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VIETNAM ECONOMIC DATA

Assessment of Availability and Quality

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National Security and
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June 1, 1999

The Honorable Dana Rohrabacher
The Honorable Zoe Lofgren
House of Representatives

The recent financial crisis in East Asia and the overall importance of the region to the United States has highlighted the need for reliable and timely economic and trade data on individual countries in the region. In recent years, the United States has taken several steps to normalize relations with Vietnam and is currently negotiating a long-term trade agreement with its government. You asked us to examine economic data on Vietnam, which has been experiencing considerable economic growth and development as it transitions from a centrally planned to a more market-based economy. To respond to your requests, we examined the availability, transparency, and quality of published economic and trade data on Vietnam.

Results in Brief

Vietnam has released data on a number of key economic indicators such as the gross domestic product (GDP), imports and exports, foreign investments, and growth rates. However, it has not made available some other important data on the economy. For example, it does not publish the state budget and does not provide standard financial information used by the International Monetary Fund (IMF) for its monthly International Financial Statistics (IFS) publication. Virtually all countries in the world, including transitional economies and the poorest countries, publish their country pages in the IFS.

When data is available, it is highly aggregated and difficult to interpret because the data collection, analysis, and reporting methods used to produce it are not transparent or readily available to users. While the quality of the data has improved in recent years, published indicators such as GDP contain weaknesses because they do not include important components of the economy. For example, small businesses, the service sector, and remittances from overseas are underreported, while growth and foreign investment estimates may be overestimated. Without more accurate data, it is difficult to effectively evaluate economic conditions in Vietnam and identify economic and financial problems that may be occurring. Several international agencies, such as the IMF and the World

Bank, have recognized that data deficiencies exist and are currently providing technical and financial assistance to the Vietnamese government to help it improve the availability and quality of its data.

Background

Data on Vietnam's economy and trade originates primarily from the General Statistical Office (GSO), a Vietnamese government agency. Other agencies such as the Ministry of Industry and the State Bank of Vietnam also provide some data. The GSO publishes monthly and annual reports on the economy and population that include information on the labor force, GDP, foreign investment, industrial sectors, retail sales, prices, and inflation rates, among others.

The IMF, the World Bank, and the United Nations also publish economic and trade data on Vietnam, but as a standard practice they rely primarily on the government for much of the information. The IMF has a permanent representative in Vietnam who monitors economic conditions, and the Fund periodically sends missions to Vietnam to collect additional information and provide technical assistance. As it does with most other countries, the IMF summarizes Vietnam's economic and financial condition in periodic staff reports that are available to the public and generates confidential studies that examine specific topics such as banking.

For its part, the World Bank publishes the World Development Indicators (WDI) in collaboration with 26 other public and private agencies, including the IMF, the International Labour Organization, the United Nations, the World Trade Organization, Moody's Investors Service, Price Waterhouse, and Standard and Poor's Rating Services. The 1998 WDI includes a broad range of economic, population, and environmental data on 210 countries from 1960 to 1996. The United Nations publishes National Accounts Statistics on different countries, including Vietnam, each year. The United Nations Development Programme (UNDP) also issues a number of reports and evaluations of poverty and economic conditions in Vietnam. There are other publications with a narrower focus, such as the IMF's Direction of Trade Statistics Yearbook and the United Nations' Monthly Bulletin of Statistics.

U.S. agencies such as the Departments of Treasury, Commerce, and State and the Trade and Development Agency rely mainly on international agencies for data on Vietnam's economy. However, several U.S. federal agencies jointly publish an annual report on Vietnam, the Country Commercial Guide, written by an in-country expert. The Department of

Commerce also releases data on bilateral trade between the United States and its trading partners, including Vietnam. The United Nations publishes similar bilateral trade data reported by member states.

Several economic magazines and journals also provide economic and trade data on Vietnam. The Vietnam Business Journal, for example, publishes indicators of Vietnam's economy, foreign investment, imports, and exports, using the government and international agencies as its sources. The Economist Intelligence Unit Ltd., also issues quarterly reports on the Vietnamese economy and covers major economic and trade indicators. It pools data from various sources, including its own estimates.

Gaps in Availability of Data

Although the government does publish many key economic indicators, there are major gaps. For example, by law, Vietnam's state budget is classified as a secret document and therefore cannot be made available to the public. Under much pressure from international agencies and donors, in 1998 top government officials indicated they would release the budget, but as of March 1999, they had not yet done so. The government includes some estimates of the budget in its aggregate economic indicators, but it does not provide a breakdown of the data, making it difficult to determine specific allocations. In addition, although the GSO did publish aggregate budget figures in its 1994 Statistical Yearbook, it did not do so in 1996.

State-owned enterprises (SOE) are a key component of the budget and of the country's overall economy. The government has traditionally granted SOEs special advantages over other businesses through greater access to credit, control over markets, and other forms of indirect support. The IMF has reported that SOEs may account for as much as 40 percent of Vietnam's GDP. However, the government releases very little information about how much it spends to support SOEs and their true financial conditions. Some donors have raised concerns about the financial viability of SOEs in Vietnam and have warned that without reliable information, financial problems may develop undetected.

Furthermore, the IMF's monthly IFS reports do not contain a country page for Vietnam because the government has not released certain key indicators and other needed statistics. Country pages generally include data on exchange rates, money, banking, interest rates, production, prices, foreign reserves, international trade, balance of payments, and government and national accounts. Virtually all countries in the world publish their country pages in the IFS. According to IMF officials, the Vietnamese

government has not done so in part because for many years Vietnam used a national accounts system modeled after that of the former Soviet Union and different from international reporting standards (the 1993 System of National Accounts) advocated by the IMF, the United Nations, and the World Bank. Vietnam adopted these standards in the late 1980s but has not fully implemented the system and has not been willing to release some statistics.

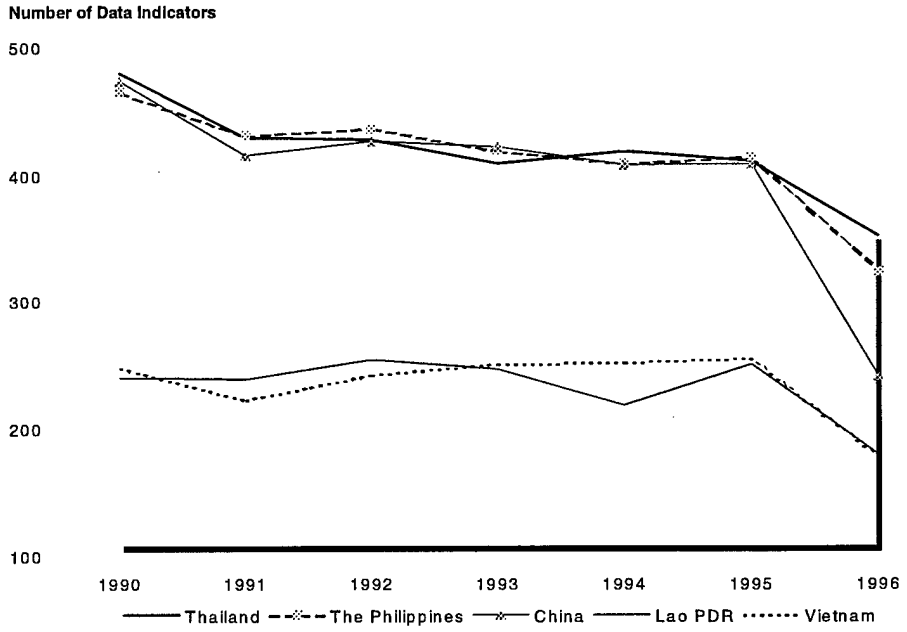
In 1998, the IMF said it was waiting for the government to approve publication of Vietnam's country page that the IMF had prepared. Neighboring Cambodia and Lao PDR, both of which have also transitioned from the Soviet accounting system, have published their country pages since April 1996. Rwanda and Ethiopia, which had the lowest per capita incomes in the world[1] (about a third of Vietnam's), have also been publishing their country pages.

The amount of information reported in the WDI provides another indication of a country's overall data availability. The WDI contains up to 526 series of data indicators for individual countries, covering economic and trade conditions as well as other demographic, environmental, and social indicators. Vietnam and Lao PDR, for example, provided data for only about 250 indicators between 1990 and 1995, while China, the Philippines, and Thailand provided over 400 indicators during the same period (fig. 1). In 1995, the median number of indicators available for the 63 countries that the WDI classified as "low income" was 322. Vietnam provided 256 indicators for that year. Only 10 of the other low-income countries provided fewer indicators than Vietnam.[2]

[1]Human Development Report, UNDP, 1997.

[2]Afghanistan, Bosnia-Herzegovina, Cambodia, Eritrea, Lao PDR, Liberia, Myanmar, Somalia, the Sudan, and Tajikstan.

Figure 1: Available Data in the World Bank's World Development Indicators, 1998.



Note: All four comparison countries are in the immediate vicinity of Vietnam. Thailand, the Philippines, and Vietnam are similar in population size. China, Lao PDR and Vietnam have changed from the Soviet to the System of National Accounts accounting system.

Transparency of Data Collection and Reporting Methods

If the accuracy and quality of published economic and trade data are to be properly assessed, the methods used by the sources of the data to collect, analyze, and present the data must be transparent. In other words, data transparency means that methods should be clearly defined and explained and made readily available to data users. Without such information, users cannot adequately determine the value and meaning of the published figures. For example, data can be very different depending on whether it is developed through expert opinion, sampling, or census. If an agency relies on other agencies for data, it is also important that it disclose the sources and methods it uses to review and revise the data.

In the case of Vietnam, information on data collection and reporting methods generally is either missing or unclear. The GSO does not publish the methods used to collect and process economic and financial figures and does not identify potential data limitations or gaps. International

agencies that re-publish the GSO's figures in their reports also do not disclose the methods they use to evaluate or revise the data. This process is consistent with how these agencies report data for other countries. Most tables we reviewed cited their sources as the GSO or another Vietnamese agency and "staff estimates." But the methods used to produce these staff estimates were not specified. We also found that even when staff estimates were cited, the published data often did not differ from the original GSO figure. However, the IMF recently reported estimates that differed from those published by the GSO.

The Country Commercial Guide primarily cited "unofficial estimates" as its sources, without reporting the data collection methods used, but its figures matched those we found in GSO publications.

Quality of Available Data

Although many of the published figures from the GSO, IMF, the World Bank, and the Asian Development Bank corresponded with each other, one should not interpret this to mean that they are valid or correct, but simply that they came from the same source—the Vietnamese government (see app. I).

According to international agency officials and other experts, the quality of available data on Vietnam has improved in recent years. They all agreed, however, that data on many key indicators such as GDP, growth rate, and foreign investments still contained several weaknesses. In a June 1998 assessment of economic conditions in Vietnam, the UNDP concluded that Vietnam "is in the midst of an *information crisis* which needs to be urgently redressed to avert financial crisis"[3] and advocated more reliable data on the banking and corporate sectors in particular. Most banks are partially or wholly state-owned, and information on their debt levels, loan portfolios, and investments is not available in sufficient detail or is of questionable reliability. Some international agency officials, for example, have raised concerns that these banks have made many large loans to SOEs whose assets are largely overstated. The IMF has indicated that the banking sector in Vietnam is in worse condition than what the official data shows. Moody's has also cited weaknesses with the banking system and "considerable uncertainty [arising] from the lack of transparency in the reporting of

[3] East Asia: From Miracle to Crisis, Lessons for Viet Nam, UNDP Viet Nam, 1998. Italics in the original.

official foreign exchange reserves" as key factors in giving Vietnam a low-credit rating.[4]

Vietnam does not effectively measure certain components of the economy in its calculations of GDP, which is a measure of the total output of a country's goods and services. For example, GDP figures do not accurately reflect the large informal economy, small businesses, telecommunications, or the service sector. Similarly, official trade estimates do not include illegal smuggling of consumer goods, which has been estimated to account for a significant portion of the economy, according to IMF and other international agency officials. A State Department official also noted that this reporting problem occurs in other developing countries.

Other indicators reported by the government, on the other hand, may be overestimated. For example, the government announced that the economy grew at a rate of 5.8 percent in 1998, but IMF officials made their own in-country assessment and estimated a growth rate of between 3 and 4 percent. The government also reported $1.9 billion in disbursements of foreign direct investments in 1998, but the IMF estimated only $600 million, and Moody's estimated $800 million. According to a State Department official, Vietnam counts the value of land it contributes to joint business ventures as part of a foreign direct investment. The IMF does not. This may account for part of the discrepancy between official and independent estimates. It also illustrates the importance of transparency in data collection and reporting methods.

There are also a number of unexplained differences between reports published by different international agencies and even between those published by the same agency. One example is the average employment (the average number of employees per enterprise) in the private sector, an important component of Vietnam's economy in terms of growth and development. According to the 1996 IMF staff report, average employment between 1992 and 1995 was between 7.4 and 5.1 employees. In another IMF staff report 16 months later, the average employment for the same period was reported as between 1.8 and 1.2 employees. It is not clear why a 1992 figure was revised in 1998, but agency officials noted that there are often long delays and frequent adjustments of prior data by Vietnamese government sources. The data series cited its sources as the GSO and staff estimates.

[4]Global Credit Research: Vietnam, Moody's Investors Service, 1999.

International agencies have various efforts underway to help Vietnam with its data collection and reporting. The Asian Development Bank is developing a project to assist Vietnam in preparing its state budget and calculating GDP. The IMF has also been helping Vietnam develop its IFS country page. This aid has included providing preliminary analytical tables necessary for completing the country page in accordance with IMF methodology. Other ongoing assistance is geared mainly toward the collection of social and demographic data. Further monitoring will be needed to determine whether these efforts are effective in improving the quality of data.

In the late 1990s, the IMF developed and issued two sets of standards for data production and dissemination by its member states. The key objectives of one set of standards (known as the General Data Dissemination System) are to improve data quality; provide a framework for evaluating needs and setting priorities for data improvement; and guide countries in the provision of comprehensive, timely, accessible, and reliable economic, financial, and sociodemographic statistics. A more detailed set of standards (the Special Data Dissemination Standard) focuses on specific elements of data quality. A number of countries in East Asia, including the Philippines and Thailand, have voluntarily subscribed to the Special Data Dissemination Standard, but Vietnam and none of the poorest developing countries receiving loans from the World Bank's International Development Agency have subscribed to this standard.

Agency Comments and Our Evaluation

We sent a draft of this report to the Departments of Treasury and State and to the Central Intelligence Agency (CIA). Treasury and the CIA indicated that they had no comments. The Department of State provided oral comments. Generally, State concurred with our overall findings and conclusions. It also provided some technical comments, which we incorporated where appropriate.

Scope and Methodology

To assess the availability, transparency, and quality of published economic and trade data on Vietnam, we met with officials from a number of U.S. and international agencies, including the Departments of Commerce, State, and the Treasury, the Trade and Development Agency, the CIA, the IMF, the World Bank, the United Nations Statistics Division, and the UNDP. We conducted a literature search and contacted researchers in the field. In

addition, we contacted the Embassy of Vietnam in Washington, D.C., and the U.S. Embassy in Hanoi.

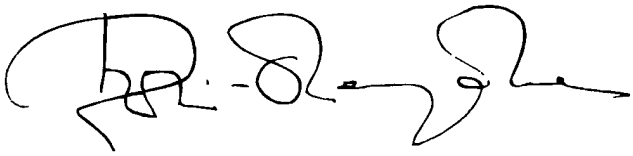
We requested information on the methods agencies use to evaluate data and on the strengths and limitations of the data. We also compared data from different sources and from different time periods, concentrating on 1992, 1994, and 1996. Although we did not conduct a systematic comparison of Vietnam's data with that of other countries, we did make some comparisons with readily available data in the WDI.

We did not travel to Vietnam, although we did meet with a Vietnamese embassy counselor in Washington, D.C. We limited the documentation for this report to nonclassified information. In addition, we did not address perspectives from the business community regarding the availability and quality of Vietnam's economic data.

We performed our review from March 1998 to March 1999 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Honorable Madeleine K. Albright, Secretary of State; the Honorable Robert E. Rubin, Secretary of Treasury; the Honorable William M. Daley, Secretary of Commerce; and appropriate congressional committees. Copies will also be made available to others upon request.

Please contact me at (202) 512-3092 if you or your staff have any questions or would like additional information. Major contributors to this report were John Oppenheim, Lê Xuân Hy, and Stan Kostyla.



Kwai-Cheung Chan
Director, Special Studies and Evaluations

Selected Economic Statistics on Vietnam

GDP, revenue, and expenditures in billions of Vietnamese dong Exports and imports in millions of dollars.

	General Statistical Office 1996[a]	General Statistical Office 1994[b]	International Monetary Fund 1998[c]	International Monetary Fund 1996[d]	International Monetary Fund 1997[e]	United Nations 1998[f]	World Bank 1998[g]	Asian Development Bank 1998[h]	Department Commerce of 1998[i]
1992									
GDP nominal (current)	110,535	110,535	110,535	110,535			110,535		
GDP real (constant)	33,991	33,991	33,987	33,991			33,991		
Government revenue [m]		21,023	21,000	21,023			[j]		
Government expenditure		23,711	25,800	25,121			[j]		
Total imports, c.i.f. [n]	2,540	2,541	2,817	2,817	3,027	2,541	2,946		
Total exports, f.o.b. [o]	2,581	2,581	2,475	2,475	2,918	2,581	[k]		
1994									
GDP nominal (current)	170,258	170,258	170,258	170,258			170,258	170,258	
GDP real (constant)	39,982	39,982	39,982	39,980			39,982	39,982	
Government revenue[m]			42,100	41,440			[j]	38,299	
Government expenditure			46,600	46,121			[j]	33,355	
Total imports, c.i.f. [n]	5,826		5,827	5,827	5,826	5,826	6,514	5,826	
Total exports, f.o.b. [o]	4,054		4,054	4,054	4,054	4,054	[k]	4,054	
1996									
GDP nominal (current)	258,609		258,609				258,609	258,609	
GDP real (constant)	47,888		47,888				47,888		
Government revenue[m]			60,900	62,000[p]			[j]	59,960	
Government expenditure			63,900	66,417[p]			[j]	45,800	

	General Statistical Office 1996[a]	General Statistical Office 1994[b]	International Monetary Fund 1998[c]	International Monetary Fund 1996[d]	International Monetary Fund 1997[e]	United Nations 1998[f]	World Bank 1998[g]	Asian Development Bank 1998[h]	Department Commerce of 1998[i]
Total imports, c.i.f. [n]	11,144[l]		11,644		13,668	11,144	12,870	11,144	11,000
Total exports, f.o.b. [o]	7,256[l]		7,337		6,933	7,256	[k]	7,255	7,000

[a]Statistical Yearbook 1996.

[b]Statistical Yearbook 1994.

[c]Staff country report 98/30, April 1998.

[d]Staff country report 96/145, December 1996.

[e]Direction of Trade Statistics 1997.

[f]Department of Economic and Social Affairs, Statistics Division, Monthly Bulletin of Statistics, July 1998.

[g]World Development Indicators 1998.

[h]From http://internotes.asiandevbank.org/notes/vie/VIEOTH.htm.

[i]1998 Country Commercial Guide, U.S. embassy, Hanoi.

[j]Reported as missing.

[k]Reported as c.i.f.

[l]Estimated.

[m]Including grants.

[n]c.i.f.: cost, insurance, freight, that is, at the importer's custom frontier

[o]f.o.b.: free on board, that is, at the exporter's customs frontier.

[p]Budgeted.

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