

## 金融システム改革達成状況と不良貸付問題

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本稿は、当研究のカウンターパートから得られた情報およびデータと、多数の金融機関（ヴィエトナム国立銀行、国有商業銀行、ジョイント・ベンチャー・バンクおよび外国銀行支店を含む）、国有企業ならびに民間企業へのインタビューに基づくものである。また、WB、IMFおよびADBによる多くの出版物および統計データも参照した。

## 1. 1990年代におけるマクロ経済パフォーマンス

1980年代後半に経済改革が始まって以来、ヴィエトナムは著しい経済成長を遂げた。1980年代後半の通貨供給による債務補填によって引き起こされたハイパーインフレは、1990年初頭までには収支均衡予算政策と厳しい金融政策によって食い止められた。また、このことは海外直接投資（FDI）を惹きつけるという結果をもたらし、VND価格安定化にも貢献した。活発なFDIは1990年代のヴィエトナム高度経済成長を支える重要な要素ともなった。

1997年半ばの変動相場制への移行によって引き起こされた突然のタイバーツ切り下げをきっかけとするアジア金融危機は、間接的にヴィエトナム経済に影響を与えた。隣国への輸出は縮小し、FDIの流入も弱まった。それゆえ、ヴィエトナム経済は1998年以降停滞し、GDP成長率は前期の8-9%から4-5%にまで下落したが、2000年には、ヴィエトナム経済は輸出拡大により徐々に回復してきている。ヴィエトナム国立銀行（SBV）は、国内需要を刺激するために、金利や預金準備率緩和等の金融政策をとってきている。しかしながら、実質貸出金利は、現在のデフレ経済環境下において、国内需要を刺激するにはまだ高いと思われる。

表1 主要マクロ経済・金融指標

(Unit: %, except GDP - VND trillion)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Real GDP	5.1	6.0	8.7	8.1	8.8	9.5	9.3	8.2	5.8	4.8
Growth Rate										
GDP				140	178	229	272	314	361	399
CPI	67.5	67.5	17.4	5.2	14.4	12.7	4.5	3.6	9.2	0.1
Budget										
Deficit/GDP	-8.0	-3.7	-3.7	-6.2	-2.6	-0.8	-0.7	-3.9	-2.0	-3.8
Current A/C										
Deficit/GDP	-	-	-	-	-	-12.8	-9.9	-6.2	-3.9	4.4
M2/GDP	0.27	0.27	0.25	0.24	0.25	0.24	0.23	0.26	0.28	0.36
Real Savings										
Rate	-	-	-	-	-	3.5	5.2	4.1	0.4	3.9
Real lending Rate	-	-	-	-	-	12.4	11.8	8.6	4.9	11.7

(Source: SBV and IMF data)

## 2. 市場経済にむけての金融システム改革の達成状況

### 2-1 金融改革の手順

1998年度における前回の共同研究（フェーズ2）において、われわれはベトナムにおける金融制度改革の手順について触れた（Appendix 2：中央銀行改革、Appendix 3：商業銀行改革参照）。このトピックについては、世界銀行が1989年の「世界開発報告」において金融セクター改革の手順としてまとめている。世界銀行チームは、国別比較研究を行い、さまざまな経験からレッスンを導き出している。

この報告によると、金融改革は3段階から構成されるとしている。まず、財政赤字をコントロールできるようにし、マクロ経済の安定性を確立することから始まるべきであり、政府はさらに金融基盤を改善するよう努めるべきである—つまり、会計・法律制度、契約履行のための手続き、情報開示の準備、プルーデンス政策の構築（Box 2：ベトナムの現行プルーデンス規則参照）および監督である。第2段階においては、多種多様な金融マーケットと制度の整備を行い競争促進に努めるべきである。対外政策面に関しては、国内市場への外国参入は、国内金融機関が完全に競争できる準備ができた後、市場の適正な競争と効率性を増進させるために奨励されるべきである。最終段階においては、政府による金利の完全自由化、指令貸出制度の最小化、資本取引管理の緩和および外国機関に対する規制撤廃が可能となろう。そして、マクロ経済の安定化が図られ、国内金融制度が自由化され深められたときに、外国機関やキャピタル・フローに対して、国内・国際金融市場を統合するために、大幅な自由を認めことができる（詳細についてはBox 1参照）と結論づけている。

## Box 1 市場経済への体制移行国における金融改革の教訓

### －統制金融制度から自由金融制度への移行手順－

#### 第1段階

- － 改革は財政赤字をコントロールすることから始まるべきである
  - ・ 中央銀行からの借入れは高インフレーションを引き起こす
  - ・ 高率の預金準備と流動性確保を通じた国内金融部門からの借入れはインフレを引き起こさないが、銀行の利益を減少させ、金利をゆがめて、民間部門の借り手をクラウド・アウトする
  - ・ 短期の政府債権市場創設による、市場からの資金調達は望ましい。それにより、政府がオープンマーケットオペレーションを行えるようになる。
- － マクロ経済安定性の確立
- － 政府からの補助金減少にむけての指令貸出制度の規模縮小と優先順位付け
- － インフレーションおよび他の市場動向に沿った金利の調整
- － 金融基盤の改善
  - ・ 会計・法律制度
  - ・ 契約履行のための手続き
  - ・ 情報開示の要請
  - ・ プルーデンス政策の構築と監督
- － 金融機関における自主的経営の奨励
- － 金融機関の経営破綻が広範囲にわたった場合、政府は改革の初期においていくつかの金融機関のリストラを実施する必要があるかもしれない

#### 第2段階

- － 競争促進のため多様な市場や機関の整備を促進する
- － 預金と貸付金利の間に広い幅を設定する
- － 外国金融機関の国内金融市場への参入は、適正な競争と市場の効率性促進のため奨励されるべきであるが、国内金融機関が完全に競争条件を整えられる迄必要な規則は適用される。

#### 最終段階

- － 金利の完全自由化
- － 残存する指令貸出制度の制限
- － 外国機関に対する規制撤廃
- － 貿易取引自由化後、資本の取引を緩和
- － 国内金融市場と国際金融市場のリンク

徐々に自由化を進めていくことは損失を生み出すことにもなるが、企業には適応するための時間を、金融機関には必要とされるであろう新しい技術を磨く時間を提供する必要がある。適切なバランスが判断されなければならない。

## Box 2 ヴィエトナムにおけるブルーデンス規則

アジア金融危機後、多くのアジア諸国は、強固な金融部門構築のため、ブルーデンス規則を改訂した。効率的かつ健全な金融部門は経済発展を促進させるために不可欠である。1998年以降、ヴィエトナムでは多くの規制や法令が取り入れられたが、いくつかの銀行に対する規制は、他のアジア諸国で金融危機後に導入されたものと同基準である。主要項目はこれらの規定によりカバーされているものの、なおいくつか新しい規制を導入すべき点がある。厳格で透明性ある規制と監督が、健全で安定した金融部門を維持するために必要となろう。

### ブルーデンス規制各国比較

Items	Viet Nam	Indonesia	Korea	Malaysia	Thailand
Capital Adequacy Ratio Target	8%	4% (End of 2001 8%)	Mar 2000 8% (End of 2000 10%)	8%	Commercial banks 8.5% Financial companies 8%
Loans Classification (days elapsed before considered past due)	Lowered from 360 to 90 days	No change 180 days	Lowered from 180 to 90 days	No change 180 days	Lowered from 360 to 90 days
Loan Loss Provisioning Substandard/Doubtful/Loss	20 / 50/ 100	0 /50/ 100 to 10-15 /50 / 100	20/75/100 (back-ward looking) to 20/50/100 (forward-looking)	No change 0/50/100	0/50/100 to 20/75/100
Interest Accrual	Lowered from up to 6 months to up to 3 months; no claw-back	Lowered from up to 6 months to up to 3 months; no claw-back	Lowered from up to 6 months to up to 3 months; no claw-back	No change - up to 6 months; with claw-back	Lowered from up to 6 months to up to 3 months; no claw-back
Single Customer Limit	Loans: 15% of the equity capital	20% of the equity capital (10% for related parties)	Loans: 15% of the equity capital Guarantees: 30%	25% of a bank's shareholder's fund	25% of Tier 1 capital
Lending for Stock Purchase	None	Prohibited from underwriting commercial paper	No lending for speculative purposes	Out of total outstanding loans: commercial banks and finance companies 20%, merchant banks 30%	Margin loans are classified as a non-priority sector

Sources: WB (1999) "The East Asia Recovery and Beyond", ADB (1999) "Banking Sector Reforms: Recovery Prospects and Policy Issues"

## 2-2 商業銀行制度改革

ベトナムにおける金融改革は、前記の改革手順に沿って、一步一步慎重に成し遂げられてきている。商業銀行制度改革については、ベトナム政府とSBVは、厳格な財政・金融規律を復活させることによって、インフレーションとマクロ経済の安定化に成功した。そして、現在SBVは、今後の国際金融市場との統合のために、より市場志向で、健全かつ強固な国内金融市場をめざして、商業銀行システムを再編し、マネーマーケットと証券市場強化に取り組んでいる。その一例は、近代的な銀行間のネットワークシステムと銀行間マネーマーケットを通じての決済システムの改善である。他の例は、セーフティー・ネットとして1999年3月に導入された預金保険システムである。これらの新規システムの導入と、法律制度、会計制度や監督等金融基盤の改善は、信頼と利便性の観点から預金者（銀行の顧客）をひきつけ、金融の深化に貢献するものと思われる。

## 2-3 金融改革手段の改革

金融政策手段に関しては、SBVの政策は下記のように、直接的コントロールから市場に基づく間接的なものへと移行してきている。

### (1) 金利自由化

- 1996年預金利息上限撤廃
- 1996年預金利息と銀行間利息の自由化
- 2000年8月貸出上限金利の代わりにリスクプレミアムを加味した貸付ベースレート（プライムレートに相当）を導入

### (2) 預金準備政策を厳格な規則から柔軟なものへ移行

### (3) 2000年8月より公開市場操作を適用（T-bills、SB bills）

### (4) 1994年から1998年まで商業銀行の融資活動に対する直接介入手段として使われていた与信限度の撤廃

### (5) 短期の担保付資金調達、一時的決済不足金を埋め合わせるための短期ローン、政府の政策に基いた指令貸付のような特定の目的のためのリファイナンス手段を維持する

### (6) 外国為替レートがより銀行間の外為市場に基き調節されるようになる

ベトナムにおける金利はSBVによって徐々に自由化されているものの、いまだ規制がかかっている（プライムレートに類似している）。現在のベース金利は1ヵ月につき0.75%であり、リスクマージンは0.3%（短期）から0.5%（中・長期）である。SBVは毎月ベース金利を、市場データ・情報を評価後、必要であれば金利を調整し公表する。不良貸付（NPLs）問題で苦しむ商業銀行の利権は広げる必要があるが、金融市場は弱い企業の資金需要に影響されている。不景気であるという市場環境と、政府およびSBVが国有企業（SOEs）再建の責任を負っているという事実を考慮すると、現在の金利レベルは、理解できよう。しかしなが

ら、企業にとって、現在の実質金利は活発な投資をするには高すぎると思われる。金利とリスクマージンは、貸し手側の商業銀行改革と借り手側のSOE改革の動向に影響されながら、金融市場に見合うよう決定されているように思われる。

表2 短期預金・貸付金利推移

		(Unit: % / month)											
		90.12	91.12	92.12	93.12	94.12	95.12	96.12					
Deposit	(A)	4.0	3.5	2.0	1.4	1.4	1.4	0.8					
Lending	(B)	4.0	3.5	2.7	2.1	2.1	2.1	1.25					
Spread	(B-A)	0.0	0.0	0.7	0.7	0.7	0.7	0.45					
		97/3	6	9	12	98/3	6	9	12	99/3	6	9	12
(A)		0.8	0.8	0.75	0.75	0.85	0.9	0.8	0.85	0.8	0.71	0.41	0.33
(B)		1.25	1.25	1.0	1.0	1.2	1.2	1.2	1.2	1.1	1.0	0.95	0.85
(B-A)		0.45	0.45	0.25	0.25	0.35	0.3	0.4	0.35	0.3	0.29	0.54	0.52

(Sources: Phase 2 Final Report and SBV data)

#### 2-4 商業銀行のリストラ

商業銀行のリストラは、ゆっくり進んでいる。NPLsの分離と資本強化をもちこむ、各国有商業銀行(SOCB)の再建計画は既に関係監督機関に渡っているものの、いまだに最終的な承認は得られていない。政策金融の機能分離については、2000年初頭に、Development Assistant Fund(DAF)が、健全な銀行経営原理の下、重要産業とインフラ開発プロジェクトに対し長期の政策金融を提供する目的で設立された。DAFは当初より、ヴェトナム投資開発銀行(BIDV)の同様の機能を統合した。Bank for the Poorは、貧困層に特化する政策金融機関として、ヴェトナム農業地域開発銀行(VBARD)から分離独立することが計画されている。これらの政策金融機関は、金融機能を担う限り、厳格な規律の下健全な融資活動と経営が行われることが求められる。これを成し遂げるためには、自主決定ができるステータスと、貸出審査におけるプロフェッショナルな技能が必要とされよう。政策金融機関は融資対象を絞り込み、商業銀行活動を補完することが重要である。

合資銀行(JSBs)の再建も進んでいる。SBVは既存のJSBsに、2001年までに資本金水準を引き上げるよう指示した。JSBが最低資本金水準に到達しない場合は、市場から締め出されるであろう。このため、JSBsの数は、閉鎖や合併を通じて減少してきている。われわれはこのプロセスにより、商業銀行の金融基盤および全体としての競争力が強められることを期待する。しかしながら、JSBsは中小企業(SMEs)への資金供給において重要な役割を担っているため、政策当局は、JSB再建の間、SMEローンの減少を防ぐ手段を講じるべきである。民間部門の振興は雇用機会を創出し、貧困を減らすことが期待される。

## 2-5 証券市場の設立

2000年7月、HCMC証券取引所が開業した。上場株と取引可能な国債の数は今までのところ限られているため、取引所は、日々の取引価格の変動幅を規制することで、潜在的に変動しやすい市場をコントロールしている。市場はいまだ更なる開発にむけての実験的段階にある。しかしながら、さまざまな企業に対して新たな資金調達オプションを提供する機能は間違いなく重要であり、大蔵省(MOF)、SBVおよび国家証券取引委員会(SSC)は引続き、2001年のハノイ証券取引所設立を準備中である。上場手続きと取引活動の法的枠組みは慎重に構築されてきており、上場企業に対する情報開示規則も市場環境透明化のために導入された。市場が今すべきことは、より魅力的なインセンティブを提供し、市場環境をリラックスさせることにより、潜在的な上場候補を引きつけ、また、より多くの株式とさまざまな金融商品を提供することで、投資家を引きつけマーケットの期待に応えることである。資本市場の更なる発展は、企業と政府にとって国内資金動員の機会を広げるであろう。また、より活発な株式化・民営化のための新たな手段を提供することによって、SOE改革を促進することも期待できる。資本市場はまたSBVにとって、間接的マネーサプライコントロールのための新たな手段を提供することになる(公開市場操作)。

さまざまな制度的枠組みは政府改革計画に沿って導入されているので、政策当局は各オペレーションの効率的な実施ならびに目的の達成に注意を払うべきである。

## 3. 弱体化したSOEsおよび農民救済のための、

### 1997年以來の政府とSBVによる臨時的立法措置についての検証

アジア金融危機と地方における絶え間ない自然災害は、SOEsと農民の脆弱なキャッシュフローバランスにダメージを与えた。この状況に対応して、政府とSBVは、損失を出すSOEsと損害をうけた農民のキャッシュフローを良くするために、いくつかの政令を出した。

- Resolution No. 49/CP (1997年5月) : 「SOEsは、授権資本に基き、無担保でSOCBsから借金ができる。銀行から借金をした農民は、困難に直面した場合、生産を続けるために、負債軽減と新しいローンを組むことができる。」
- 1996年12月31日までのSOEs・協同組合の負債対処のためのSOCBsへのガイダンスCircular No. 03/1997/TTTL/NHNN-BTC (1997年11月) : 「客観的に避け難い理由により生じた負債は、キャンセルされるか、3-5年以内に償還される。」
- Memo No. 959/KTKH (1997年3月) : 「……商業銀行からの短期借入は、計画された投資プロジェクトのための中・長期ローンに変更できる……」
- SOCBsはareaⅢ(hiland、クメール民族グループおよび自然災害地域)への貸付金利を30%引き下げる。
- Directive No. 08/1998/ct-NHNN (1998年10月) : 「……困難に直面したSOEsにおけ

る1998年6月30日以前の延滞債務について、まず元金を回収した後に利子を支払うことが許されている。自然災害により生じた延滞債務については、借り手は負債軽減を甘受できる。損失が生じている企業の延滞債務については、金融機関はローンの期限延長を考慮できるが、期限延長は、再定義された借入残高の15%を超えてはいけない。」

- Decision No. 67/1999/QD-TTg (QD-TTg) (1999年3月) : 「農民は1千万VND以下の借入れについては担保がいらぬ。米輸出、肥料輸入のディーラーとしての協同組合、プランテーション所有者、農業協同組合およびSOEsは、ローン対象資産を担保として使用することを許される。」

これらの緊急措置の下、多くの損失を生み出すSOEsと農民は債務不履行を免れた。しかしながら、これらの法案が継続する限り、借り手の損失はSOCBsによって支えられることになり、潜在的不良債権はSOCBsの貸付債権内に温存されることになる。これらの法案は目的達成までの一時的なものであるべきであり、政策当局はいつ、どのようにして各法案を漸次廃止していくかを考えなければならない。さもなければ、SOCBsの資産の質は悪化し、貸し手と借り手の厳格な関係や健全な企業経営規律は阻害されるであろう。

#### 4. 不良貸付問題

##### 4-1 最近の商業銀行の財政状況

ヴェトナムにおける商業銀行のビジネスパフォーマンスについては、貸貸対照表と損益計算書が記載されているappendix 4に記す。下表はその要約である。

表3 不良貸付問題の悪化

(Unit: billion VND, %)

	1996	1999	99/96	Annual Growth Rate
Total Assets	86,203	159,147	1.84	16%
Total Loans	50,751	86,626	1.71	15%
NPLs	4,726	10,490	2.21	22%
NPLs / Loans	9.3	12.1	...	...
NPLs / Assets	5.5	6.6	...	...
Equity / Assets	7.2	7.3	...	...
Total Income	8,969	11,973	1.33	7%
Operating Income	2,840	3,427	1.21	5%

(Sources: SBV data and annual reports of four SOCBs)

ヴェトナムにおける商業銀行は、1996年から1999年まで、年平均15%の伸び率で資産を拡大した。一方、表3からわかるように、営業利益（純利息収入と純利息外収入）は1.2倍の成長に止まった。一すなわち、同期間における年間伸び率は5%にすぎなかった。そして、NPLsの



ボリュームは2倍以上に拡大した。

表4 4国営商業銀行における預金並びに資産の構成

(Unit: VND trillion)

	95.12	%	96.12	%	97.12	%	98.12	%	99.12	%
<b>Total Assets</b>	<b>58.0</b>	<b>100</b>	<b>66.0</b>	<b>100</b>	<b>81.3</b>	<b>100</b>	<b>105.0</b>	<b>100</b>	<b>134.9</b>	<b>100</b>
Deposit (SBV)	5.7	10	6.5	10	7.0	9	7.4	7	11.2	8
Deposit (Other Banks)	8.6	15	10.5	16	14.0	17	19.7	19	31.1	23
Loans to Economy	33.6	58	38.3	58	48.0	59	59.1	56	72.4	54
Others	10.1	17	10.7	16	12.3	15	18.8	18	20.2	15
<b>Liabilities &amp; Capital</b>	<b>58.0</b>	<b>100</b>	<b>66.0</b>	<b>100</b>	<b>81.3</b>	<b>100</b>	<b>105.0</b>	<b>100</b>	<b>134.9</b>	<b>100</b>
Due of Other Banks	10.0	17	11.7	18	13.0	16	15.3	15	11.4	8
<b>Resident Deposit</b>	<b>24.6</b>	<b>42</b>	<b>30.5</b>	<b>46</b>	<b>44.2</b>	<b>54</b>	<b>61.7</b>	<b>59</b>	<b>87.3</b>	<b>65</b>
(in Dong)	17.6	30	22.9	35	31.6	39	41.8	40	55.6	41
-Enterprises	7.7	13	10.7	16	15.9	20	19.8	19	28.5	21
-Individuals	9.8	17	12.2	18	15.7	19	22.0	21	27.1	20
(in USD & Others)	7.0	12	7.7	12	12.6	15	19.9	19	31.7	23
-Enterprises	6.0	10	5.3	8	6.8	8	6.0	6	12.4	9
-Individuals	1.1	2	2.3	3	5.8	7	13.9	13	19.3	14
Other Liabilities	20.6	36	20.5	31	19.6	24	20.4	19	28.5	21
Capital & Reserve	2.8	5	3.3	5	4.5	6	7.6	7	7.7	6

(Source: SBV data, for four SOCB's and 24 non state-own banks)

表4はヴィエトナムにおける商業銀行の預金残高の推移と資産分類を示している。預金については、その額は国内ドンおよび外貨ともに非常に増えた。ドン預金は3倍になり、外貨はここ4年で4.5倍に拡大した。1998・1999年には、マクロ経済安定化と、インフレーション低下によって、個人の外貨預金の拡大が特に著しかった。今や個人がポジティブな実質金利を享受できるため、家で貯金するかわりに、信頼できる商業銀行に預金する傾向が定着してきている。一方、資産面をみると、実体経済部門への融資残高はあまり変化がみられない。これは、最近の低迷している景気を反映している。また、外貨ローンに対する国内需要が低いために、商業銀行は銀行間のオペレーションを通じ手許外貨預金を国際金融市場に投資する傾向が読みとれる。負債における外貨預金のボリュームは、1998年および1999年においては、資産面における他の銀行への預金とほぼ同等である。SBVは、市場における流動性を増やすために、預金準備率を緩和（10%から5%）したが、SBVに対する商業銀行預金のボリュームは小さくならなかった。これは、国内が不景気なため、国内の投資機会が少なくなっていることを示すものかもしれない。前述の資産のポートフォリオでは必要な商業銀行利益を生み出すには不十分と思われる。

商業銀行の貸出構成を示す表5は、以下のような特徴を示している。

- SOEsのための貸出のシェアは、民間セクターや個人向けが増加したのに対し、徐々

に縮小した。

- 部門別では、1997年に建設部門における貸付が増加した。
- 期間については、長期貸付のシェアが増加した。

建設部門への貸出増加ならびに、長期貸付拡大による、調達と運用における期間のミスマッチには多くの注意を払うべきである。なぜなら、両者とも、銀行に更なるリスクをもたらす可能性があるからである。

表5 商業銀行における貸付金構成

(Unit: in VND billion, %)

	95.12	%	96.12	%	97.12	%	98.12	%	99.12	%
<b>Credit Total</b>	<b>42,277</b>	<b>100</b>	<b>50,751</b>	<b>100</b>	<b>62,200</b>	<b>100</b>	<b>72,595</b>	<b>100</b>	<b>86,625</b>	<b>100</b>
<b>(By Ownership)</b>										
1. SOEs	24,079	57	26,809	53	30,980	50	37,706	52	41,752	48
2. Others	18,198	43	23,942	47	31,220	50	34,889	48	44,873	52
<b>(By Sector)</b>										
1. Agri/Forestry	11,407	27	11,311	22	15,129	24	18,570	26	22,683	26
2. Industry	11,679	28	14,126	28	16,462	26	19,301	27	23,682	27
3. Construction	4,696	11	7,380	15	11,319	18	11,290	16	12,413	14
4. Trade, Repair	11,942	28	13,608	27	13,618	22	15,480	21	18,771	22
5. Others	2,552	6	4,326	9	5,671	9	7,953	11	9,076	10
<b>(By Term)</b>										
1. Short Term	28,472	67	34,037	67	37,280	60	39,542	54	47,300	55
2. Long Term	13,805	33	16,714	33	24,920	40	33,053	46	39,325	45

(Source: SBV Data for four SOEs and 24 non-state banks)

#### 4-2 商業銀行収益におけるNPLsのマイナス効果

Appendix 5は金利とスプレッドの推移を示す。商業銀行における金利スプレッド（現地通貨4-5%、外貨2-3%）はここ3年間変化しなかったため、NPLsの増加はローン資産の質と銀行の収益に損害を与えたものと推定される。1999年におけるNPLsのボリュームは、10兆ドンを超え、NPL比率は12.1%であった。1999年に仮にNPLsがいかなる利益も生み出さず、金利スプレッドが毎年5%であったと想定した場合、商業銀行は同年5,000億ドン以上の利益を失ったことになる。それは、4SOEBsの総営業利益の15%と同等であり、税引き後純利益である7,350億ドンとほぼ同じである。総資産に対するNPLs比率は1999年では6.6%であり、それはほぼ自己資本（7.3%）と等しい。仮に全NPLsが回収できないとすると、銀行は、債務超過に陥ってしまうことになる。これは、通常純資産（総資産マイナス総負債）によって測られる。関係する監督機関は慎重に資産の質の変化をみて、いまだ脆弱な金融部門における流動性危機を未然に防止し、効率的で強固な金融システム構築のために、できる限り早くこの問題に対処しなければならない。

#### 4-3 NPL問題解決スキーム

弱体化した商業銀行再建のために、SBVと関係オーソリティは目下、資本基盤を強化するための資本金注入と、不良債権整理のためのAsset Management Corporation (AMC) 設立を含む、一連の対応策策定の準備をしている。再建案のフレームワークと計画されたAMCの概念はappendix 6、7にて示す。AMCのオペレーションに関して、早急に解決されるべきいくつかの問題点を指摘したい。

- AMCの全機能の定義付け
- カバーすべきNPLの特定 (AMCは担保付NPLsのみをカバーするのか?)
- NPLsの購入価格決定 (帳簿価格かあるいは市場価格か?)
- 資産処分と回収システムの活性化 (競売センターにおける土地利用権の譲渡を奨励)
- 国と各銀行間の損失シェアの方法を決定する
- NPLs処理に係る想定費用の資金調達手段
- AMCがターゲットとした資産処分のタイムフレームを規定

中国では、主要な4 SOCBsのAMCsは既に設立されており、1999年から業務を開始している。国と銀行の費用分担計画は、不良債権を引き起こした際の、各銀行の責任度合に基いて定められた。中国政府は、10年以内にAMCを通じて、NPLsの処分と、存続可能な赤字企業の再建を完了する方針である。詳細はappendix 7に述べている。

商業銀行のリキャピタライゼーションについては、現存する銀行の中で信用力のあるものを選んで行われるべきであり、監督機関は、定期的にリストラ計画の達成度をモニターすることが必要である。

#### 4-4 商業銀行改革コストの見積り

フェーズ3における共同研究のためのSBVレポートによると、改革に必要なコストは、GDPの約6%に当たる、約15億ドル (約22兆ドン) と見積もられている。その詳細は下記のとおりである。

- 現行NPLs解決コストとSOE改革コストの合計は7億ドル
- SOCBsとJSBsの授権資本拡充のためのコストは7億ドル
- 金融スタッフの訓練と技術への投資額は1億ドルである。

これらの再建策実行が遅れた場合は、上記以上の政策コストがかかり、ヴェトナム金融制度の脆弱性は継続したままとなる。故に、素早い再建策の実行が重要である。

#### 4-5 将来のNPL問題防止策

将来のNPLsを防ぐことは、前述のスキームによって既存のNPLsを整理することよりも重要であり、これを達成するためには、以下の対策が必要である。

- S B Vによるプルーデンス規制導入 (Box 2参照)
- 金融部門において、リスク管理や審査のような専門的技術を強化
- 商業銀行から指令貸付機能を分離し、商業銀行の自治権を確保する
- セーフティネットとしての預金保険システムを強化する
- S O E s が、存続可能かつ健全（銀行にとってよい顧客）になるよう、改革を早める
- 貸主と顧客双方に、厳格かつ健全な企業経営規律を確立するために必要なインセンティブを与える

## 5. 結論および政策提言

ヴェトナムは、1990年初頭にマクロ経済安定化に成功した。しかしながら、ヴェトナムにおける金融制度は未だ脆弱で、多くの問題が未解決のまま残されている。

- 国内金融システムの基盤改善
- 商業銀行（SOCBs およびJSBs）再建
- NPL 諸問題
- 商業銀行から政策ベースの金融機能分離
- 市場志向型金融政策手段の導入

結論として、残存している問題を要約し、いくつかの最終コメントを以下に述べる。

- (1) 当局は商業銀行ならびにSOE改革の推移を考慮に入れながら、金利政策を、徐々に自由化し、市場の需要に見合うよう慎重に調整している。しかしながら、現行の政策は依然として商業銀行の貸付活動を抑圧しているように思われる。ベース金利プラスリスクプレミアムによって特徴づけられるこの政策は、金融部門改革と商業銀行再建の達成状況に合わせ、市場情勢に見合うよう、自由化されるべきである。
- (2) 臨時のAd-hoc政策も商業銀行の収益を圧迫しているように思われる。これらの対策は一時的なものであるため、政策当局は徐々に廃止していくタイミングを考慮すべきである。さもなければ、SOCBsの資産の質が悪化し続け、貸し手と借り手の間の厳格かつ健全な規律は損なわれるであろう。
- (3) 商業銀行からの、政策ベースの金融機能の分離は、1999年初頭のDevelopment Assistance Fund (DAF) 設立とともに進んだ。DAFが金融機能を担う限り、健全な金融原理の下で経営される必要がある。自主的な決定権の確保と貸出審査のための専門技術も必要となるであろう。

- (4) JSBsの再建はSBVの監督下で進んでいる。JSBsがSMEsに資金を送るのに重要な役割を果たしているため、JSBsの再建過程において、SME向け融資が縮小することが懸念される。政策当局はSMEsに対する与信不足を避けるのに必要な施策をとる必要がある。
- (5) 商業銀行における資産と負債管理に関して、最近の長期貸付増加による、調達と運用における期間のミスマッチのリスクが高まっている恐れがある。これは、商業銀行にとって、金利変動リスクを増すものである。
- (6) NPLの問題について、政策当局はできる限り早く商業銀行のための一連の再建計画を実行し、再建プロセスのタイムスケジュールをうちだし、定期的にその達成を監視することが必要である。
- (7) 商業銀行再建に必要なコストは、GDPの約6%にあたる15億ドルと見積られている。この再建案の実行が遅れた場合は、それ以上の政策コストが生じ、ヴィエトナム金融制度の脆弱性は改善されないままとなる。
- (8) 2000年7月にHCMC証券市場は開業した。市場はまだ実験的段階にあるが、さまざまな企業に新たな資金調達オプションを与える機能を提供したことは重要であるといえる。資本市場の発展は、企業と政府双方にとって、国内資金動員の機会を広げ、SOEの株式化を促進することも期待される。また、SBVにとって新たな間接的マネーサプライ調整手段（公開市場操作）を提供することになるだろう。

信頼性が高く、強固な銀行制度は、いかなる国においても持続可能な成長に不可欠であり、一度システムが崩壊すると、回復に時間と行政コストがかかる。各銀行における健全なオペレーションは、一国の金融制度の信頼性を高め、スムーズな金融仲介機能を保証するものである。補足であるが、SOE改革は世界市場において競争を維持するため非常に重要であるが、多くの失業をもたらし、この対策のため、高い社会的コストが発生する。金融部門とSOE改革は政府の財政にとって更なる重荷となるだろうが、政策当局は、事柄の重要性を認識し、その実行のため、将来の予算計画に必要な経費負担を想定しなければならない。

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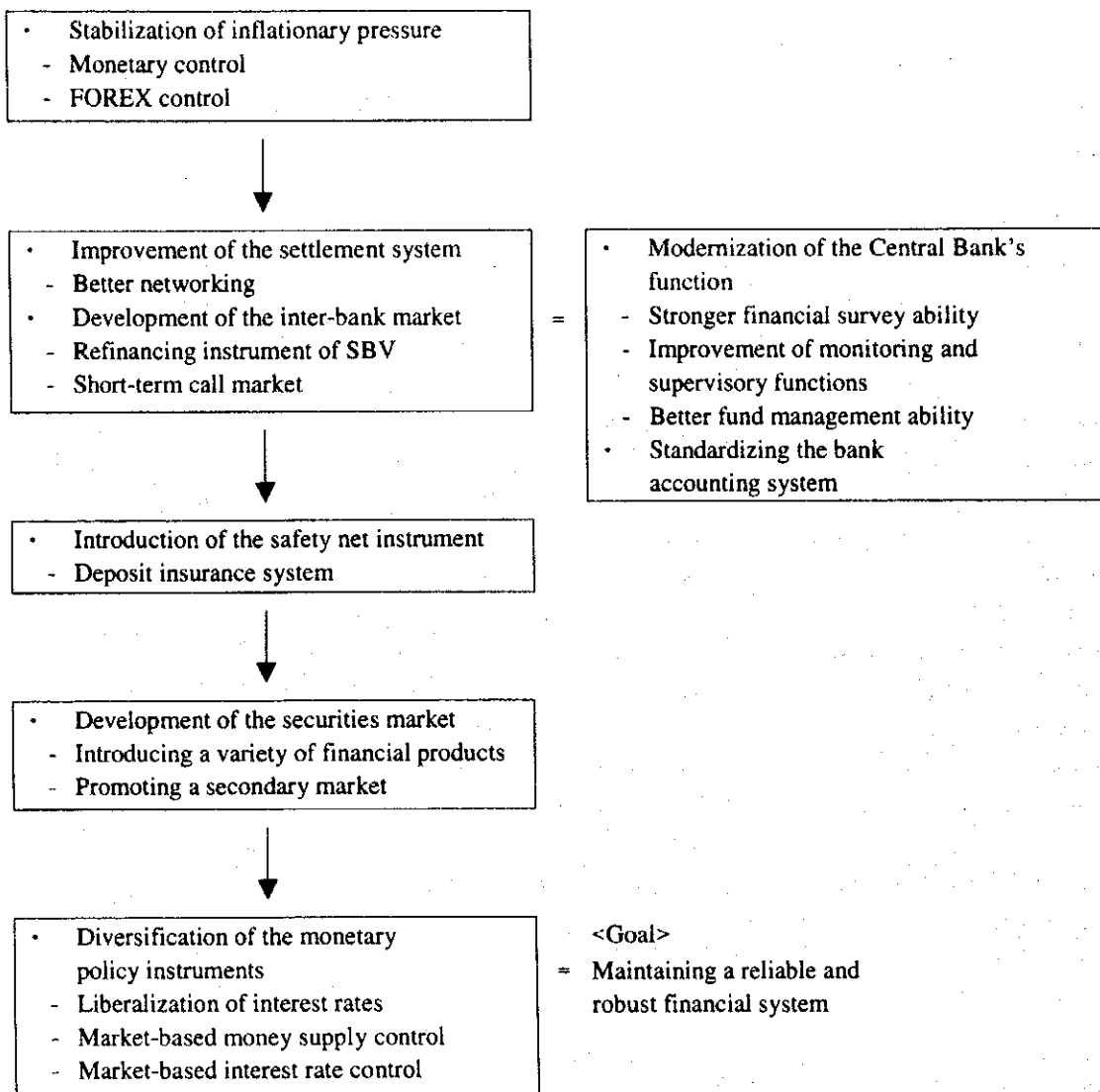
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ヴィエトナムと中国におけるマクロ経済パフォーマンス

	Viet Nam					China				
	'96	'97	'98	'99	'00/P	'96	'97	'98	'99	'00/P
Real GDP Growth Rate (%)	9.3	8.2	5.7	4.7		9.7	8.8	7.8	7.1	
GDP at Current Prices (in VND trillions)	272	314	361	399		6.8	7.4	7.9	8.3	(in trillions of yuan)
Consumption	225	251	283	302		4.0	4.3	4.6		
Investment	76	89	105	109		2.3	2.5	2.7		
Net Exports	-30	-25	-26	-9		0.1	0.2	0.3		
Current Account Balance	-2,431	-1,664	-1,067	1,252		7,243	29,718	29,325		} (in millions of US \$)
Capital Account Balance	2,079	1,662	216	-334		39,966	22,957	-6,323		
Overall Balance	-281	-4	-524	768		31,705	35,857	6,248		
Per Capita GDP (in US \$)	336	360	359	372		667	727	768	-	
CPI (%)	4.5	3.6	9.2	0.1	2.0	8.3	2.8	-0.8	-1.3	
Unemployment Rate (%)	5.9	6.0	6.9	7.4		3.0	3.1	3.1	-	
Exchange Rate (VND 1000/\$)	11.1	12.3	13.9	14.0	14.3	8.31	8.29	8.28	8.28	(yuan/\$)
Government Revenue (in VND trillions)	62.4	65.4	73.0	69.5	74.5	0.74	0.87	0.99		(in trillions of yuan)
Government Expenditure (in VND trillions)	64.3	77.6	80.2	84.4	94.7	0.79	0.92	1.08		
Budget Deficit (in VND trillions)	1.9	12.2	7.2	14.9	20.2	0.05	0.06	0.09		
Budget Deficit/GDP	-0.7	-3.8	-2.0	-3.7		-0.8	-0.8	-1.2		
Broad Money: M2 (in VND trillions)	64.7	81.6	102.4	142.6	156.7	7.6	9.1	10.5	11.9	(in trillions of yuan)
Broad Money Growth Rate (%)	22.7	26.1	25.6	39.3	45.6	25.3	19.6	14.8	14.7	
Deposit (in VND trillions)	42.0	56.5	75.5	101.1	113.8					
Deposit Growth Rate (%)	25.3	43.3	33.6	34.0	40.3					
Domestic Credit (in VND trillions)	55.3	66.8	81.0	89.6	93.3					
M2/GDP	0.23	0.26	0.28	0.36		1.12	1.22	1.32	1.43	
Non-Performing Loans (NPLs: in VND billions)	4,726	7,656	8,693	10,490						→ 2.0 trillion yuan
NPLs/Loans (%)	9.3	12.3	12.0	12.1						→ 23%
NPLs/Total Assets (%)	5.5	7.4	6.8	6.6						→ 18%
Equity/Total Assets (%)	7.2	7.9	9.1	7.3						→ 8%
NPLs/GDP (%)	1.7	2.5	2.4	2.6						→ 25%

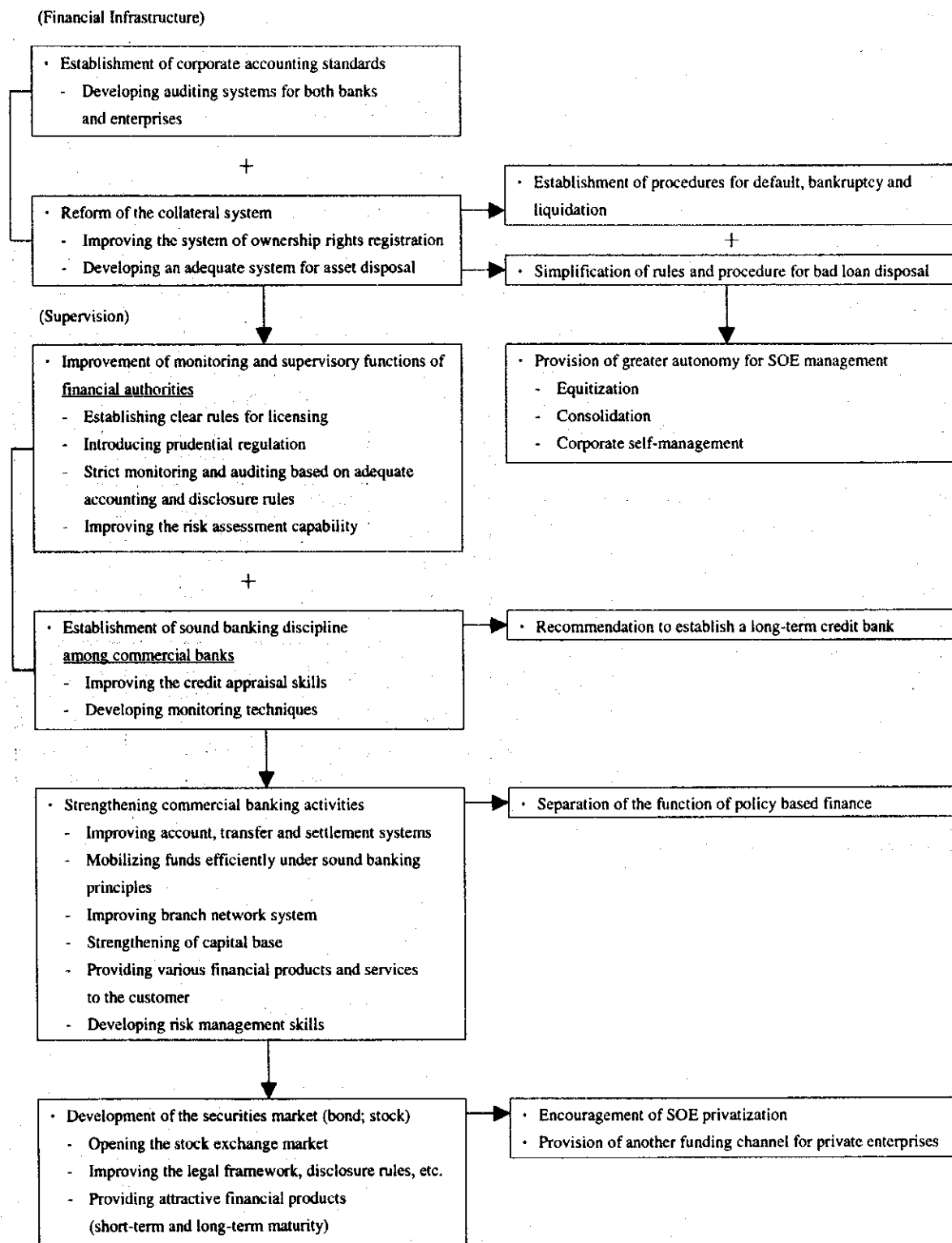
Data: IMF's Statistical Appendix and Background Notes (2000) and SBV data

金融改革の手順  
 - 中央銀行の機能強化 -





金融改革の手順  
 —商業銀行の機能強化—  
 (SOE reform will be necessary in parallel with commercial bank reform)



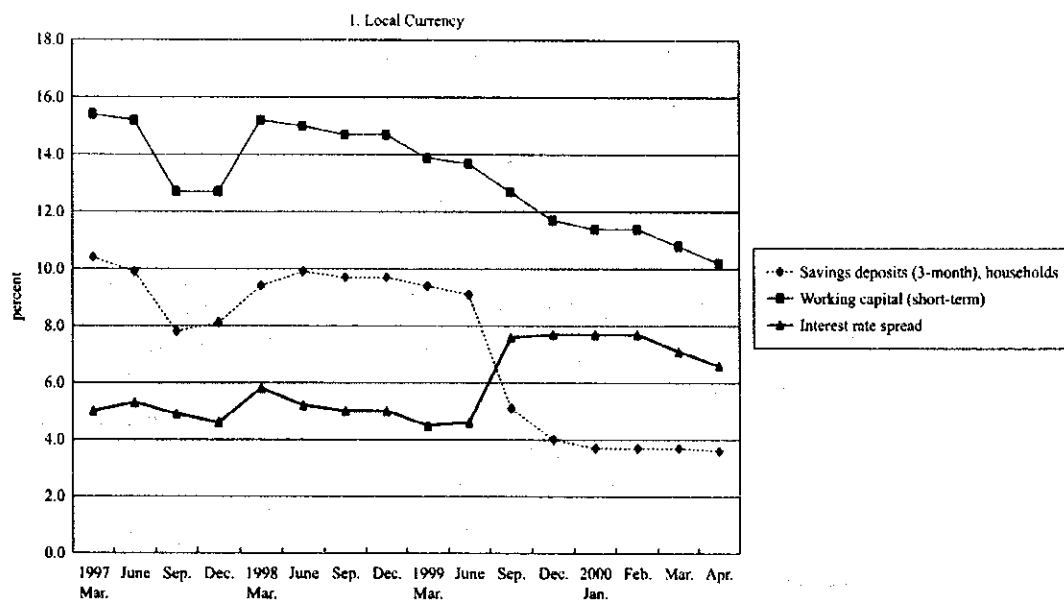
ヴィエトナムにおける商業銀行の財務状況

(unit : VND billion)

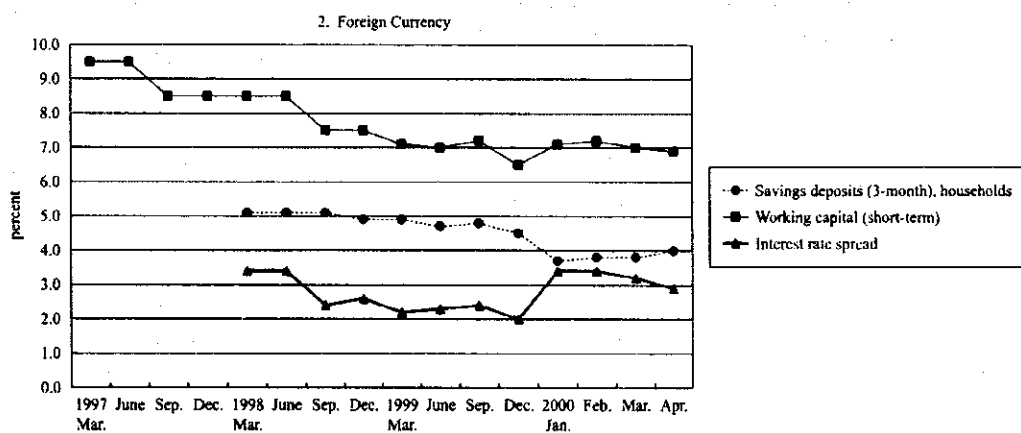
Balance Sheet	95		96		97		98		99		98/97	99/98
<<Assets>>												
Cash	2,337	3.1	1,751	2.0	1,847	1.8	2,445	1.9	5,079	3.2	1.32	2.08
Deposits at SBV	6,762	9.0	8,159	9.5	8,289	8.0	8,614	6.7	12,123	7.6	1.04	1.41
Deposits at Credit Institutions	12,130	16.3	14,908	17.3	18,836	18.1	25,338	19.8	37,604	24.9	1.35	1.48
Loans to the Economy	42,277	56.9	50,751	58.9	62,200	59.9	72,595	56.9	86,626	54.4	1.17	1.19
• short-term	27,832	37.4	33,021	38.3	34,566	33.3	39,542	30.9	48,300	30.3	1.14	1.22
• others	14,445	19.5	17,730	20.6	27,634	26.6	33,053	25.9	38,326	24.1	1.20	1.16
Fixed Assets	1,312	1.8	1,697	1.9	2,100	2.0	2,434	1.9	2,869	1.8	1.16	1.18
Other Assets	9,525	12.8	8,937	10.4	10,575	10.2	16,228	12.7	14,846	9.3	1.53	0.91
<b>Total</b>	<b>74,343</b>	<b>100</b>	<b>86,203</b>	<b>100</b>	<b>103,847</b>	<b>100</b>	<b>127,654</b>	<b>100</b>	<b>159,147</b>	<b>100</b>	<b>1.23</b>	<b>1.25</b>
<<Liabilities and Capital>>												
Due to Credit Institutions	12,690	17.0	14,614	17.0	16,338	15.7	17,988	14.1	15,368	9.7	1.10	0.85
Deposits	39,503	53.1	47,528	55.1	63,052	60.7	83,455	65.4	106,603	67.0	1.32	1.28
Credits from SBV	5,793	7.8	6,133	7.1	5,565	5.4	4,249	3.3	10,627	6.7	0.76	2.50
Other Liabilities	11,065	14.9	11,691	13.6	10,710	10.3	10,400	8.1	14,927	9.4	0.97	1.44
Capital and Reserve	5,292	7.1	6,237	7.2	8,182	7.9	11,562	9.1	11,622	7.3	1.41	1.01
<b>Total</b>	<b>74,343</b>	<b>100</b>	<b>86,203</b>	<b>100</b>	<b>103,847</b>	<b>100</b>	<b>127,654</b>	<b>100</b>	<b>159,147</b>	<b>100</b>	<b>1.23</b>	<b>1.25</b>
Non-Performing Loans (NPLs)	3,337		4,726		7,656		8,693		10,490		1.14	1.21
NPLs/Loans (%)	7.9		9.3		12.3		12.0		12.1			
NPLs/Total Assets (%)	4.5		5.5		7.4		6.8		6.6			
Equity/Total Assets (%)	7.1		7.2		7.9		9.1		7.3			
<b>Income Statement (4 SOCBs total)</b>												
Total Income			8,969	100	8,117	100	9,535	100	11,973	100	1.17	1.26
Interest Income			8,355	93.2	7,360	90.6	8,827	92.6	11,388	95.1	1.20	1.29
Net Interest Income			2,225	24.8	1,922	23.7	2,209	23.2	2,845	23.8	1.15	1.29
Operating Income			2,840	31.7	2,679	33.0	2,917	30.6	3,427	28.6	1.09	1.18
Profit Before Income Tax			867	9.7	-65	-	79	0.8	735	6.1	-	-

(Sources: SBV and annual reports of 4 SOCBs)

## 金利と利鞘の推移 ('97-'00)



	1997 Mar.	June	Sep.	Dec.	1998 Mar.	June	Sep.	Dec.	1999 Mar.	June	Sep.	Dec.	2000 Jan.	Feb.	Mar.	Apr.
Savings deposits (3-month), households	10.4	9.9	7.8	8.1	9.4	9.9	9.7	9.7	9.4	9.1	5.1	4.0	3.7	3.7	3.7	3.6
Working capital (short-term)	15.4	15.2	12.7	12.7	15.2	15.0	14.7	14.7	13.9	13.7	12.7	11.7	11.4	11.4	10.8	10.2
Interest rate spread	5.0	5.3	4.9	4.6	5.8	5.2	5.0	5.0	4.5	4.6	7.6	7.7	7.7	7.7	7.1	6.6

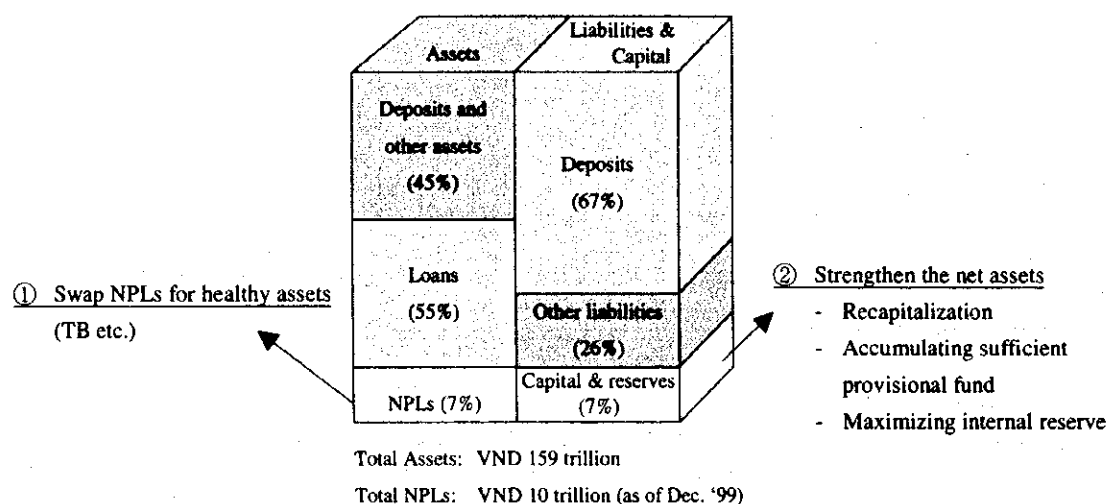


	1997 Mar.	June	Sep.	Dec.	1998 Mar.	June	Sep.	Dec.	1999 Mar.	June	Sep.	Dec.	2000 Jan.	Feb.	Mar.	Apr.
Savings deposits (3-month), households	-	-	-	-	5.1	5.1	5.1	4.9	4.9	4.7	4.8	4.5	3.7	3.8	3.8	4.0
Working capital (short-term)	9.5	9.5	8.5	8.5	8.5	8.5	7.5	7.5	7.1	7.0	7.2	6.5	7.1	7.2	7.0	6.9
Interest rate spread	-	-	-	-	3.4	3.4	2.4	2.6	2.2	2.3	2.4	2.0	3.4	3.4	3.2	2.9

Sources: State Bank of Vietnam

## 銀行リストラ・スキーム (I)

Consolidated B/S of commercial banks (4 SOCBs and 24 non-state commercial banks)



## ③ Restructure bank's management toward a sound commercial bank

- Split policy — or directed — lending function to the policy-based financial institutions
- Provide autonomous status
- Establish sound banking discipline
- Improve the risk management system
- Increase the human resource capability
- Introduce prudential regulation by SBV

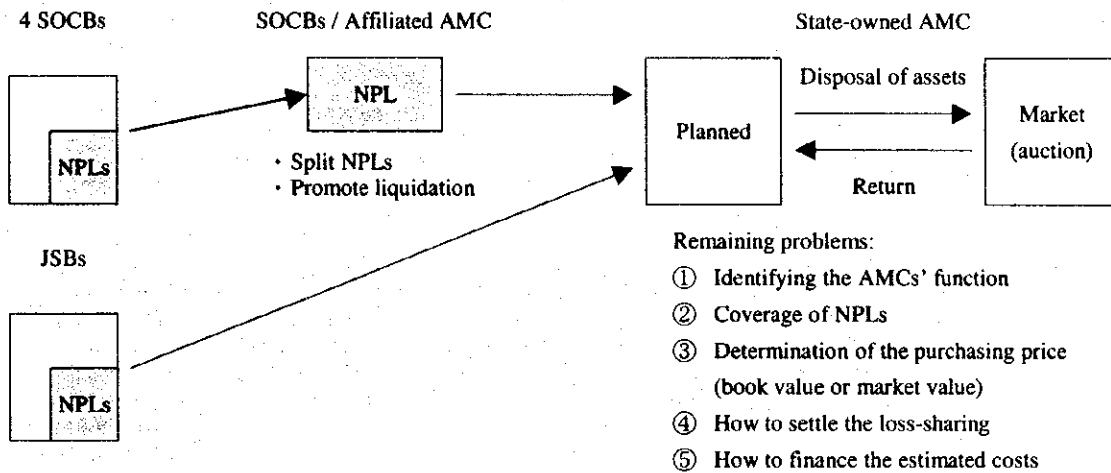
## ④ Speed up the SOEs restructuring (banks' main customers)

- Minimize the potential bad debts and social costs
- Write off promptly the bad debts for the banks

銀行リストラ・スキーム (II)  
- Liquidation of NPLs -

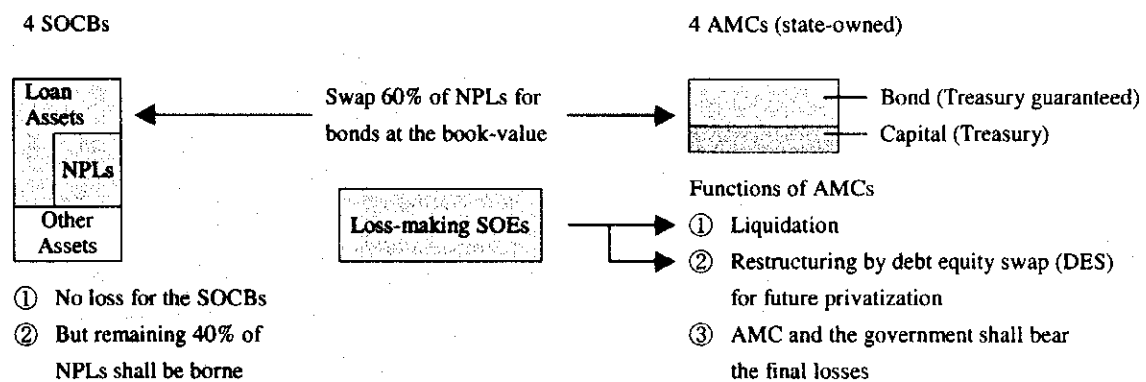
< In Viet Nam >

Existing NPLs:	VND 10,490 billion (as of Dec. '99)
Total Loan Assets:	VND 86,626 billion
NPLs/Loans:	12.1%
NPLs/GDP:	2.6%
NPLs/Budget:	12.4%



< In China >

Existing NPLs:	2.0 trillion yuan (as of Dec. '98)
Total Loan Assets:	8.7 trillion yuan
NPLs/Loans:	23%
NPLs/GDP:	25%
NPLs/Budget:	185%



## 東アジアにおける金融改革

Action	Indonesia	Korea	Malaysia	Thailand	China
Initial government Response	\$21.7 Billion (18% of GDP)	\$23.3 Billion (5% of GDP)	\$9.2 Billion (13% of GDP)	\$24.1 billion (20% of GDP)	None
Liquidity support					
NPLs/ Total loans	31.4%(9/99)	17.9%(9/99)	24.0%(12/99)	41.1%(12/99)	25.0%(mid/99)
NPLs/ Total loans after transfers to AMC (asset management corporations)	12.4%	10.1%	17.5%	38.5%	12.9%
Bank closures	66 of 237	None	None	1 of 15	1 commercial bank
Closures of other financial institutions	None	More than 200	None	57 of 91	40 urban credit cooperatives and 5 trust and investment companies
Mergers	9 nationalizes of state banks are being merged	8 of 26 absorbed by other banks	58 to be merged into unspecified number by Dec. 2000	3 banks and 12 finance companies	Multiple urban credit cooperatives and 2 banks
Nationalized	12	4	1	4	
Public funds for recapitalize	Bonds equivalent to \$40 billion issued in 1999 \$20 billion to be issued in 2000	Gov. injected \$50 billion into 9 commercial banks; 5 of 6 major banks now 90% controlled by the state	Danamodal injected \$1.7 billion into 10 Institutions	Gov. injected \$9 billion into private banks and \$11 billion into public banks	Gov. injected 270 billion yuan (\$32.6 billion) in mid-1998 into the 4 state banks. Banks now being recapitalized as loans are transferred to AMCs Allowed, but not for domestic currency operations
Majority foreign ownership of banks	1 pending	1 announced, 1 pending	Not allowed. Foreign banks share if significant, however.	4 completed, 2 pending	Many weak banks and non-banks
Weak financial institutions still in system	Many weak commercial banks	Many weak non-banks	Difficult to assess	Some	

Source: Claessens, Djankov, and Klingebiel 1999a; from WB's "East Asia - Recover and Beyond"

## 東アジアにおける不良債権処理戦略

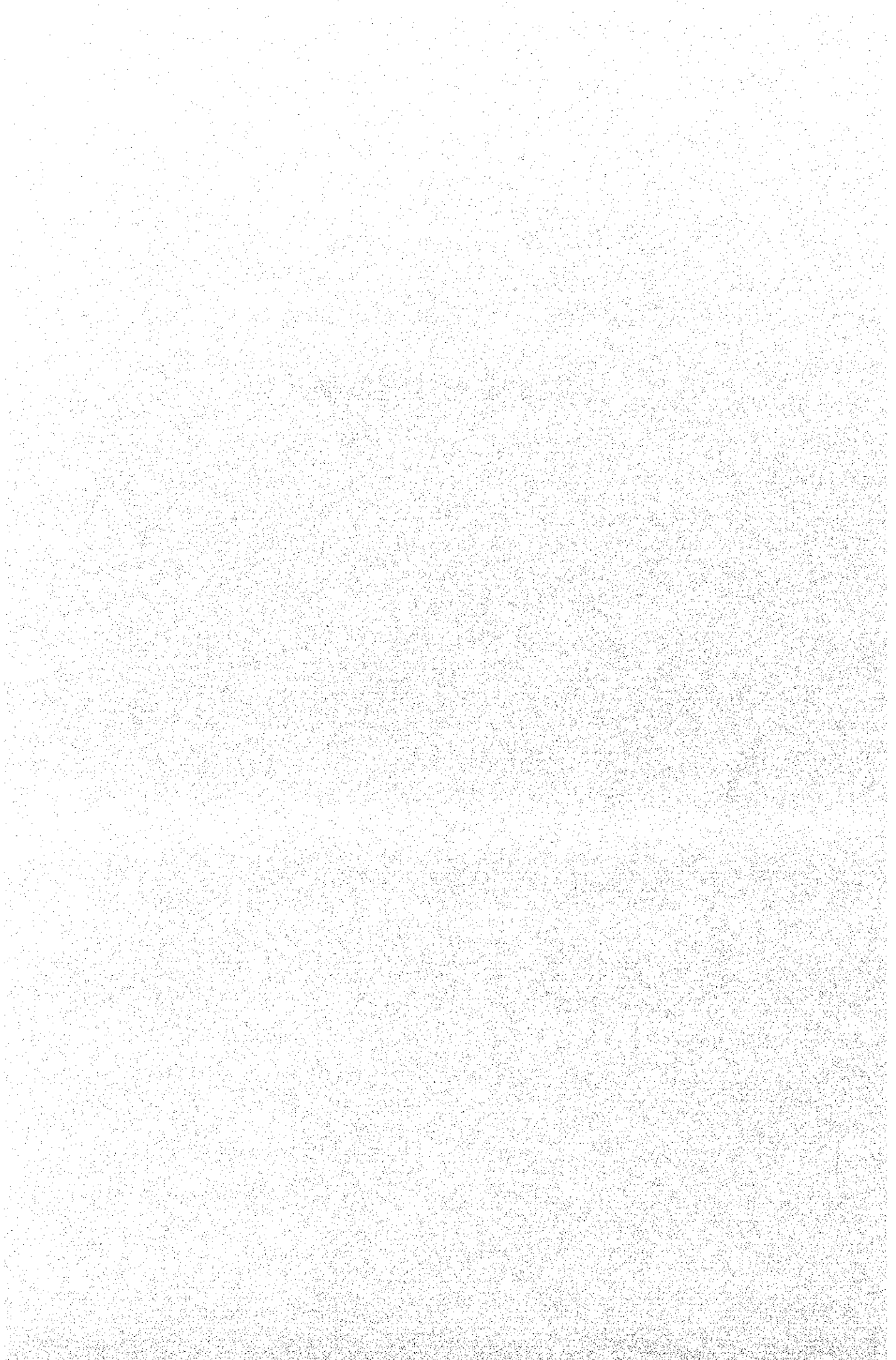
Strategy	Indonesia	Korea	Malaysia	Thailand	China
Set up AMCs to which NPLs are transferred	Yes, Indonesian Bank Restructuring Agency has accumulated more than \$60 billion in assets (NPLs)	Yes, Kamco has accumulated assets worth \$49 billion (face value); \$20 billion (purchase price)	Yes, Danaharta has accumulated \$10.3 billion in assets	No, Workouts of NPLs are decentralized. Three banks have established private AMCs, and more are being considered.	Yes, Four AMCs have been set up, one for each state bank
Purchasing price by AMC	Subsidized price	Assets were initially purchased above market-clearing prices with recourse. Since Feb. 1998 purchases have been attempted at market prices	Purchased assets are valued by independent outside auditors	Not applicable	Book value (subsidized price)
Nature of AMCs: Restructuring or disposition	IBRA: manage and dispose of frozen bank assets	Nor clearly defined. Mostly engaged in disposing of assets	Restructuring	Not applicable	Planned for broad functions- From asset disposal to debt equity swap
Type of assets transferred	Worst assets	No particular strategy	Loans larger than 5 million ringgit, and mostly loans secured by property or shares	Not applicable	Loans granted before the end of 1995 that are now rated doubtful or loss but not subject to write-off within the quotas allocated to each of the four banks
Assets transferred	44% of GDP (NPLs 23%)	49% of NPLs (11% of GDP)	50% of NPLs (14% of GDP)	Only failed finance companies (15% of GDP)	20% of loans from state banks (15% of 98 GDP, 12% of total loans)
Disposed assets share	0.1%	4.7%	0.1%	83%	Too early

Source: Claessens, Djankov, and Klingebiel 1999a ; WB report "East Asia - Recovery and Beyond"





## B. 金融政策と外国為替政策



## Money Supply Control by the State Bank

Nguyen Thu Ha

State Bank of Viet Nam

Money supply control by the State Bank is the daily and the most important duty of any central banks. However, the process of money supply control is different from country to country.

### A. Current mechanism of money supply control by the State Bank

Since 1992, the State Bank of Viet Nam has been pursuing a prudential monetary policy to achieve the long-term objectives of the monetary policy which are to stabilize currency, support the economic development strategy of the Government, and control inflation.

In order to achieve these objectives, the process of money supply control (M2) have been implemented according to the following summarized procedures:

Instruments	Operating objectives	Intermediate objectives	Ultimate objectives
- Reserve requirement	Reserve money (MB)	Total liquidity (M2)	- Stabilize currency and foreign exchange market;  - Economic growth; - Inflation
- Interest rate control			
- Refinancing			
- Exchange rate			
- Issuance of State Bank's bills			
- Credit ceiling			

Direct instruments have been mainly used to control money supply (M2) in Viet Nam. However, the main objective of the State Bank is to gradually move toward using of indirect instruments such as open market operations, refinancing policy. The instruments of monetary policy that have been used are as follows:

#### 1. Instruments of monetary policy

The renewal of the banking system in Viet Nam has started in the late 1980s and mainly from 1990 up to now. Therefore, the system of monetary policy instruments have been established and developed together with the renewal of the banking system. With the underdeveloped financial and monetary markets, Viet Nam has used direct instruments (interest rate control, credit ceiling) in combination with indirect instruments (reserve requirement, refinancing and open market operations). These instruments have expressed their usefulness, contributed to the achievements in the banking activities during the past years.

(1) *Reserve requirement*

Reserve requirement has firstly been applied since June 1992 under the Banking Decree (the Decision No.108/QD-NH5 dated September 6th, 1992). The requirement of 10% was imposed on all deposits with credit institutions and the required reserves were maintained on a separate account. Under such a management of reserve requirement, the role of reserve requirement was to implement the State Bank's function to withdraw money from or inject money into circulation and its initial role was to ensure the payment capacity and control over money supply. However, this limited the State Bank from forecasting the increase or reduction in bank's reserves and led to the inflexible use of the bank's capital. Until 1995, the reserve requirement had been changed as follows (Decision No.260/QDD-NH1 and 261/QD-NH1 dated September 19,1995):

- Deposit for payment and required reserve were integrated into one account;
- An uniform requirement of 10% on all deposits of less than one year with the structure of 70% to be deposited at the State Bank and 30% of cash and quasi money to be held at the credit institution's vaults.
- The calculation period of required reserve was 15 days (2 periods a month). Required reserve in each period was calculated basing on the reserve requirement ratios stipulated by the Governor on the total average deposit balance of the previous period of credit institutions.
- Credit institutions were required to regularly maintain enough required reserves deposited with the State Bank, i.e. the daily maintaining required reserve mechanism.

This regulation had partly allowed the State Bank to forecast the credit institution's demand for reserve by watching excess reserve. However, the daily control over reserve requirement, the underdeveloped money market and the State Bank has not acted as a real lender-of-last-resort in the inter-bank market made this instrument stiff and inflexible as no credit institutions, in any single day during the implementing period, were allowed to have deposits with the State Bank less than the regulated amount. As a result, credit institutions always had excess reserves. This limited the development of the domestic inter-bank market.

- Due to such limitations, in order to complete reserve requirement instrument, after the Law on the State Bank and the Law on Credit Institutions came into effective, it has been amended (Decision No.51/QD-NHNN1 dated February 10th, 1999) to comply with the above two Laws as follows:
- Reserve requirement has been expanded the coverage to co-operative banks, people's credit fund and credit co-operatives, the required reserve ratios are from 0% to 20%, required reserve deposit must be held at the State Bank, remuneration of deposits is stipulated by the Government;
- Required reserve is calculated on the average deposit balance with the State Bank during the implementing period;

As for foreign currencies, including DEM, JPY, GBP and FPF, if the deposit proportion in 1 of those currencies occupy more than 50% of the total mobilized fund in foreign currencies, the required reserve must be held in that foreign currency at the Banking Transaction Centre of the State Bank.

According to the new method of calculating required reserve, credit institutions do not need to maintain deposits exceeding the necessary reserve level in every single day during the implementing period, so they can conduct their capital more actively. The State Bank can forecast the aggregate demand for reserve of commercial banks based on the fluctuations in the credit institutions' deposit balance at the State Bank to make decision on injecting or withdrawing money through its refinancing facility or open market operations, or in other words, to increase the State Bank's capability in controlling M1. However, this instrument still has the following limitations:

Required reserve is only applicable to deposits with maturity of less than 12 months (occupy about 65-70% of the total mobilized fund of credit institutions), so the relation between required reserve and the currency volume in the economy has only been implemented at M1 level while M2 is more flexible to inflation than M1, thus the control over M2 by the State Bank remains limited;

Remuneration of excess reserve does not stimulate commercial banks to use up their capital sources, thus leads to too much excess reserve and limits the overnight lending.

## (2) *Refinancing facility*

Refinance lending is conducted under the Decision 285/QD-NH14 dated November 10th, 1994 of the Governor of the State Bank. According to this regulation, credit institutions including state-owned commercial banks, joint-stock commercial banks, joint-venture banks, foreign bank's branches, investment and development bank, and central people's credit fund are entitle to access refinancing loans. In order to receive refinancing loans, credit institutions have to meet certain conditions such as: they have to participate in the inter-bank market, make profit, comply with the State Bank's regulations, deposit enough required reserve. Refinancing loans only take place after credit institutions have tried their best to mobilize funds in the inter-bank market.

Refinance lending is carried out in two types: lending against collateral in the form of papers and directed lending.

*Lending against collateral in the form of papers:* Collateral papers consist of undue Treasury bills and short-term loan contract of payable indebtedness and credit institution's foreign currency deposit (USD) with the State Bank. Residual time to maturity of collateral papers must be longer than the borrowing term. This type is conducted both in the central State Bank and the State Bank's branches in provinces and cities. Maximum lending maturity is 6 months. Lending interest rate is stipulated by the Governor of the State Bank depending on the objectives of monetary policy in each period.

- *Directed lending* is to finance several necessary areas depending on the demand of the economy in each period such as: purchasing food for export, temporary provisioning of food, recovering natural disasters or producing priority goods for export as regulated in the Law on Stimulating domestic investment. The State Bank only provides this kind of loan to credit institutions which are entrusted to do such businesses and have already used up capital sources as stipulated by current mechanism.

Apart from refinancing loans, the State Bank also provides loans for clearing purpose. Naturally, this is the short-term refinancing by the State Bank to commercial banks to off set the temporary shortage in payment. It is conducted as follows:

The central State Bank authorizes the State Bank's branches in provinces and cities (including the Banking Transaction Centre of the State Bank) to directly provide clearing loans to commercial banks which are member of clearing centre. Every quarter, the central State Bank announces the quarterly outstanding limit to each State Bank's branch based on the demand for capital to be on-lent for clearing purpose of the branch and the available capital source. In order to get clearing loans from the State Bank, commercial banks must be members participating in clearing transactions, have deposit accounts with the State Bank where the clearing transaction are taken place, have money available for payment in their account, and are authorized by their higher level commercial banks to take part in clearing transactions in local areas provided that the branch must operate normally and strictly comply with the payment principles with other counterparties and regulations on clearing transactions of the State Bank. Joint-stock commercial banks must have business licenses, be profit-making and fully comply with regulations of the Banking Decree. Maximum maturity of clearing loans does not exceed 10 days. In case the borrowing banks fail to pay the debts at the due date, the State Bank will transfer these debts to overdue debts. A bank will not be allowed to borrow clearing loans from the State Bank if it has overdue debts 3 continuous times.

Current interest rates on clearing loans are 0.06% per day for 1 to 5-day-maturity, 0.09% per day for 6 to 10-day-maturity and 0.12 % per day for the overdue debt (more than 10 days) (Decision no.84/QD-NH1 dated April 24th, 1993 of the Governor of the State Bank). They are rather high as compared to current refinancing interest rate so commercial banks have to quickly off set their shortage in capital for payment purpose.

### (3) *Credit ceiling*

Credit ceiling instrument was adopted in 1994 to conduct monetary policy due to the demand of the actual situation, the inflation rate in 1994 intended to increase at a high level, the total liquidity went up quickly. The allocation of credit ceiling to credit institutions was calculated on the total increase in credit to the economy, operational characteristic of each bank, production and business seasonality in the year

and its influence on each bank.

The adoption of credit ceiling instrument in 1994, 1995, 1996 and 1997 had contributed to constrain the increase in the total liquidity of the State Bank, limited the inflation rate at a low level and enhanced the credit quality. With the underdeveloped secondary market in that period of time, the State Bank was not able to use indirect monetary instrument, such as open market operations, to manage the increase in the total liquidity, this instrument helped to limit the monetary multiplier, upgrade the credit quality. However, it is a direct control instrument and should be used as a temporary instrument while not having enough conditions to use other indirect instruments, so credit ceiling implies some disadvantages:

- Credit ceiling was only allocated to some commercial banks so it limited the equality in competitiveness.
- In the condition that the demand for capital to invest in Viet Nam is very high, the inflation rate tends to reduce, the adoption of credit limit will partly affect the supply of fund to the economy and the business activities of commercial banks (increase costs of capital to commercial banks).

Due to the above limitations, until the second quarter of 1998, the State Bank has not used credit ceiling as a regular instrument in conducting monetary policy, but only used it in case of limiting the high increase in credit.

#### *(4) Interest rate control*

Interest rate is an important instrument of macroeconomic management. It directly affects the credit institutions' activities and the whole economy and is considered to be a sensitive monetary policy instrument of the State Bank.

Together with the renovation and development of the banking system in Viet Nam since the birth of the Banking Decree up to now, the management of interest rate by the State Bank has been continuously completed towards the liberalization of interest rate with prudential steps which are in line with the socio-economic situation of the country, the integration level of our economy with the regional and the international financial markets: in 1992, the State Bank had made a significant change from "negative" into "positive" interest rate mechanism, created an initial ground for the liberalization process of interest rate, and an important leverage for commercial banks to move from loss-making to profit-making. Based on the positive interest rate, the State Bank of Viet Nam has gradually loosen the interest rate control mechanism in line with the monetary and economic fluctuations, and the ability to manage monetary operations of the State Bank. It moved from a specified interest rates on mobilizing and lending to a separate lending interest rate framework to state-owned and non-state owned economic sectors, and at the same time, allowed the mobilizing and lending mechanism at a negotiated interest rate (October, 1993-December, 1995). Interest rate on deposit had been liberalized since January, 1996 and lending interest rate had been controlled by a "maximum lending interest rate" mechanism.

Ceiling on lending interest rate mechanism was to limit the maximum lending interest rate and commercial banks only earned a margin of 0.35% per month, including fees, taxes and interests. The ceiling on lending rate were stipulated in many different sub-ceilings which generated from the characteristic that many different types of credit institutions operating in different areas, having different supply of and demand for fund, different sizes and thus having different operating costs. There were initially 4 different sub-ceilings:

- Sub-ceiling on short-term lending interest rate;
- Sub-ceiling on medium- and long-term lending interest rate;
- Sub-ceiling on lending interest rate applicable for credit institutions operating in rural areas (higher than short-, medium- and long-term interest rates);
- Sub-ceiling on lending interest rate applicable for loans made by local people's credit funds to their members (higher than the above 3 sub-ceilings).

In reality, rural areas always have big demand for fund, however, mobilized fund in these areas is very thin and costs for banking activities in rural areas are high, so the sub-ceiling on lending interest rate in rural areas was stipulated at a higher level than in urban areas to absorb fund for rural areas. However, after a certain time of implementation, many people think that the lending interest rate in rural areas must be equal to or lower than the one in urban areas to give preferential conditions for agricultural development. Therefore, at the beginning of 1998, the State Bank abolished the difference between lending rates in rural and urban areas, reduced from 4 sub-ceilings to 3 sub-ceilings on lending interest rate, the different sub-ceilings were also narrowed and the margin of 0.35% per month was phased out.

The State Bank had controlled the ceiling on lending interest rate in foreign currencies and closely combined the interest rate control with the foreign exchange rate when there were fluctuations in foreign exchange rate, for instance limited the ceiling rate on deposits of businesses to strengthen the foreign currency management.

The interest rate control has been conducted flexibility since 1996 up to now, closely followed the economic growth target, inflation target, signals of supply of and demand for fund in the market, and the initiatives in determining interest rate of credit institutions have been expanded so as to increase the competitive ability while still controlling interest rate in the market to contribute to the deep development of the domestic financial market, encourage economic growth, stabilize the external and internal value of Vietnamese Dong. This has been implied in a high and continuous increase in mobilized fund and credit for investment to the economy of credit institutions.

However, the ceiling on lending interest rate regime has reflected some certain limitations to meet the demand for renovation of the economy and the demand for development of the money and capital markets. For instance, although the interest rate control in the money market has been conducted through the ceiling on interest rate regime which has loosen the credit institutions' rights in determining interest rate,



however, there are still a lot of administrative interventions imposed by the State to control interest rate that make the interest rate not to reflect the supply and demand in the market, distort the allocation of credit to economic zones, areas, and as a result, limit the potential of the economy of the country. On the other hand, the administrative interventions also limit the credit institutions' capacity in implementing their intermediary role to transfer fund from one place to the others in time, and restrict the establishment and development of financial instruments in the market because this interest rate has not become a measure to price other financial assets in the market.

Due to this fact, the ceiling on interest rate mechanism expresses its inconsistencies to the economic development in Viet Nam nowadays and needs to be changed to be in line with the practice and the Law on the State Bank. Article 9, Item 12 of the Law on the State Bank stipulates that the basis interest rate announced by the State Bank will be the reference rate for credit institutions to determine their interest rates.

On August 2nd, 2000, the State Bank has decided to change the interest rate control regime: from the ceiling on interest rate to the basic interest rate management regime to Vietnamese Dong and the managed market interest rate regime to foreign currencies (Decision no.241/2000/QD-NHNN1 dated August 2nd, 2000).

According to the above Decision, the basic interest rate for lending in Vietnamese Dong has been announced on the basis of reference to the commercial lending rate applicable to the best customer group of the best credit institution group which have been selected under the Decision of the Governor of the State Bank in each period. The selected credit institutions are those which operate in a stable and normal manner and represent many different types of credit institutions such as state-owned, joint-stock, joint-venture and foreign credit institutions. Standards for selection and the number of credit institutions to be selected can be changed from time to time provided that the lending interest rates of these banks must be the best reference to the State Bank to consider, adjust and announce the basic interest rate. The current selected credit institution group consists of 9 credit institutions (4 state-owned commercial banks, 2 joint-stock commercial banks, 2 foreign bank's branches and 1 joint-venture bank).

Credit institutions determine lending interest rates based on the basic rate announced by the State Bank with the condition that the lending rates do not exceed the basic rate and the margin stipulated by the Governor of the State Bank in each period. The basic rate and the spread are announced monthly and will be adjusted by the State Bank when necessary. Such adjustments will be announced in time. The current basic rate is 0.75% per month, the spread of 0.3% for short-term lending, 0.5% per month for medium- and long- term lending (Decision No.424/2000/QD-NHNN1 dated August 2nd, 2000).

The State Bank has removed the ceiling on lending interest rate in USD and moved to a flexible interest rate regime in accordance with the international market under the management of the State Bank. Credit institutions determine lending interest rates with the principle that these rates do not exceed

the 3-month maturity interest rate applicable to the short-term lending and 6-month maturity interest rate applicable to medium-and long-term maturities in USD in Singapore Inter-bank market (SIBOR at the time of lending plus the spread stipulated by the Governor of the State Bank in each period of time (the current spread of 1% per annum for short-term lending and 2.5% per annum for medium- and long-term loans (Decision no.243/2000/QD-NHNN1 dated August 2nd, 2000). Lending interest rates in other foreign currencies are determined by credit institutions based on the international market rate and the supply of and demand for each foreign currency in Viet Nam as they only occupy a small proportion in deposit and credit operation.

The above basic interest rate control shows that the basic interest rate is determined on the market rate with low risk, ensuring the control of the State Bank over interest rate instrument in line with the law and reality in Viet Nam. This is the new and follow-up step towards the liberalization of interest rate.

(5) *State Bank's bills*

State Bank's bill is a short-term valuable paper issued by the State Bank to create instruments for the money market pursuant to monetary policy objectives in each period. Credit institutions are buyers of these bills

State Bank's bill is the bearer or registered bill with the maturity of less than one year. Credit institutions organizing and operating under the Law on Credit Institutions and having deposit accounts with the Banking Transaction Centre of the State Bank or the State Bank' branches, which are authorized by the Governor to conduct bidding operations, are eligible to buy the State Bank's bill. The purchase of the State Bank's bill depends on the voluntary basis. In necessary cases in order to achieve the currency stability target, the Governor of the State Bank will determine to issue State Bank's bill and request credit institutions to buy those State bank's bill. The State Bank's bill is freely traded, transferred and mortgaged among credit institutions. It is used as a or discounted at the State Bank, and as financial instrument for open market operations. The State Bank's bill is issued under the compulsory or bidding methods (volume bidding or interest rate bidding). The minimum face value of the State Bank's bill is VND 100 million and other face values are equal to the multiple of VND 100 million (Decision No. 211/QD-NH1 dated September 22nd,1994 of the Governor of the State Bank promulgating Regulation on issuance of the State Bank's bill). Until October 1999, Regulation on issuance of the State Bank's bill was amended and substituted by the new regulation to comply with the Law on the State Bank of Viet Nam and the actual situation (Decision No.362/1999/QD-NHNN1 dated October 8th,1999).

The State Bank already issued 6 State Bank's bill sections with the volume of VND 3,415.5 billion since the first issuance of the bill to the end of 1999 (from 1995 to the end of 1999) based on the monetary, economic fluctuations and the inflation controlling target in each period to absorb commercial banks' liquidity, limit monetary expansion, contribute to restrain inflation in case it tends to increase.

Within the 6 sections, there were 4 compulsory issuance sections and 2 volume bidding sections with the maturity of 3 months.

(6) *Open market operations*

Open market operations (OMOs) are important monetary policy instruments. This is the initial decisive factor in changing short-term interest rate and money supply volume through the sale or purchase of short-term valuable papers. OMOs have been prepared by the State Bank since 1996, however, due to many different reasons (such as limited techniques issue, thin financial instruments, etc....), so up to the beginning of the year 2000, the regulatory basis governing OMOs has been completed to put it into operation in 2000 to add one more new instrument to the monetary policy instrument system in Viet Nam, and to comply with the development trend of an open and modern economy.

In the Regulation on OMOs, goods traded in the open market include Treasury bill, certificate of deposit, State Bank's bill and other short-term valuable papers which are stipulated by the Governor of the State Bank in each period. Besides, short-term valuable papers must be tradable papers, issued in Vietnamese currency, registered at the State Bank as stipulated in Regulation on registration of short-term papers. OMOs have been conducted in 2 trading methods: outright transaction and sales and repurchase agreements.

OMOs have officially come into operation in July, 2000. Based on liquidity forecast (commercial banks' deposits with the State Bank) and the monetary policy objectives, the Liquidity Management Section will make proposals to the OMOs Executive Board on the volume of valuable papers needed to buy or sell, interest rate and trading maturity, etc... in each auction. Up to now, there were 7 auctions with the purchasing volume of VND 470 billions and selling volume of VND 550 billions of T-bills and SB's bills, the timing for OMOs auction is every 10 days, the purchasing rates are from 4.5%-4.9% per annum and the selling rates are from 4.5%-4.6% per annum. There are about 2 to 3 banks participating in one OMOs auction. OMOs have helped to gradually adjust the excess liquidity of credit institutions and created more instruments for the money market.

However, OMOs have been in a preliminary period of development, there are still a lot of limitations such as: necessary information for liquidity forecast as well as for the conduct of OMOs do not exist due to the underdeveloped inter-bank market; number of credit institutions participating in OMOs remains limited and they are mainly state-owned commercial banks, participants are requested to invest equipment for OMOs, knowledge in OMOs have not been widely expanded so as not to encourage many credit institutions to participate in OMOs; financial instruments (goods) remain thin (only Treasury bills and SB's bills with limited volume). Credit institutions prefer using these goods as an investment instrument rather than a money market instrument to regulate their capital. Under the above circumstance, the recent OMOs auctions have been implemented to regulate credit institutions' liquidity and facilitate the

conditions to increase financial instruments and attract more participants.

(7) *Exchange rate*

In 1997, Vietnamese economy appeared adverse signals, which might affect the stability of the macroeconomic environment, implied in the following tendencies: current account balance was slowly improved, export growth speed stood still and went down; foreign investment sharply declined, it became more difficult to get overseas loans, and borrowing and lending conditions became less advantageous as compared to previous years, payment obligations to foreign countries were increasing due to the businesses' debts run out of grace period and the principal of the loans started to be paid; inter-bank foreign exchange market operated less actively and the tendency of holding foreign currency was increasing. USD/VND exchange rate always closely reached the allowed ceiling, the difference between the market and the official exchange rate was large; the State's foreign currency reserve managed by the State Bank was in a danger of reduction because of the demand pressure in the inter-bank foreign exchange market.

The above tendencies have become more clearly since the monetary and financial crisis started in Asian area in July 1997, currencies of countries in this region were devalued at the same time, the Bath: 46%, the Philippine Peso: 40%, Malaysian Ringgit: 38%, Rupiah: more than 60%, Singapore dollar: 18%, Korean Won 5% and Japanese Yen 14%.

Such tendencies need to be strictly considered and necessary adjustments in policies should be taken, especially the exchange rate control therefor, Vietnamese economy can suit well with and avoid disadvantage influences of external shocks while still ensuring the State management capacity. Due to domestic and international changes, the target of foreign exchange rate control is not to incline to stabilize the value of Vietnamese Dong, but to move toward the long-term targets which are to stimulate production, push up economic growth, especially pay much attention on encouraging export, controlling import and increasing foreign currency reserve, and not to cause turbulences and big changes in the social economy. In order to achieve these targets, the State Bank had adjusted foreign exchange rate 4 times in 1997 and 1998. The first time was made on February 27th, 1997, the State Bank expanded the trading band from +/- 1% to +/- 5% as compared to the official exchange rate announced by the State Bank. The second time was taken place on October 13th, 1997, the State Bank continued to widen the trading band from +/- 5% to +/- 10% as compared to the official exchange rate announced by the State Bank. The third time was on February 16th, 1998, the official exchange rate was increased from 11,175 VND/USD to 11,800 VND/USD (up to 5.6%). The fourth time was on August 7th, 1998, the trading band was narrowed from +/- 10% down to + 7%, and at the same time, the official exchange rate was increased from 11,815 VND/USD to 12,998 VND/USD. In this sense, the official exchange rate announced by the State Bank on August 7th, 1998 was also the closing exchange rate in the foreign currency inter-bank at the end of

August 6th, 1998. This means that the official exchange rate between VND and USD has been determined by the State Bank based on the trading exchange rate in the inter-bank foreign exchange market, which has correctly reflected the supply of and demand for foreign currency in the market.

In the regional and world economic crisis situation, the above exchange rate adjustments have brought about active achievements, contributed to maintain macroeconomic stability with the economic growth rate of 6% in 1998, and controlled the inflation rate at 9.2%, reduced import by 3%, increased in export by 1% even if it did not reach the estimated growth level, at the same time, the exchange rate adjustment made the foreign exchange rate move closer to the real market exchange rate, suit with the supply-demand, thus increase the market accommodating ability of foreign exchange rate stipulated by the State, reduced the difference between the daily announced foreign exchange rate and the real trading exchange rate; partly resolved the stagnation in the inter-bank foreign exchange market, make the trading turnover of commercial banks tend to increase, stimulate supply of foreign currency due to the foreign exchange rate has been adjusted reasonably and beneficially, reduce the pressure on the State's foreign currency reserve, the State Bank has no longer sold foreign currency to maintain exchange rate as it did in the past, increase the competitive capacity of Vietnamese goods for export in international market, and control import, etc...

The State Bank has changed the exchange rate control regime since February, 1999. The State Bank only announces one exchange rate which is the average trading exchange rate in the inter-bank foreign exchange market between VND and USD instead of announcing 2 types of exchange rate as it used to do: the official exchange rate and the real average trading exchange rate in the inter-bank foreign exchange market. The average trading exchange rate in the inter-bank foreign exchange market is determined on the real average exchange rate in the inter-bank foreign exchange market of the latest trading day. This exchange rate has been applied as a basis for credit institutions which are allowed to buy and sell foreign currency to determine the trading exchange rate, and for the State Bank to announce the exchange rate between VND and other foreign currencies, and used to calculate the export-import taxes.

Also based on the average trading exchange rate in the inter-bank foreign exchange market of the latest trading day announced by the State Bank of Viet Nam, credit institutions which are allowed to buy and sell foreign currency will determine the spot exchange rate not to exceed 0.1% as compared to this exchange rate. Spot exchange rates applied to currencies other than USD are determined by General Director (Director) of credit institution.

## **2. Illustrations of the State Bank's money supply control in 1999**

- a. Economic developments in 1998, especially in the later months of the year showed that the possible tendency in 1999 might happen. They were: the economic growth rate would hardly achieve the growth rate as in 1998 (5.8%-6%), and the inflation rate might continue to increase (the inflation rate in October

1998 increased by 0.3% as compared to September 1998; 0.1% in November 1998 as compared to October 1998, 0.8% in December as compared to November), the inflation rate was 9.2% for the whole year. With such developments, the pursuance of a tightening and prudential monetary policy is needed. The control of M2 was set up at 20% with the target of increasing foreign currency reserve of USD 500 million as compared to the reserve level at the end of 1998, credit increased at 16% and no more overdue debts arised.

- b. In January 1999, the inflation rate was 1.7%, higher than that in the same period of 1998 (1.6%). However, many implications showed that the credit expansion was difficult due to the ceiling on interest rate was higher than the profitability of businesses. At this point of time, the Governor of the State Bank had a policy to issue State Bank's bills to withdraw banks' excess reserve with the total value of VND 600 billions and 3 month maturity (Decision No.29/1999/QD-NHNN1 dated January 15th,1999). In order to push up economic growth, the Governor of the State Bank had the Directive No.01/1999/CT-NHNN1 dated January 17th, 1999 to reduce the ceiling on lending interest rate by state-owned banks to their customers in urban areas from 1.2% per month down to 1.1% per month for short-term lending and from 1.25% per month down to 1.15% per month for medium- and long-term lending.
- c. In February 1999, the inflation rate was still at a high level (the inflation rate in February increased by 1.9% as compared to that in January 1999) and there were signs to show that credit would increase with a higher level than that in January 1999. Commercial banks' reserves were rather high. Together with measures in interest rate and issuance of State Bank's bills, on February 25th,1999, the Governor of the State Bank decided to change the exchange rate regime to make it closer to the developments in supply of and demand for foreign currency in the market: transfer from announcement of the official exchange rate, a heavily administrative and subjective regime to the average trading exchange rate in the inter-bank foreign exchange market and permit commercial banks, which are allowed to buy and sell foreign currency, to determine the spot exchange rate between VND and USD, but not exceed 0.1% as compared to the real average trading exchange rate in the foreign currency exchange market (Decision No. 64 and 65/1999/QD-NHNN7 dated February 25th ,1999).

On April 21st, 1999, the Governor of the State Bank decided to issue the State Bank's bills (the second section) with the total value of VND 700 billions, 3-month maturity, and interest rate of 0.85% per month. Thus, the volume of currency to be withdrawn from circulation in the two consecutive issuance of State Bank's bills was VND 700 billions and took place more slowly than the need of monetary regulation in practice so as to reduce the money supply control capacity of the State Bank.

- d. There appeared signs of deflation at the beginning of March 1999 (continuously deflated in March, April and May of -0.7%, -0.6% and -0.4% respectively). This was a signal to announce a danger of deflation in Viet Nam that would reduce the speed of the economic growth rate. In the condition that the world price was strongly declined, especially countries in crisis regions, together with other developments

of the economy implied that in the coming months, price would continue to reduce, domestic products would be in inventory situation (coal, cement, iron, etc,...), world price of some goods items reduced (crude oil, rice, coffee, etc...) then, domestic price reduced, the farmer's income decreased, as a result, the domestic purchasing power would decline.

Due to such developments, the continuous pursuance of a tightening monetary policy may conflict with the objective of pushing up the economic growth and expanding domestic purchasing power by widening investment. In these practices and together with the Government's deflation protection measures, the State Bank of Viet Nam has adjusted from a "tightening" to a "prudential loosening" monetary policy target since the second quarter of 1999.

In pursuing of a prudential loosening policy, since the second quarter of 1999, monetary policy instruments have been conducted as follows:

- Ceiling on lending interest rate: had been continuously reduced to suit with the inflation index, credit supply and demand relationship in different periods and contribute to implement the Government's measures in pushing up demand for investment. This year, the ceiling on lending interest rate had ever been adjusted as many times as before by the State Bank. Until December, 1999 the State Bank had adjusted the ceiling on lending interest rate 4 times since the adjustment of ceiling on lending rate made by state-owned commercial banks to urban areas, the ceiling on lending interest rate was reduced by 0.35%-0.4% as compared to that at the beginning of the year. At the end of the year, ceilings on lending interest rates were as follows:
  - + 0.85% per month to urban areas;
  - + 1% per month to rural areas;
  - + 1.15% per month applicable to loans made by rural joint-stock banks;
  - + 1.5% per month applicable to loans made by local people's credit fund to its members.
- *Refinancing rate*: The State Bank had reduced refinancing rate 4 times in 1999, from 1.1% per month at the beginning of the year down to 0.5% per month at the end of 1999, and at the same time, the State Bank announced a discounting rate of 0.45% per month.
- *Reserve requirement*: The State Bank had reduced requirement ratio applicable to credit institutions 2 times from 7% down to 5% (1% for rural joint-stock banks, central people's credit fund, and local people's credit fund). Except for the Viet Nam Bank for Agriculture and Rural Development, requirement of 3% was applicable to this Bank as it had to implement some policies serving agriculture and rural development.
- The trade balance had shifted from over-importing to over-exporting, and the amount of foreign currency remitted to Viet Nam increased with a higher level than that in 1998. Thus, by the end of 1999, the State Bank bought a large amount of foreign currency that helped to raise foreign exchange reserves from an equivalent of 10 weeks of import to 13 weeks of import. In 1999,

exchange rate was rather stable and basically in line with foreign currency supply and demand in the market and the management objectives of the State Bank.

**3. Increase in total liquidity (M2) and credit in quarters of 1999 (in percentage as compared to the end of last year)**

	December 1998	March 1999	June 1999	September 1999	December 1999
Total liquidity (M2)	25.5%	5%	10.3%	18.1%	39.2
Credit	16.7%	4.4%	7.3%	8.9%	19.2%

**B. Renovations to strengthen the extent and efficiency in monetary control of the State Bank**

Strengthening the extent and efficiency in monetary control of the State Bank is the objective in the process of reform of the Vietnamese banking system. The renovations in monetary control of the State Bank in recent years have, to some extent, contributed to the process of reform of the banking system, an important part in stabilization of macro-economy, created capital for economic growth, facilitated conditions for the development of the money market. However, during the process of monetary control, the usage of monetary policy instruments has certain disadvantages such as: the role of refinancing facility has been limited, not really effective in conducting monetary policy, the allocation of refinancing loans have focussed on state-owned commercial banks under instruction, joint-stock banks rarely take part in refinancing transactions as they do not meet the conditions to get refinancing loans; refinancing interest rate has neither created an announcing affect to the market interest rate and nor stimulated an increase or a reduce in money demand; the underdeveloped money market, the poor and less liquid of financial instruments, etc... The above limitations have influenced the State Bank's role in controlling monetary policy. Hence, to strengthen the extent and effectiveness in monetary control, in the coming time, the State Bank will continue to push up the transition from direct to indirect instruments, develop the money market, reinforce and develop the information system to support transactions in the market.

**1. Push up the transition from direct to indirect instruments in conducting monetary policy**

In a market economy, the common instruments that are used by central banks in other countries in controlling monetary are reserve requirement, refinancing facility, open market operations. However, depending on the situation in each country and each period of development, the usage of these instruments is also different. Many countries are still using direct instruments in combination with indirect instruments.

In Viet Nam, monetary policy instruments have been established and developed together with the renewal process of the banking system. Based on the real situation in Viet Nam, the State Bank of Viet Nam has



conducted the monetary control by using direct instruments, such as: credit ceilings, interest rate control, exchange rate, and at the same time established and initially adopted indirect instruments which are reserve requirement, refinancing facility, open market operations.

Nowadays, the tendency of integrating into the world economy is becoming deeply and widely and the influence of a globalization process is increasing, the task of the State Bank is to push up the transition from direct to indirect instruments to control money effectively. These indirect monetary control instruments are very important to the development of the country because as the domestic markets develop, the direct control instruments are becoming less effective and separated from the market, especially in a globalization world market. Thus, in the process of moving from direct to indirect instruments, the State Bank needs to continue completing instruments that have been used and strengthen and develop new instruments to create a rather complete instrument system. Details are as follows:

*(1) Open market operations*

Open market operations are the most effective indirect instruments in monetary control. These are the main instruments in monetary control of developed countries and becoming important to developing countries like Viet Nam. OMOs allow the State Bank an active initiative in the timing and the currency trading volume at its wishes, stimulate the objective relationship in the form of running business with the market members, and at the same time, eliminate the inefficiency of the direct control. OMOs affect money supply and banks' reserves and thus, influence interest rate in the money market.

In Viet Nam, after a process of attempts to prepare for legal framework, equipment, and technical issues, OMOs have been adopted in July 2000. Up to now, even though the influences of OMOs on the money market conditions have not been clearly significant but the recent trial auctions have shown that OMOs have partially adjusted credit institutions' liquidity, absorbed in case of excess liquidity and injected when there is a liquidity shortage. At the same time, the OMOs auctions created more than VND 500 billions of instruments for the money market.

However, at present OMOs have been in a rudimentary process, thus, need to be gradually adjusted and completed: financial instruments remain thin, the inter-bank money market has not developed so that the State Bank lacks of necessary information in the market for forecasting liquidity as well as for conducting OMOs.

In face of the above reality, and with the small number of tradable securities, the narrowed and less active market, the State Bank, apart from implementing the monetary policy objectives, needs to continue implementing the market development objectives. This process has been carried out into 2 phases:

- *The first phase:* The State Bank implements OMOs in the primary securities market to achieve the objectives of adjusting commercial bank's reserve and creating instruments for OMOs. In this period, members do not directly buy and sell among themselves so that the State Bank can

take the role as an intermediary, then members will directly traded among themselves. On the other hand, the State Bank also needs to create instruments for the market. Securities that are currently allowed to be traded in the open market are Treasury bills and State Bank's bills. However, the volume of these securities is limited (as indicated above). In this situation, more treasury bills with multi-maturities should be issued and the size of the Treasury market should be expanded to provide basis for the operation of OMOs. At present, the volume of treasury bonds with the residual days to maturity of less than 1 year is rather big. These bonds will partly solve difficulties in creating instruments for the market if they are allowed to be traded as instruments for OMOs. Other instruments, such as certificate of deposit and other short-term valuable papers have not been used as financial instruments for OMOs. In the coming time, when the Government issue its Decision on guiding the implementation of the Decree on Commercial Bills, the State Bank will have stipulation on eligible valuable papers to be traded in the open market.

- *The second phase:* The State Bank will gradually move to intervene in the secondary securities market. In this period, number of members will be gradually expanded, consisting of not only credit institutions but also non bank credit institutions which have tradable securities and necessary equipment. The expansion of members will make the monetary control ability of the State Bank more actively.

In order to conduct OMOs effectively, the Government securities market must operate well as Government securities are tools which meet conditions for trading in the market. In Viet Nam, The Government has recently issued Governmental Decision No.01/2000/ND-CP dated January 13th, 2000 on Regulation governing the issuance of Government Securities to create goods for the Securities Exchange Centre. In this Regulation, methods of issuing Governments bonds have been improved such as: agent, auction, guarantee for issuance, so as to quote Government securities in the Securities Exchange Centre. Government bonds with maturity of more than 1 year have been auctioned through the Securities Exchange Centre. Treasury bills with maturity of less than 1 year have been issued through auction at the State Bank as before.

During the past time, Treasury bills auctioned through the State Bank have been mainly to offset the state budget deficit. The creation of instruments for the money market remains limited. The issuance has been carried out in the form of interest rate bidding with an instructed interest rate, which make the market operate less actively with a small number of members. In the coming time, to make this market operate more actively and the interest rate reflect the market rate, apart from the above interest rate bidding, the decision on the bidding should be improved. The successful volume of bills will be calculated on the ascending order of the bid rate until reaching the expected volume.

In case that the volume of Treasury bills is not enough for trading, the State Bank will issue its bills.

The determination of interest rate is a crucial issue. Interest rate is to be decided on the volume needed to adjust bank's reserves back to a necessary level. Added to that, the State Bank has to ensure the stability of interest rate at a reasonable level to develop the money market. The good management the market interest rate will be considered as a reference rate for determining other types of interest rates. When the Treasury bill market has been fully developed, the State Bank will cease issuing the State Bank's bills as it will affect the State Bank's costs. The State Bank only issues its bills when necessary to reach the monetary policy objectives.

(2) *Combine with other monetary policy instruments*

The combination between different monetary policy instruments depends on the development of the money market, the liquidity level in the market and the healthiness of the banking system. In each period of development of the market, the combination of these instruments is different and needs to be adjusted to be in line with the practice. In the initial stage, OMOs have not developed yet, so reserve requirement and refinancing facility are still main instruments in regulating monetary in Viet Nam. In the next stage, when OMOs become the main instrument to control money, other instruments will be adjusted to be supporting instruments in implementing the intermediate targets of monetary policy.

As mentioned above, the adoption of monetary policy instruments in Viet Nam to control money during the past time had certain limitations that need to be improved:

a. Reserve requirement

Basically, current regulations on reserve requirement ensure the banks' flexibility in using their fund. However, there are still some limitations such as: requirements are only applied to all deposits of up to 12 month maturity, so the relation between reserve requirement and the volume of currency in the economy is only at the relation with M1. Hence, the State Bank's capacity in controlling M2 is still limited. Remuneration of excess reserve has discouraged banks to use up their fund so there are, at some point of time, a lot of banks' excess liquidity, which limits overnight lending. To overcome the above limitations, in the coming time, these instruments should be adjusted as follows:

- Excess reserves are to be unremunerated, but required reserves are to be remunerated;
- Apply reserve requirements not only to deposits of up to 12 months maturity, but also impose on deposits up to 24 months maturity to expand the State Bank's control ability.

b. Discounting and refinancing facility

In order to make refinancing facility become an instrument of the State Bank in providing short-term credit and payment instruments to banks, and a lender - of - last - resort, refinancing facility should be renovated by clearly regulating types of refinancing. Refinancing facility may be divided into the following types:

*The first type:* Refinancing granted to banks to meet demand for credit of the economy (it is called

as normal refinancing). This type is again subdivided into 3 sub-types:

- *Sub-type 1:* Refinancing in the form of discounting, rediscounting commercial papers and other short-term valuable papers (Regulation on discounting and rediscounting promulgated in accordance with Decision No.356/1999/QĐ-NHNN14 dated October 6th,1999). Discounting rate is lower than lending interest rate in the inter-bank market to stimulate banks to borrow from the State Bank to offset the shortage in reserve, avoid the unexpected changes in the market interest rate, reduce the short-term pressure on the market reserves. Discounting rate will establish a floor rate in the money market.
- *Sub-type 2:* Refinancing against credit documents and collateral in the form of commercial bills and other short-term papers. This type is to meet the demand for short-term capital of banks after they have already used up their discounting limit or not met the conditions for discounting in the above case. Refinancing rate of this type is higher than discounting rate and depends on the monetary policy objectives in each period.
- *Sub-type 3:* Lending though a special discount window is to offset the temporary shortage in short-term capital for payment of banks. The lending through the special discount window must be collateralized by commercial bills or other short-term valuable papers. The interest rate is higher than the refinancing rate of the above 2 subtypes. Lending maturity is very short, may be overnight, or 3 days as maximum (In fact, it is the lending for clearing purpose at the moment).

*The second type:* The State Bank acts as lender-of-last-resort to ensure the security of the whole banking system. Maturity of this type is rather long, from 1 - 5 years. Commercial banks under special control situation are allowed to borrow this type of loan.

Renovation of refinancing facility as the above types will help to recover the outstanding problems and at the same time, increase the efficiency of this instrument. The above refinancing types will influence credit conditions in the market and ensure the State Bank's role as the lender-of-last-resort, the last saver to ensure the safety of the system.

### (3) *Develop the money market*

The adoption of indirect instrument requires to develop the inter-bank market to link supply-demand among credit institutions and convey influencing signals of policy and of interest rate to the whole economy.

#### 1) Real situation of money market in Viet Nam

The money market in Viet Nam has been established since 1990s, comprising domestic currency inter-bank market and foreign currency inter-bank market (mainly traded in USD) with the managed floating exchange rate mechanism. Members of this market consist of state-owned commercial banks,

joint-stock bank, joint-venture banks and foreign bank's branches. The operations of the money market act a very small role in allocating credit. Especially, the money market lacks of various instruments which can be traded by commercial banks to manage their liquidity. At present, commercial banks are holding more than VND 3,000 billions of T-Bills and VND 500 billions of State Bank's bills. Credit institutions are not interested in buying T-bill, because T-bills maturity is rather long and there is only a maturity of 364 day. Apart from that, the MOF maintains the stability of interest rate and stipulates a ceiling rate so the sold volume of T-bills is lower than the offered volume which badly influence the demand for T-bills, T-bills interest rates do not reflect the market inter-bank rate.

2) Measures should be taken by the State bank to develop the money market

- Co-operate with the MOF to improve the T-bills auction through the SBV, interest rate of T-bills should be determined by the market.
- The issuance of Government bonds through the securities market has limited the volume of T-bills issued through the SBV. It is necessary to issue short-term bills to save issuing costs, and the liquidity management costs as well as to develop the money market.
- When the T-bill auction market is fully developed, the State Bank of Viet Nam will restrict issuing SBV's bills so as not to influence the SBV's expenses and the SBV only issues its bills when necessary.
- In the coming time, the SBV will relax restrictions on mobilization in VND by foreign bank's branches to increase the competitiveness among banks in the market.
- Restructure commercial banks( including joint-stock banks, joint-venture banks), upgrade the operation quantity of banks, bank's accounting system must be in line with the international accounting standards to make transactions transparent.
- To further develop the money market for commercial bills the SVB needs to ensure a more appropriate and completed legal framework.
- To develop the foreign currency inter-bank market, the forward market needs to be developed, payment agreement need to be improved to implement payment orders quickly and fluently within a day.
- Complete the clearing system to facilitate short-term transaction of banks, develop overnight operations to push up the development of the inter-bank market which is the basis for the development of OMOs.

3) Adverse affects occur if regulations on interest rate and rate and credit are abolished.

Interest rate control and credit control are methods of monetary policy management of central bank of each country. However, adoption of these instruments depends on monetary economic conditions of each country. The tendency of liberalization of interest rate, elimination of regulations on credit control together with price and trade liberalization, liberalization of foreign exchange market have

become popular in many countries.

- In Viet Nam, as presented above, the application of interest rate and credit control in the renovation period has brought about active renewals, gradually moved to be in line with each period. The abolishment of credit ceiling and the application current base interest rate control, which have encouraged saving, accumulating and investing in economic development, gradually moved to an indirect monetary and interest rate control.
- Given the current economic conditions in Viet Nam, if all regulations on interest rate control have been fully phased out, the competitiveness among the banks will be enhanced and the economy will be change considerably in line with the development of the market. Given the low ratio of capital over total assets of the Vietnamese banks, the banking system in Viet Nam will not be weakened, provided that the abolishment of interest rate control is linked to enforcement of regulation on risk prevention and supervision.
- With a flexible interest rate regime, banks will concentrate on investing in highly profitable and risky projects and neglect the recovery of the fund. Regulation on risk prevention is not appropriate, the management capacities of the central bank as well as commercial banks remain limited. Information and payment system have been slowly improved. Those issues reduce the efficiency of monetary control and the role of interest rate in allocating capital sources. Besides, the underdeveloped financial market , the insufficiency of instruments will lead to an overconcentration of risks on the banking system and place in the borrowers in the face of interest risks or restrict them to access capital sources.

Experiences from other countries and current conditions in Viet Nam have shown that VN can not completely phase out regulations on interest rate control because:

- Macroeconomic environment is still unstable: Although the declining trend in economic growth has been ceased, the economic growth rate has still not reached those of the years from 1995 to 1997. Inflation has been controlled but the tendency of having negative CPI has emerged for a long time, foreign investment has been in a stagnation, balance of payment surplus is small, domestic accumulation is low.
- Banking system, especially joint stock-banks are having many weaknesses such as small size of capital, low level of management skill, the staff are not really qualified to meet the requirements of the works and the banks are on the way of restructuring
- Monetization level is still at low level (M2/GDP is about 33% as compared to the average level of 66% of many other countries). The instruments of the money market (commercial bills, short-term valuable papers) are limited. OMOs have newly come into operation and are still in a preliminary period so the can not be a key instrument in controlling money of the State Bank;

- Dollarization in the economy has not been reduced, public confidence in the banking system is not high, the fluctuation of interest rate and exchange rate in the market strongly affect the people's psychology.
- Management ability of the State Bank has been improved but still faced a lot of challenges;
- Economies in the region have been recovered after the crisis, liberalization of their financial markets are implemented at a high speed while the integration level of Viet Nam is limited, so the abolishment of interest rate control will weaken the finance- banking system in Viet Nam.

In summary, the elimination of regulations on interest rate control in Viet Nam needs to be carried out in line with economic environment, conditions and integration level of the financial and banking system in each period, especially, strengthening of the public's confidence in the finance- banking system. Conditions for the elimination of regulations on interest rate control are the stability of the macro-economic environment, a healthy and efficient banking system with adequately competitive power, a completed supervision and protection mechanism of the State Bank, development of monetary policy instruments which can be used to intervene the market when needed, enhancing financial capacity of businesses to minimize interest rate risks.





## Foreign Exchange and Exchange Rate Management

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During the past years, the renovation process of foreign exchange control and exchange rate management has made certain contribution to stabilizing value of the Vietnamese Dong, improving international balance of payment and increasing official foreign reserves of the country. To obtain these results, series of policies, regulations governing foreign exchange management and foreign exchange related activities were promulgated. These policies were continuously revised towards developing a dynamic foreign exchange management regime that corresponds to new requirements of the market economy, supports targets of the monetary policy and creates preconditions necessary to make Vietnamese Dong convertible and the only currency circulating in Viet Nam. Exchange rate management becomes more flexible, thus helping to increase export, control import, attract foreign capital and eliminate negative impacts of the region's economic crisis.

The purpose of this paper is to review policies on foreign exchange management, foreign exchange transactions, foreign exchange trading management and foreign exchange related activities (private transfers, foreign direct investment, external debts...), exchange rate management, relationship between interest rate and exchange rate since 1994. This paper will also give some predictions about policies that are likely to be implemented in the next 5 - 10 years. It will conduct analyses and assessments of the effects of the policies and regulations on the foreign exchange market, as well as on international trade of goods and services. Considering the current economic situation, achievements in the renovation of foreign exchange management and some other prerequisite conditions, the paper will discuss about the possibility of introducing the convertibility of Vietnamese Dong and measures needed to be carried out to reach this purpose. Besides that, the issue of exchange rate monitoring and necessary conditions required to sustain the current mechanism to control foreign exchange rates are mentioned in the last part of the paper.

In the context of the paper, gold control is not mentioned, although foreign exchange concept is defined in the Decree No.63/1998/ND-CP dated 17 August 1998 on foreign exchange management as consists of also gold of international standard.

## 1. Review of policies on foreign exchange management, foreign exchange related activities, exchange rate arrangement since 1994

### 1.1 Foreign exchange management

Before, foreign exchange management was carried out in accordance with the Regulation on foreign exchange management promulgated under Decree No. 161/HDBT dated 18th October 1988. However, in responding to the process of transforming to the market economy and international practices, the foreign exchange management policy had been gradually adjusted towards strengthening ability of the State Bank to manage and control foreign exchange, reducing scope of foreign currencies using in the economy.

In particular, after issuing the Government's Instruction on strengthening foreign exchange management and Decision No.396/TTg dated 4th August 1994 by the Prime Minister on amendments of the foreign exchange management in new circumstances, foreign exchange management policy has been basically changed to achieve the above mentioned targets. According to the Decision No.396/TTg, a part of enterprises' revenue in foreign currencies is permitted to retain to meet their expenditure needs, and the remaining amount should be sold out to banks. This Decision also had stipulations concerning management of the enterprise's foreign currencies accounts (included and accounts opened in a foreign country). According to this, all payment activities must be carried out through the authorized banks and finance companies; trading and servicing entities that have revenue in foreign currencies must receive payment for their sold products, services in Vietnamese Dong. The purpose of this regulation is to concentrate foreign currencies sources in banking system, eliminate use of foreign currencies and gradually reach the target of making Vietnamese Dong the unique currency in Viet Nam.

In order to cope with requirements of foreign exchange management in market economy, Governor of the State Bank of Viet Nam had issued Decision No. 203/QD-NH13 dated 20th September 1994 on the establishment of the foreign currency interbank market. Transactions in this interbank market are conducted through telecommunication (fax, telephone, computer net ...) which limits disadvantages of direct method in the 2 previous foreign currencies transaction centers. In particular, the exchange rate is determined by market participants within allowed band of +/-0.5% of official rate announced by the State Bank. The State Bank plays the role of the last resort buyer or seller in the market. It intervenes the market by buying and selling with other market participants. Recently, in order to meet new demands of diversifying market activities and instruments, Governor of the State Bank had replaced the above mentioned Decision No. 203/QD-NH13 with the Decision No. 101/1999/QD-NHNN13 dated 26th Mach 1999 concerning Regulation on organization of the foreign currency interbank market. The new decision stipulates detailed requirements that credit institutions must satisfy before taking part in the market (the minimum trading volume is equivalent to 50,000USD, trading principles, trading methods...)

Facing with complicated consequences of the regional financial - monetary crisis in 1998, the Government

had applied administrative measures on strengthening foreign exchange management. These measures aimed at eliminating the adverse impacts of crisis on the Vietnamese economy, at improving control over foreign capital flows, reducing foreign currency tense in the interbank foreign exchange market that badly affected exchange rates. One of the above measures was Decision No. 37/1998/QD-TTg dated 14th February 1998 by the Prime Minister on foreign exchange management measures.

Under the Decision No. 37, enterprise that has revenue in foreign currencies must put all of this revenue in an account opened with a credit institution, after deducting an amount needed for its next month's estimated expenditure purposes. On the other hand, each enterprise is permitted to open only one foreign currency deposit account with one credit institution. It is required to register with the State Bank of Viet Nam if the enterprises wish to maintain more than one foreign currency deposit account. All local enterprises are required to sell excess foreign currencies to banks. At the end of each month, the amount retained in the foreign currency account is not to exceed projected requirements in foreign currencies for the following month. When excess foreign currencies are sold, the seller has a right to purchase back minimum amount equal to the sold amount within six months by entering into a forward contract with a the same bank, provided that these foreign currencies would be used for purposes in compliance with the foreign exchange management regulation.

However, the enforcement of the Decision No. 37 has faced some difficulties. For example, enterprises overestimate the amount of foreign currencies needed in the incoming period as they fear that they will probably have to accept a high buying rate offered by banks. Given this circumstance, following Decision No.37, the Government issued the Decision No.173/1998/QD-TTg dated 12th September 1998 on the obligation to sell and right to buy foreign currencies of institutional residents. This Decision specifies that enterprises have to sell 80% of their foreign currencies received from current account transactions to banks within a 15-day period from receipt. Besides that, the Decision also affirms the right to buy foreign currencies of institutional residents when they need foreign currencies to facilitate their current account transactions and other eligible transactions. At the same time, Circular No. 08/1998/TT-NHNN7 dated 30th September 1998 was promulgated by the State Bank of Viet Nam to give instructions on implementing Decision No.173/1998/QD-TTg. Then, on December 1st 1998, the Government issued Decision No.232/1998/QD-TTg to modify points 1 and 2 of Article 1 of Decision No.137. Decision No.232 stipulates that institutional residents have to surrender foreign currencies to licensed banks as soon as foreign currencies are transferred to or credited in their foreign currency account with banks. In 1999, thanks to a more favorable supply-demand condition in the foreign exchange market, it was able to reduce the surrender ratio of foreign currencies to 50% of enterprises' current income. This had given enterprises greater autonomy in using foreign currencies with the eventual aim of liberalizing foreign currency transactions (the Government's Decision No.180/1999/QD-TTg dated 30th August 1999).

The 17th August 1998 marked an important milestone in the foreign exchange management as the

Government replaced the Decree No. 161 by the Decree No. 63/1998/ND-CP on foreign exchange management. This new Decree has some basic amendments as follows:

- It introduces new concept of foreign exchange.
- It clarifies concepts of resident and non-resident to facilitate foreign exchange management.
- It classifies transactions under foreign exchange management into 3 major categories: current account, capital account transactions and foreign exchange related transactions of credit institutions.
- It officially specifies the right of individual to use foreign currencies.
- It recognizes only gold of international standard as foreign exchange.

The Decree also makes amendments to some stipulations relating to issuing valuable papers in foreign currencies, principles of determining exchange rate, foreign currency account, obligation to sell and right to buy foreign currencies of entities, buying and transferring foreign currencies by individuals, foreign exchange activities by credit institutions, etc. Then, the State Bank of Viet Nam has issued Circular No.01/1999/TT-NHNN17 dated 16th April 1999 which gives instructions on implementing Decree No 63 and detailed regulations on foreign exchange and foreign exchange management in new situation.

It could be said that foreign exchange management policies in Viet Nam have been developed more comprehensively and systematically, aiming at the goal of making Vietnamese Dong convertible in the foreign exchange transactions, increasing ability of integration with international markets, accelerating economic growth and improving balance of payment.

## **1.2 Regulations on foreign currency transactions and foreign exchange trading management**

Along with such administrative measures, Governor of the State Bank has signed Decision No.17/1998/QD-NHNN17 dated 10th January 1998 on foreign currency transactions in which credit institutions are permitted to carry out forward and swap transactions. The purpose of this Decision is to stabilize foreign currencies market, support the market development towards integrating with global markets by means of diversifying interbank market instruments and enhancing flexibility of credit institutions in the market. At the same time, the State Bank has had Decision No.16/1998/QD-NHNN17 dated 10th January 1998 regarding the principles to determine the foreign currencies forward and swap buying, selling rates of credit institutions allowed to conduct forward, swap transaction in foreign currencies. With these two decisions, the State Bank has created a legal framework for foreign currencies transactions, provided instruments for hedging against future interest risk and exchange rate risk. It has equipped import and export enterprises with greater autonomy in their operation.

Maintaining open foreign exchange position by local commercial banks and open position limit for Vietnamese Dong by foreign bank branch is one of the measures taken to strengthen management over foreign exchange trading of commercial banks, to prevent speculative activities that lead to untrue demand and exchange rate shocks. Credit institutions have to maintain foreign exchange position as stipulated in

the Decision No. 204/QD-NH7 dated 20th September 1994 regarding temporary regulation on foreign exchange position of credit institutions permitted to trade in foreign currencies. This Decision has been replaced in 1998 by the Decision No. 18/1998/QD-NHNN7 dated 10th January 1998 on foreign exchange position of credit institution permitted to trade in foreign currencies. According to the later one, the aggregate long or short position limit of credit institution at the end of each day must not exceed 30% of its own funds, the long or short position in USD at the end of each day must not exceed 15% own funds. Open position limit for Dong is governed by the Decision No. 20/1998/QD-NHNN1 dated 10th January 1998 on position in Vietnamese Dong of foreign bank branch operating in Viet Nam. As specified in the Decision, these banks' branches are allowed to take position for Dong that is not exceed 15% of the capital assigned by their head offices plus reserves. This ratio was 10% pursuant to the Decision No. 380/1997/QD-NHNN1 dated 11th November 1997 by Governor of the State Bank. Besides that, State Bank continuously makes great efforts in supervisory activities so that it can catch with most recent changes in the market and apply measures as necessary.

### **1.3 Management of foreign exchange related activities, external debt management**

In addition to the above mentioned policies, during the past few years, the Government of Viet Nam has implemented many measures to encourage Vietnamese overseas to transfer funds to Viet Nam. This is reflected in the Prime Minister's Decision No.170/1999/QD-TTg dated 19th August 1999 and the Circular No. 02/2000/TT-NHNN7 dated 24th February 2000 of the State Bank to guide the implementation of the Decision No. 170/1999/QD-TTg. According to these documents, the beneficiary does not have to pay income tax on the received amount. He or she has the right to draw their funds in Vietnamese Dong or in foreign currencies as required (before, only Dong is accepted), to open personal foreign currencies account at an authorized credit institution...The Decision No. 170 has marked a new progress in liberalizing step by step current transactions.

Foreign exchange and exchange rate management can not be separated from foreign currencies flows in different forms. That is why Government pays more and more emphasis on foreign debt management, including management external short-term borrowing through deferred L/C.

Before the year of 1997, foreign debt management was governed by the Government's Decree No. 58/CP dated 30th August 1993 to promulgate Regulation on foreign debt management. As stipulated in the Decree, foreign debt by the Government and enterprises is jointly controlled by such authorities as Ministry of Finance, State Bank of Viet Nam, Ministry of Planning and Investment. By 1996, external borrowing by enterprises is carried out in accordance with the public sector's foreign borrowing limit agreed between the Government and IMF within the framework of ESAF. However, foreign debt, in particular short-term one in form of deferred L/C, has become a big problem (trade balance deficit has reached enormous level, in which value of imports under deferred L/C counted for a remarkable portion of total import in 1995). In

order to closely manage deferred L/C opened by commercial banks, the Regulation on deferred L/C was promulgated under Decision No. 207/QĐ-NH7 dated 1st July 1997. This Regulation determines conditions that banks and enterprises must satisfy if they wish to open deferred L/C; the maximum deferred period of 1 year in case of importing materials and consumer goods; the minimum deposits required in case of importing consumer goods with deferred payment method. After that, the State Bank specified in the official letter No. 931/1997/CV-NHNN7 dated 17th November 1997 that limit on external short-term borrowing and guarantee by banks for short-term borrowings must not higher than 3 times of their own funds; the minimum deposit level required in case of opening a deferred L/C is equal to 80% value of imported goods. Moreover, the Circular No. 07/1997/TT-NHNN dated 4th February 1997 was issued by the State Bank to guide the implementation of the Prime Minister's Decision No. 802/TTg dated 24th September 1997 on dealing with remaining problems of L/C (in which the responsibilities of guarantor-bank and resolution of collaterals related to deferred L/C are specified).

In order to attract and manage effectively foreign capital sources for economic development purposes, 7th November 1998, the Government issued Decree No. 90/1998/ND-CP concerning Regulation on foreign debt management. This Decree has made amendments and replacements to some stipulations in the Decree No. 58 that were not suitable with new conditions, creating a legal framework for external debt management of banks and enterprises. To carry out responsibility of the State Bank in foreign debt management as stipulated in Articles 22 and 24 of the Decree No.90, Governor of the State Bank has issued Circular No. 03/TT-NHNN7 dated 12 August 1999, giving guide to borrowing and debt servicing by enterprises.

For the goal of attracting external sources of funds, Vietnam's Government has trying its best to establish a completed legal environment needed for foreign investment. Examples can be taken from foreign exchange management regulations applied to enterprises with foreign invested capital, to foreign parties in business-cooperation contracts (BCC), as follows:

- Tax on repatriation or remittance of profits has been reduced from 5%, 7%, 10% to 3%, 5% and 7%, respectively, as determined in the Law on foreign investment of year 2000.
- Besides that, the old Law on foreign investment required that foreign invested enterprises, foreign parties in BCC must satisfy foreign currencies needs themselves. The State would assist to balance foreign currencies needs for infrastructure constructions, import-substitutes production and other vital purposes. In such condition that Vietnamese Dong is not convertible and foreign reserves are still limited, this requirement is necessary to stabilize international balance of payment. But in the new amended law, foreign invested enterprises, foreign parties in BCC are permitted to buy foreign currencies from commercial banks to make current transactions and other eligible transactions as specified in the Decree No. 63 regarding foreign exchange management. The Government takes responsibility to ensure sufficient foreign currencies supply for a limited number of extremely important projects, to assist in balancing foreign currencies needs for infrastructure constructions

and other vital projects.

- Amended Law on foreign investment of year 2000 allows foreign-invested enterprises to open account at banks abroad in special cases after getting permission from the State Bank. According to the Law of year 1996, the enterprises are permitted to maintain only borrowing account.

Management and use of official development aid (ODA) are currently governed by Decree No. 87/CP dated 5 August 1997, which replaced Decree No. 20/CP dated 15 March 1994.

#### **1.4 Exchange rate management**

It is worth to notice that since 1994, with the establishment of the foreign currencies interbank market, the State Bank has made a fundamental change toward applying new exchange rate management regime instead of the previous multi-rate one. Since then, the State Bank makes announcement about official VND/USD rate; and market rates are allowed to range within a band of +/-0,5% of this official rate (Decision No. 245/QD-NH7 dated 3rd October 1994 regarding buying and selling rates offered by banks that are permitted to trade in foreign currencies). Next, with the aim of stimulating banks to take active participation in foreign currencies interbank market by giving them more flexibility in adjusting exchange rate, the band was widened to +/-1% from 21st November 1996 by Decision No. 311/QD-NH7. This measure also helped to eliminate overvaluing of Vietnamese Dong.

At the beginning of 1997, banks had experienced huge demand for foreign currencies to make payment under L/C and service external debts. The market was lack of foreign currencies, while current account deficit was at an alarming level. Currencies of some neighboring countries had been slightly devaluated. In order to balance supply-demand in the market and to mitigate foreign currencies constrains, the State Bank had widened trading band to +/-5% in the Decision No. 45/QD-NH7 dated 27th February 1997.

On 13th October 1997, the State Bank made another adjustment by increasing trading band to +/-10% (Decision No.342/QD-NH7) so that the adverse effects of regional monetary crisis could be partly prevented.

Given such international and domestic changes, the foreign exchange management policy would not be inclined to stabilize the value of domestic currency vis-à-vis foreign currencies. It rather aims at the long-term objective of promoting production, encouraging economic growth, limiting wide fluctuation and socio-economic disruption, focusing on stimulating exports, controlling import and increasing foreign reserves. In achieving these policy objectives, the State Bank actively increased official exchange rate from 11,175 VND/USD to 11,800 VND/USD in February 16th 1998 (devaluation of 5.6%). Next, on 7th August 1998, the State Bank made another currency devaluation of 9.2% by downsizing trading band to +/-7% and increasing at the same time the official rate from 11,815 VND/USD to 12,998 VND/USD (Decision No. 267/1998/QD-NHNN7). It is important to note that the official reference rate stipulated by the State Bank on 7th August 1998 is the closing rate of the inter-bank foreign currencies market on 6th August 1998. This means that the official VND/USD reference rate is established by the State Bank on the basis of

buying and selling rate in the interbank foreign exchange market. Thanks to this mechanism, the official rate will be more closely linked with the demand-supply relationship in market.

In 1999, State Bank changed from administrative management to the state-regulated market mechanism. In accordance with the Decision No.64/1999/QD-NHNN7 on announcement exchange rate between Vietnamese Dong and some other foreign currencies and the Decision No. 65/1999/QD-NHNN7 on principles of determining foreign currencies buying and selling rates by authorized credit institutions, from 26th February 1999, the State Bank started to announce an weighted average trading exchange rate in interbank foreign currencies market. This rate serves as basis for defining authorized banks' offered rates and for calculating import, export taxes. Based on the effective average trading exchange rate in the interbank foreign currencies market on the latest day, which is announced by the State Bank, credit institutions can determine their own rates that not exceed 0.1% of the former one. The new exchange rate management mechanism provides commercial banks with greater freedom in determining exchange rate between Vietnamese Dong and other currencies (except the US dollar).

With this new management mechanism, exchange rate is established on the basis of transactions in the market. It reflects objectively purchasing power of Vietnamese Dong in comparison with other currencies, thus creates conditions for enterprises to be more active in their operations while ensuring supervisory function of the State.

#### **1.5 Dealing with relationship between exchange rate and interest rate**

Changes in interest rates always have impact on flows of funds and consequently on exchange rate. This explained why during the past several years, foreign exchange and exchange rate management could not be separated from interest rate and credit mechanism management. The year of 1998 can be served as an example. In 1998, the devaluation of local currency by approximately 16% had lead to a tendency of shifting from Dong saving deposits to US dollar deposits. In order to eliminate this tendency, from the beginning of 1998, the State Bank had issued Decision No. 39/1998/QD-NHNN1 dated 17th January 1998 that increased ceiling rate of short-term credit in Vietnamese Dong from 1% to 1.2%/month, ceiling rate of medium and long-term credit in Vietnamese Dong from 1.1% to 1.25%/month. The maximum lending rate in foreign currency by credit institution was decreased also from 8.5% to 7.5%/month, ceiling rate of foreign currencies deposits by enterprises in credit institution was decreased to 1 - 1.5% (Decision No. 309/1998/QD-NHNN1 of the State Bank). Pursuant to these two decisions, credit institutions have ability to increase Vietnamese Dong deposit rates and decrease foreign currencies deposit rates in order to limit flows from Vietnamese Dong to foreign currencies.

#### **1.6 Projected policies on exchange rate and foreign exchange management in the coming 5-10 years**

In the next 5 to 10 years, foreign exchange management policy will be carried out towards gradual



liberalization of foreign exchange operations with regulation that are in compliance with international practices and stipulations of international organizations, groups of countries that Viet Nam has membership status (IMF, ASEAN...). Foreign exchange management mechanism will be increasingly flexible and will fit for development of country as well as integration with global community. Intervention by the State Bank in foreign currencies market will be made mainly through policies. The management activities will be conducted by means of economic measures, while administrative instruments will be mitigated as much as possible.

Particularly, in order to achieve convertibility of Vietnamese Dong, the restrictions on foreign exchange are planned to be loosen step by step and removed entirely. At present, there are big concerns regarding surrender requirement and foreign exchange management regime applied to foreign invested companies. The prevailing surrender ratio is 50%, which is less than ratio of 80% in 1998. This ratio is expected to be removed in 2001 in accordance with the PRGF framework of the IMF. As stipulated in the Law on foreign investment of year 2000, withholding tax has been reduced from 5%, 7%, 10% to 3%, 5% and 7%, respectively, and requirement of foreign currencies self-balancing by foreign invested enterprises is starting to be relaxed.

In about next 2 to 3 years, some other restrictions on current payment and transfer will also be abolished under scheme of implementing Article VIII of the IMF Status. The establishing the convertibility of Vietnamese Dong will be taken step by step from current account convertibility to capital account convertibility. (This issue is discussed in detail in part 3 regarding possibility of introducing the convertibility of Vietnamese Dong). Moreover, it is expected to put an end to present dollarization, aiming at the goal of making Vietnamese Dong the unique currency circulating in Viet Nam.

Foreign currencies inter-bank market will operate more regularly. It is projected that the market will be developed in size, trading volume, number of participants and as well as in transaction instruments. Commercial banks plan to expand their direct transactions among each other in general, forward and swap transaction in particular. The state management role of the State Bank in this market will be fulfilled more flexible through acting as the last resort buyer and seller and other development measures. Besides that, the domestic foreign exchange market is developing either with different types of instrument and transactions, thus creates conditions for balancing supply and demand in the market.

Exchange rate regime will be adjusted to be more flexible and closely reflecting supply-demand relationship in market. Instead of US dollar pegged system or crawling peg system, the official rate will be pegged with a basket of currencies. It means that value of Vietnamese Dong is determined on the basis of supply-demand relationship in foreign currencies market and changing tendency of currencies of main trading partners (Japan, NIEs, EU...) in order to promote export, control import and improve balance of payment. With this objective, currencies selected in the basket could be some strong ones (US dollar, Japanese yen, Euro) and currencies of countries in the region (China, Indonesia, Thailand, Malaysia, the

Philippines). The portion of currencies in the basket will be determined according to their weights in trading and investment relationship with Viet Nam.

In order to increase foreign currencies supply and encourage economical use of foreign currencies, the Government and other ministries will promulgate synchronous policies and solutions for export promoting (policies on capital, privileges of interest rates and tax...), import controlling, attracting Vietnamese remittance, private transfers, foreign investment promoting (legal environment, financial market, securities market...), tightening external debt management (just foreign funds are to be allocated to the only efficient projects, etc.)

## **2. Impacts of foreign exchange and exchange rate management policies on foreign exchange market from 1994 until present**

Generally, impacts of foreign exchange and exchange rate management policies on foreign exchange market could be observed in development of inter-bank foreign currencies market, limitation of State intervention, stabilization of exchange rate and increase in official reserves. Other policies governing activities related to foreign exchange, such as regulation on Vietnamese remittance, deferred L/C..., also have certain effects on ensuring supply of foreign currencies in the market, mitigating pressure of shortage of currency supply on exchange rate. However, this paper does concentrate on assessment about only some policies that have significant impact on foreign exchange market.

### **2.1 Decision No. 37/1998/QĐ-TTg**

Before the issuing of Decree No. 37/1998/QĐ-TTg, organizations and enterprises were allowed to maintain several foreign currencies accounts at different credit institutions. This situation had led to the fact that foreign currencies volume was not concentrated, which made difficult for banks to take control. On the other hand, enterprises that have balance in foreign currencies accounts were not willing to sell to banks as they were afraid of adverse exchange rate fluctuation and of frequent foreign currencies shortage of banks. The inter-bank foreign currencies market did not function as expected, with demand for foreign currencies was much greater than supply in the market.

According to the Decision No.37, each enterprise is allowed to maintain only one deposit account and if it needs to open more than one account, it has to register with the State Bank. The above requirement is enforced seriously in reality. In addition, commercial banks have to submit monthly report regarding foreign currencies credits and debits of accounts in different banks, in different localities. This practice enables banks to take initial efforts in detecting enterprises that have unused foreign currencies and requires them to sell this surplus amount to banks. This aims at attracting foreign currencies into banking system, preventing speculative hoarding and inappropriate use of foreign currencies. This can be observed by the activities of

the inter-bank foreign currencies market. In January 1998 (before adoption of Decision No 37), due to the imbalance of supply and demand for foreign currencies in the market, banks' buying volume from clients was around USD 280 millions, whereas the selling volume was about USD 340 millions. After 3 months of enforcing Decision No 37, the interbank trading activities were significantly improved to meet the demand for currencies of enterprises and cease the tense of foreign currencies. The buying volume exceeded the selling volume. In February 1998, banks' trading volume with clients was up by 85% compared with the previous month. Especially, the trading volume in March 1998 increased by about 34% in comparison with that of the previous month. More specifically, monthly average banks' trading volume with clients in March and April 1998 was approximately a billion USD. (The trading volume in April was up 7% compared with that in March).

Trading volume between banks in the inter-bank foreign currencies market was also up in comparison with the previous periods. Trading volume in February 1998 was about 80% higher than the figure of January; trading volume in March was nearly 16% higher than in February; and particularly, total trading value between the banks in March had reached high level of around USD150 millions, which was up by more than 70% comparing with the preceding month. During implementation of the Decree No. 37, foreign currencies buying value is always larger than selling one. In assessing operation of the interbank foreign currencies market, it is possible to conclude that the exchange rate that is determined in the interbank market has attracted market participants, creating initial conditions for market to function normally.

In brief, the Prim Minister's Decision No.37/1998/QD-TTg dated 14th February 1998 *was issued timely, giving solution to remove standstills in foreign currencies supply and demand, concentrating foreign currencies into banking system, preventing illegal speculative activities and misuse of foreign currencies, contributing to satisfying foreign currencies needs of importers, improving transactions in foreign currencies market and stabilizing exchange rate.* Thanks to Decision No.37 and other strict regulations on foreign exchange management, the State Bank was able to make little market intervention in 1998 in spite of adverse impacts from regional economic crisis. *This practice had partly helped to ensure the rising trend of national official reserves in 1998.*

## **2.2 Surrender requirement**

In fact, the surrender requirement was first introduced when the Government issued Decision No.137/1998/QD-TTg dated 12 September 1998 regarding obligation to sell and right to buy foreign currencies of institutional residents. Given Vietnamese economy with heavy dollarization, surrender requirement is considered an essential and appropriate administrative measure. Decision No. 37 was followed by Decision No.173, which had brought in such positive effects as:

- *To put an end on speculative hoarding of foreign currencies. Foreign currencies are concentrated into banking system for the purpose of effective using.* This can be observed through foreign currencies

buying activities by banks. From 12th September 1998 to 28th May 1999, the value of bought in foreign currencies by commercial bank from current receipts was approximately USD 2 billions (an monthly average of USD 230 millions), counting for a significant part in the total bought in currencies, included and from the balances of deposit accounts since 12th September 1998 (about USD 2,100 millions)

*To solve difficulties in foreign currencies supply, to ease pressure on exchange rate, to improve operation of interbank foreign currencies market and to satisfy basic requirements of enterprises.* As mentioned above, after issuing of Decision No.37, by April 1998, banks' foreign currencies buying turnover from clients was higher than selling turnover. However, in the following months of 1998, foreign currencies buying turnover of banks was down and lesser than selling turnover due to limitations of Decision No.37 and bad effects of monetary crisis that had pressures on foreign currencies supply-demand in the market and on value of Vietnamese Dong. Especially in months from June to August, average foreign currencies trading turnover of banks was down from USD 1 billion level in March and April to nearly USD 500 - USD 600 millions per month. After implementation of Decision No.173, the situation was improved. In the last three months of the year, average trading volume had reached nearly USD 900 millions per month, comparing with average level of USD500 millions per month in the first nine months of the year. Only in December 1998, total trading volume was more than USD1 billions, in which buying turnover was USD516 millions and selling turnover was USD505 millions. Basically, banks had satisfied foreign currencies needs of enterprises.

With the decisive and thorough guidance from the State Bank, the surrender regulation was implemented uniformly in commercial banks and made contributions to promoting operation of foreign currencies interbank market.

*To contribute to exchange rate stabilization and exchange rate management. This surrender regulation helped to cease tensed situation of foreign currency supply-demand in market and pressure on exchange rate. Together with exchange rate adjustment in August 1998, the market rate gradually become stable, the differences between official and free market rates were narrowed. (Development in exchange rate will be discussed in more details in later parts)*

However, there are still disadvantages in the regulation on foreign currency surrender:

- Surrender requirement is not economic, but rather an administrative and obligatory measure. Due to this, it can not be applied in the long run, especially given circumstance that we need to establish preconditions to make Vietnamese Dong a convertible currency.
- This regulation does not set an equal playing ground for all enterprises. Foreign invested companies which are not guaranteed by the Government to assist in foreign currencies balancing do not have to obey their obligation to sell currencies and have the right to buy currencies for current as well as

eligible transactions. Besides that, enterprises always take loss due to difference between buying and selling rates.

- The regulation makes enterprises and foreign investors feel fear that they possibly can not buy back needed foreign currencies amount after selling to banks.
- Enterprises do not have enough autonomy and authority in managing their foreign currency capital. They face many difficulties in doing other businesses.
- It is difficult either to distinguish between foreign currency sources that are obligatory to sell (the current ones) and other sources.

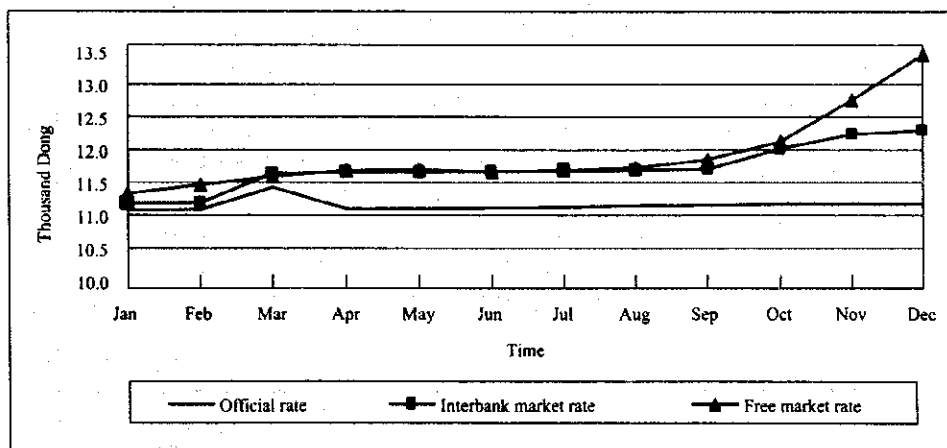
### 2.3 Effects of exchange rate management measures on foreign currencies market

- At first, the effects of exchange rate management on foreign currencies market from 1994 up to now can be found in exchange rate developments during these years. It is important to notice that *the official announced rate is closer to the reality and suitable with supply-demand relationship, thus enhances managing ability of the State determined rate and narrows the gap between foreign currencies interbank market and free market. The exchange rate is stable in both official and free markets.*

As mentioned in part 1.4 above, there were some limitations in the exchange rate management from 1994 to 1996. This official announced rate was not adjusted flexibly, although it was based on supply-demand situation in the market.

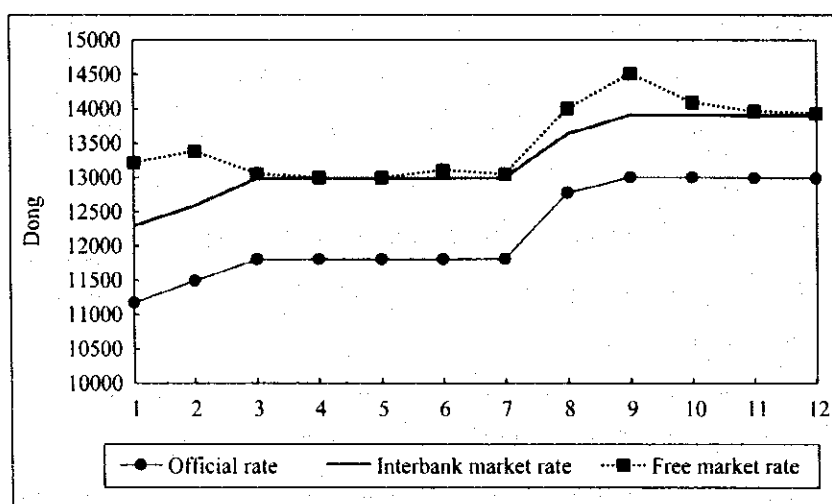
- + In 1997, the State Bank widened exchange rate band to +/-5%, then to +/-10%, and gradually increased the official rate from 11,055 VND/USD at the beginning of the year to 11,175 VND/USD at the end of the year. These actions of the State Bank had contributed to flexible adjustment of exchange rate in the market and reflected the true purchasing power of Vietnamese Dong. (Chart 1: Exchange rate VND/USD in 1997)

Chart 1 Exchange rate VND/USD in 1997



- + In 1998, after two adjustments of official rate, the band (the difference) between official and bank's rates, the exchange rate in interbank market always reached the highest permitted level. The official rate was up by 16%; the interbank rate was up by 13%, from average level of 12,293VND/USD in January to 13,895VND/USD in December. During the first two months of the year, there was big difference between rates in interbank and free markets. But the difference was narrowed in the following months and became insignificant in the last two months. The exchange rate shocks were overcome. At the end of 1998, the free market rate were around 13,000 VND/USD in comparison with that rate (for cash) on 13 August and in September 1998 of around 15,000VND/USD. (Chart 2: Exchange rate VND/USD in 1998)

Chart 2 Exchange rate VND/USD in 1998



- + Generally in 1999, the VND/USD exchange rate was rather stable. Comparing with the year of 1998, the interbank exchange rate increased by 1%, the free market rate increased by 1.1% (Chart 3: Exchange rate VND/USD in 1999).

Chart 3 Exchange rate VND/USD in 1999

