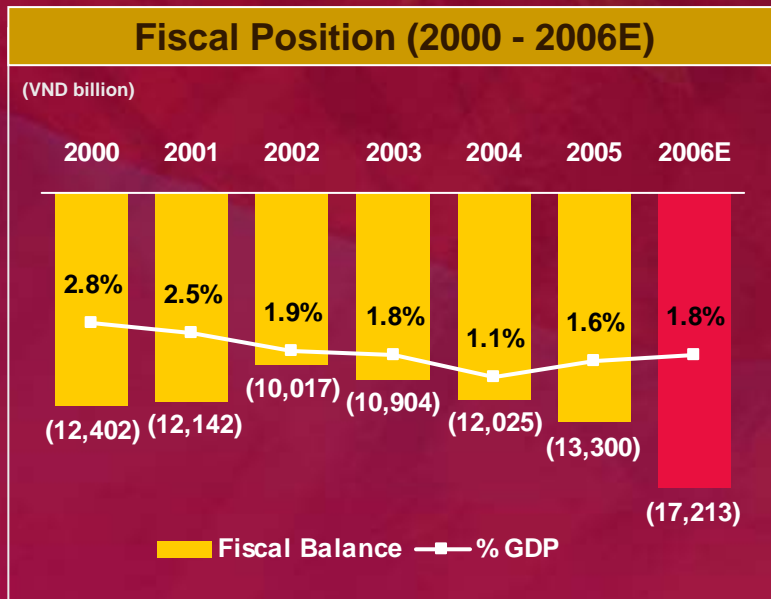
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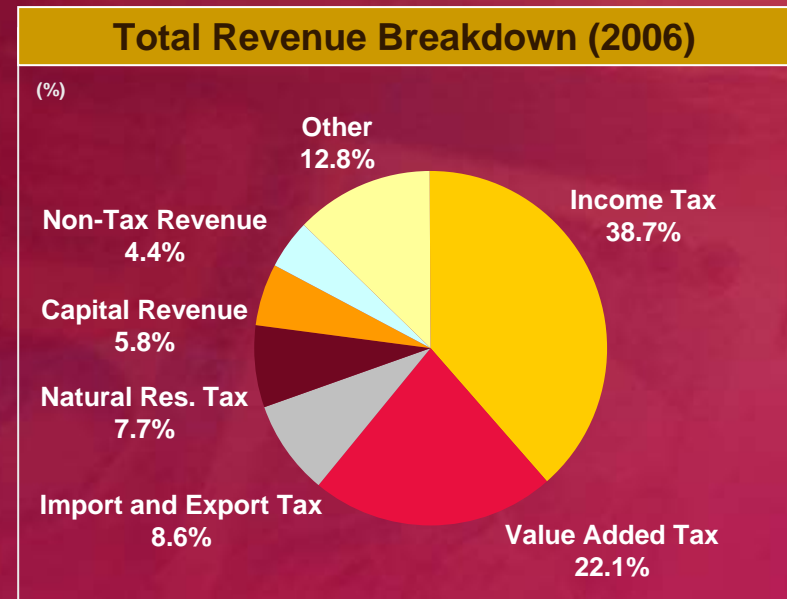
Prudent Budget Management

Vietnam's fiscal position has improved as a result of controlled expenditure and a widening of the revenue base

- ▶ Since 2000, budget deficit has remained below the target budget deficit of 2.5% of GDP
 - Current expenditures may not exceed current revenue
 - Prohibition of commercial borrowing to fund current expenditures
- ▶ Tax reforms have included changes to focus on direct methods of tax collection
- ▶ Fiscal position as at the end of 2006 was VND 17,213 billion deficit



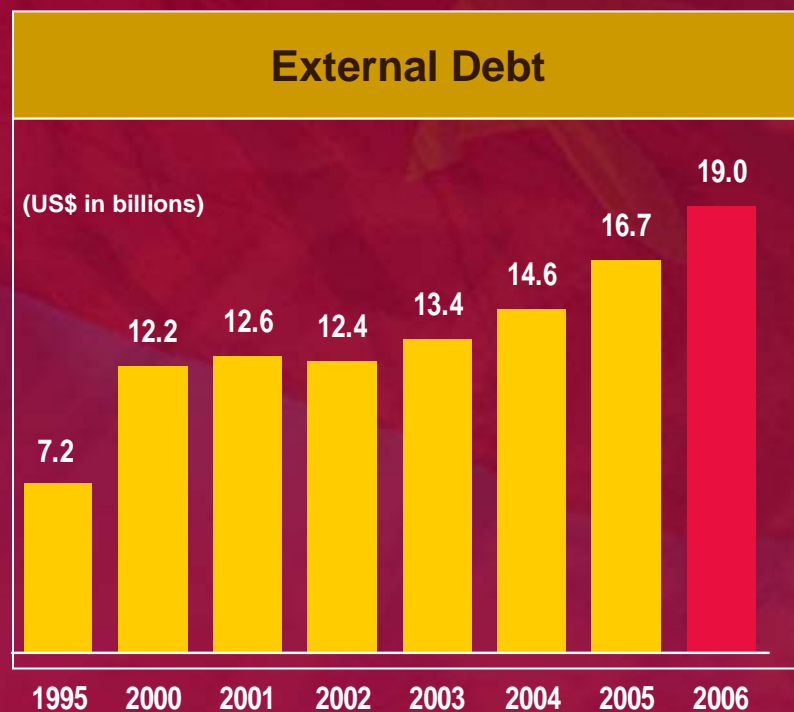
Note: Figures calculated under IMF standards
Source: Ministry of Trade



Source: Ministry of Finance

Sustainable Levels of External Debt

- ▶ Medium and long term debt accounts for 99.3% of total external debt
- ▶ ODA and government grants account for 80.6% total external debt
- ▶ Complete restructuring of government debt through Paris Club, London Club and bilateral agreements



Source: Ministry of Finance

External Debt Mix

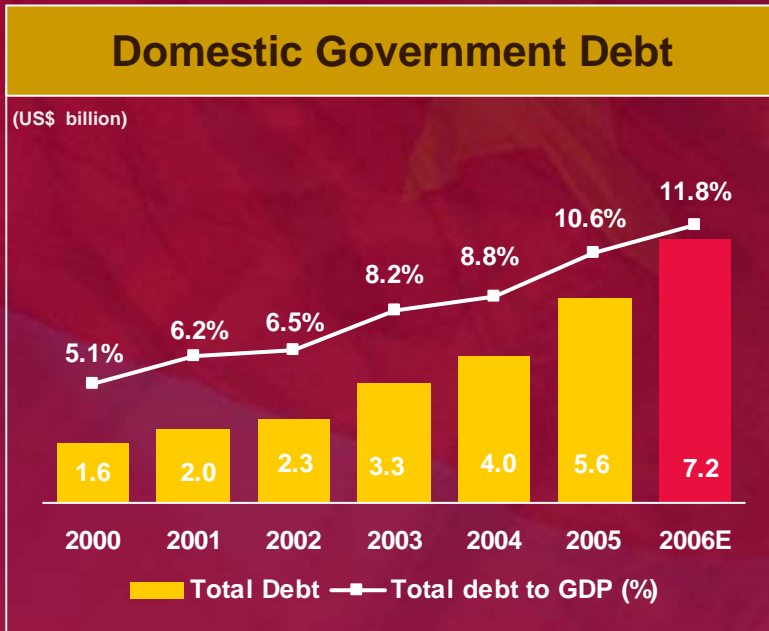
(US\$ in millions)	2004	2005	2006E
Total National External Debt	14,613	16,673	18,960
<i>Medium and long term</i>	<i>14,509</i>	<i>16,523</i>	<i>18,820</i>
ODA	11,159	12,773	14,060
Government Guaranteed	962	1,000	880
Enterprises	2,388	2,750	3,880
<i>Short term</i>	<i>104</i>	<i>150</i>	<i>140</i>
Enterprises	104	150	140

Source: Ministry of Finance

Firmly Established Domestic Bond Market

The Vietnamese Government has sought to raise domestic funds to finance the economic development of the country

- ▶ Since July 2000, the Government has supervised 154 domestic debt auctions



Source: Ministry of Finance



Source: Ministry of Finance

Since 2000 the Government has raised an aggregate of over VND 159.6 trillion (~US\$10 billion) of domestic debt

Fiscal Reform

Effective fiscal reform is helping to create a healthy financial environment for both local and foreign companies

Standardized Tax System	<ul style="list-style-type: none">▶ Apply common tax system for all economic sectors with a 28% corporate income tax applied to both domestic and foreign invested companies▶ Introduction of self-filing and payment of taxes on pilot schemes with support from IMF▶ Rationalisation and modernisation of tax and customs administration
Well-Maintained State Budget	<ul style="list-style-type: none">▶ Increase accumulation for development investment▶ Gradually abolishing government subsidy of investments▶ Reform of salaries and wages▶ Strengthened transparency with participation in the IMF's GDDS
Prudent Public Finance Management	<ul style="list-style-type: none">▶ Tighter control over government spending▶ Stress on more effective foreign debt management
Monitoring of Enterprises	<ul style="list-style-type: none">▶ Publicize the finance situation of enterprises▶ Implement measures to monitor financial positions of corporate effective audit and tax systems

State Owned Enterprise Reform

Reform of SOEs is strengthening the private sector and reducing public contingent liabilities

Significant Reduction in Number of SOEs

(number of SOEs)



Source: Ministry of Finance

Various Methods of SOE Reform

Equitization and Sale

Liquidation

Corporatization

Redundancy Support

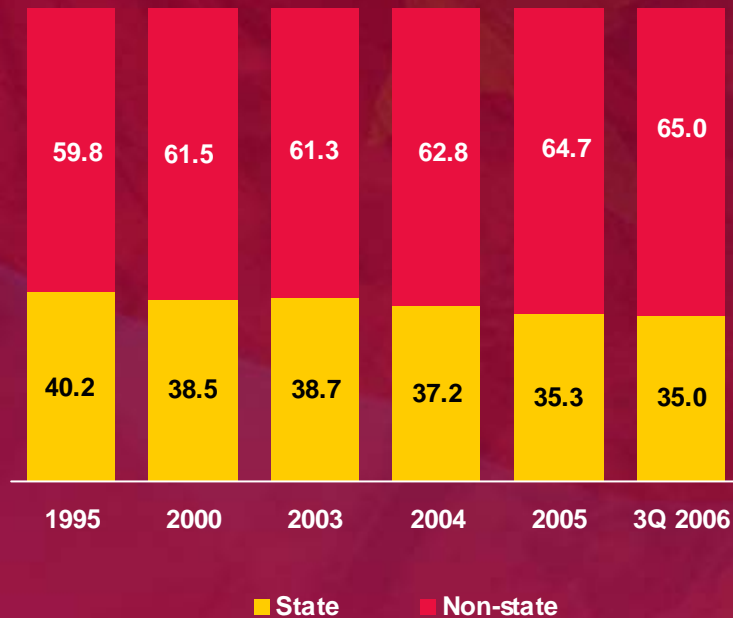
SOE reform continues to make solid progress

Non-State Economic Sector Developments

Recent measures and those underway are designed to stimulate SME growth

Increased Private Sector Economic Contribution

(% of GDP)



Source: Ministry of Finance

SME Promotion Measures

Comprehensive Land Law

Enterprise Law

Simplified Registration Procedures

Trade Promotion & Export Development

The private sector has emerged as a vibrant driver of the economy

Private Sector Development

The 2006 Enterprise Law established a modern legal framework for enterprises (private and SOEs)

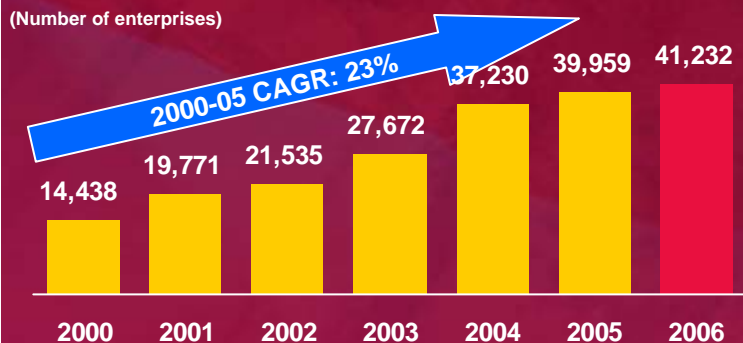
Enhanced Legal Environment

- ▶ Level playing field between state and private enterprises
- ▶ Simpler and faster business registration procedures
- ▶ Equal access to use of land for private enterprises
- ▶ Simplification of tax system

Promote the Development of SMEs

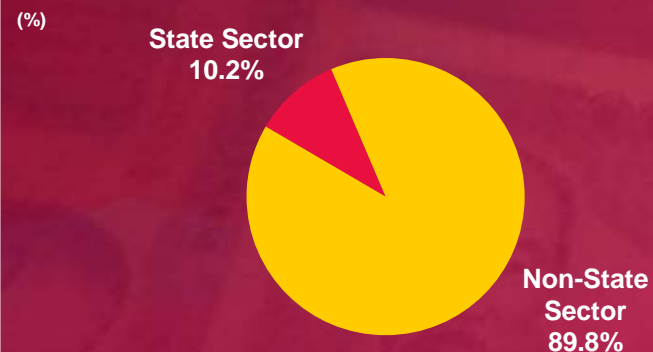
- ▶ Increased access to capital
- ▶ Trade promotion and export development
- ▶ Plan for further development of SMEs for 2006 to 2010 currently under evaluation

Registrations under Enterprise Law



Source: Ministry of Planning and Investment

Employment by Sector (2006)



Source: General Statistical Office, Ministry of Labor, Invalids and Social Affairs

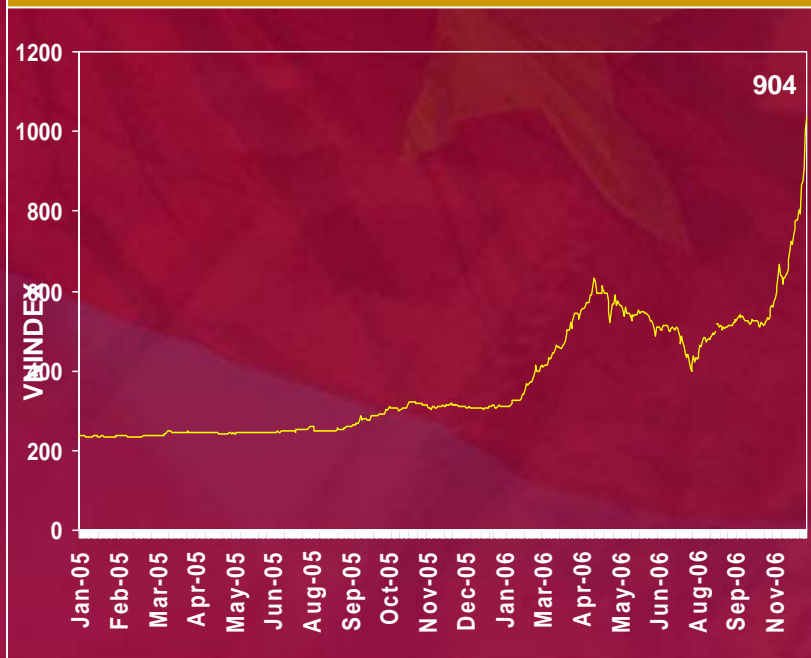
Vietnam's private sector continues to drive economic growth

Local Capital Markets Development

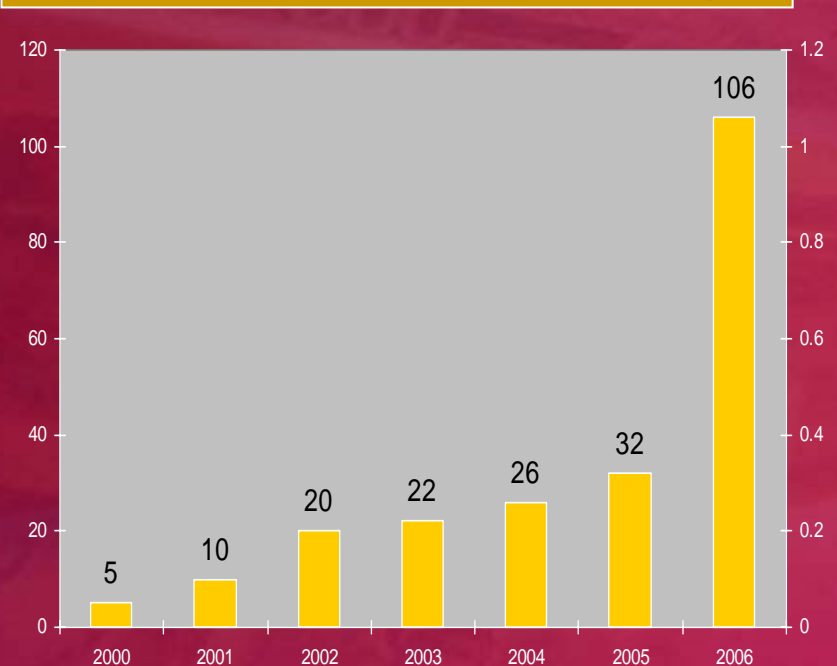
Two Securities Exchanges (Ho Chi Minh City and Hanoi) have a combined market cap of over US\$13.8bn which is more than 23% of GDP. More IPOs are expected in 2007, with more than 100 equitized SOEs identified for public listing.

- ▶ Currently 400 bonds and 193 equity securities are listed on these exchanges
- ▶ The market capitalization reaches 13.8 billion USD (22% GDP)

2005-2006 Performance of VNINDEX



Listed Equities on the HCMC exchange



Source: Bloomberg, Ministry of Finance

The local capital markets experienced record growth in 2006, which is expected to continue into 2007

Local Capital Markets Development

Liquidity of the local markets is expected to improve with the support of several key initiatives

- **Financial co-operation agreement signed in December 2006 between Singapore Exchange, Monetary Authority of Singapore and Vietnamese Ministry of Finance and State Securities Commission to support Vietnamese companies tap international capital markets**
- **Promotion of Hanoi Stock Trading Centre as the primary centralized OTC market**
- **Regulated framework for OTC trades will enhance transparency, investor protection, and market surveillance**
- **Securities laws entered into force in 2007**

More developed, liquid and liberalized capital markets will help propel growth of the private sector and encourage foreign investment

SOEs Proposed for Listing

In 2006, the Prime Minister announced plans for equitization and domestic listing of SOEs for period 2007-2010:

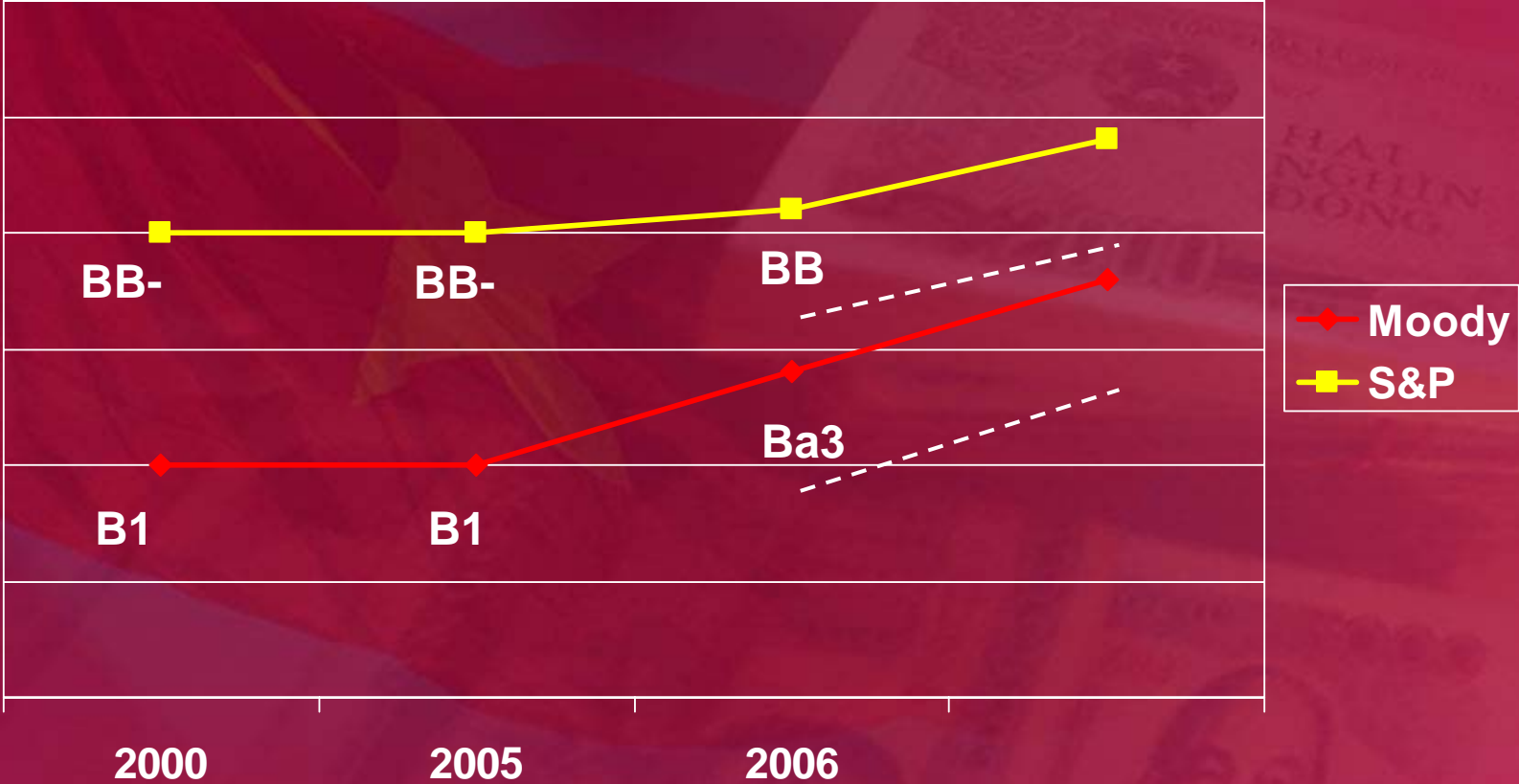
- In 2007: 20 Groups and State Corporations;
- In 2008: 26 Groups and State Corporations;
- In 2009: 19 Groups and State Corporations;
- In 2010: 06 Groups and State Corporations.

ORDER	NAMES OF ENTERPRISES EQUITISED IN 2007	AGENCIES IN-CHARGE
1	Vietnam Bank for Foreign Trade (Vietcombank)	State Bank of Vietnam
2	Bank for Investment and Development of Vietnam	State Bank of Vietnam
3	Mekong Housing Bank	State Bank of Vietnam
4	Incombank	State Bank of Vietnam
5	Vinaphone Company	Ministry of Post and Telematics
6	Mobifone Company	Ministry of Post and Telematics
7	Bao Viet Insurance Company	Ministry of Finance
8	Hanoi Beverage, Beer and Alcohol Corporation	Ministry of Industry
9	Saigon Beverage, Beer and Alcohol Corporation	Ministry of Industry
10	Viet Tien Garment Corporation	Ministry of Industry
11	Vietnam Shipping Company	Ministry of Transport
12	Phu My Nitrogenous Fertiliser Plant	Ministry of Industry

Source: Ministry of Finance

Listing on the domestic exchange would assist to create momentum of the local market to improve liquidity

Country Credit Ratings



The background of the slide is a composite image. On the left, there is a red flag with a yellow star, which is the national flag of Vietnam. On the right, there are several Vietnamese banknotes, including a 20,000 VND note and a 10,000 VND note, both featuring the portrait of Ho Chi Minh. The text is overlaid in a bold, yellow, sans-serif font.

**THANK YOU
FOR ATTENTION**