

THE PRIME MINISTER

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No. 958/QĐ-TTg

THE SOCIALIST REPUBLIC OF VIETNAM

Independence - Freedom - Happiness

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Hanoi, July 27, 2012

## DECISION

APPROVING THE PUBLIC DEBT AND NATIONAL FOREIGN DEBT STRATEGY IN THE PERIOD  
2011 – 2020 AND THE ORIENTATION TOWARDS 2030

### THE PRIME MINISTER

*Pursuant to the Law on Government organization on December 25, 2011;*

*Pursuant to the Law on Public debt management on June 17, 2009;*

*Pursuant to the Government's Decree No. 79/2010/NĐ-CP on July 14, 2010 on public debt management on June 17, 2009;*

*Pursuant to the Government's Decree No. 118/2008/NĐ-CP of November 27, 2008 on defining the functions, tasks, powers and organizational structure of the Ministry of Finance;*

*At the proposal of the Minister of Finance,*

### DECIDES:

**Article 1.** Approving the public debt and national foreign debt strategy in the period 2011 – 2020 and the orientation towards 2030 as follows:

#### I. VIEWPOINTS, TARGETS AND SPECIFIC NORMS

##### 1. Viewpoints

The development and implementation of the public debt and national foreign debt strategy in the period 2011 – 2030 and the orientation towards 2030 are attached to the following primary viewpoints:

- a) While the capital demand for socio-economic development is increasing that the internal resources is not yet able to satisfy, the capital raised from domestic and foreign loans are necessary and plays an major role.
- b) The loans and repayments must be kept within the safety limit of public debts, government debts, national foreign debts and must assure national financial security.
- c) Actively innovating public debt management tools, diversifying the loans with reasonable costs, shifting the loan structure towards increasing domestic loans, decreasing foreign loans and limiting Government guarantees
- d) The Government shall uniformly manage the mobilization, distribution and use of loans, the repayment of debts, the public debt and national foreign debt management efficiently and safely.

##### 2. Targets

Organizing capital mobilization with appropriate costs and level of risk, satisfying the requirements for balancing State budget and investment in socio-economic development in each period; the distribution and use of loaned capital must be proper and efficient that ensure the solvency; keeping the indices of public debts, government debts, national foreign debts within the safety limit; ensuring the national financial security in accordance with Vietnam's conditions and international practice.

##### 3. Specific norms

a) Mobilizing capital to satisfy the expenditure demand of the State budget and invest in the programs and projects of building infrastructure, traffic, health, education and key programs under the National Assembly's Resolution in each period.

- Taking out loans to offset the State budget deficit towards gradually reducing the State budget deficit to under 4.5% of GDP by 2015 (including Government bonds), 4% of GDP over the period 2016 – 2020, and 3% of GDP after 2020.

- Issuing Government bonds to implement the programs for investment in constructions of traffic, irrigation, health and education for the purpose of fundamentally satisfying the bond capital in the period 2011 – 2015 being totally 225,000 billion VND, averagely 45,000 billion VND/year; issuing at least 500,000 billion in the period 2016 - 2020, 350,000 billion VND thereof is invested in development and the rest is used for refinancing.

- Mobilizing 550,000 billion VND of loaned capital, averagely 55,000 billion VND for supporting the execution of the projects of synchronous infrastructural system serving the national industrialization and modernization 2011 – 2012.

- Fulfilling the objectives of investment credit, export credit and State policy credit in a selective manner.

- Municipal loans and repayment for investing in socio-economic development belonging to local budget expenditure must be kept within the line of annual loan as prescribed by the Law on State budget and the Law on Public debt management.

- Assisting enterprises in approaching foreign capital by re-lending programs, and providing Government guarantees for some important programs and projects prioritized by the Government in a reasonable way within the safety limit of public debts approved by the National Assembly.

- The foreign loans taken by enterprises and credit institutions must be kept within the limit of annual national foreign loan decided by the Prime Minister.

b) The list of debts, loan conditions and loan purposes must be adjusted towards increasing domestic debts and gradually reducing the dependence on national foreign debts, improving the efficiency and ensuring the solvency with reasonable costs and level of risks.

- The foreign debt balance of the Government in the total debt balance of the Government may reduce to under 50%, ensuring the minimum ODA debt balance reaching 60% of the total debt balance of the Government in 2020.

- Minimizing the risk of capital redistribution, liquidation, exchange rates, and currency. Formulating a mechanism for expediting the development of the Government bond market and striving to extend the loan term by issuing Government bonds domestically to 4 – 6 years in the period 2011 – 2015, and to 6 - 8 years in the period 2016 - 2020.

- Fulfilling the debt liability, avoiding overdue debt that affecting the Government's international commitments.

c) Keeping the indices of public debts, government debts and national foreign debts within the safety limit approved by the National Assembly in each period and in conformity with international practice.

- Public debts (including Government debts, debts guaranteed by the Government and municipal debts) may not exceeding 65% of GDP by 2020, the Government debt balance thereof may not exceed 55% of GDP and national foreign debt may not exceed 50% GDP.

- The Government's direct debt liability (excluding re-lending) in the annual total State budget revenue may not exceed 25%, and the annual national foreign debt liability may not exceed 25% of the total value of exported goods and services.

- The ratio of State reserves if foreign currency to annual short-term foreign debt balance must be sustained at over 200%.

d) Keeping on completing the framework, the structure and policies on the management of public debts, government debts and national foreign debts, ensuring the synchrony, stability and

compatibility with the requirements for innovation, facilitating the development of domestic capital market and improve the access to international capital market.

dd) Keeping on innovating the organization, establishing debt management agencies towards modernization, professionalism and in conformity international practice

4. Gradually reducing public debts. The public debt may not exceed 60% by 2030, the Government debt thereof may not exceed 50% of GDP and national foreign debt may not exceed 45% of GDP.

## **II. ORIENTATION OF LOANED CAPITAL MOBILIZATION AND USE**

1. The loaned capital mobilization on the principle that domestic capital is pivotal, foreign capital is important. Maximizing the capital mobilized from ODA, reasonably mobilizing capital from foreign preferential loans, and cautiously mobilizing capital from foreign commercial loans. Assuring the debt safety and national financial security.

2. The Government's mobilization and use of ODA and foreign preferential loans for supporting the socio-economic development plans under the Prime Minister's Decision No. 106/QĐ-TTg on January 19, 2012, approving the orientation project of attracting, managing and using capital from ODA and other preferential loan in the period 2011 – 2015.

3. The Government bonds issued in the domestic capital market are used for offsetting the annual State budget deficit, and for investing in the traffic, irrigation, health, and education constructions under the National Assembly's Resolution. Reviewing and sufficiently distributing capital to the projects approved by the National Assembly in order to meet the schedule and bring into use. The new projects using capital from Government bonds must be kept within the total volume issued and concentrated on crucial and urgent projects. The Government shall submit the list of projects and total investment of each project to the National Assembly for approval.

4. The Government's foreign commercial loans are taken on the basis of re-lending to efficient and solvent investment projects. Avoiding using such loans for balancing the State budget.

5. Granting Government guarantees to enterprises taking loans at home and overseas within the limit of annual guarantee quota of the Government for investing in key projects, key programs, programs of investment credit, export credit and State policy credit, and other crucial projects and programs under the Prime Minister's decisions.

6. Mobilizing and using the municipal loaned capital by issuing bonds, taking re-lending loans from the Government's foreign loans, and from other lawful financial sources for the purpose of investing in socio-economic infrastructural projects belonging to the municipal expenditure in accordance with the Law on State budget. The local budget must sufficiently and punctually fulfill the debt liability.

7. The loan taken and repaid by credit institutions and enterprises must be kept within the limit of annual foreign loan approved by competent authorities.. The enterprises shall independently taking, repaying loans and bear responsibilities for such loan, except for cases guaranteed by the Government.

8. The credit institutions and enterprises responsible for using the loaned capital properly, must not use short-term capital for investing in mid-term and long-term projects, must accept all risks and responsibilities before law during the mobilization and use of loaned capital, and must pay off such debts punctually.

## **III. SOLUTIONS FOR IMPLEMENTING THE STRATEGY**

1. Completing the debt management policies and tools

The completion of debt management policies and tools shall be done in two stages: 2011 – 2015 and 2016 – 2020, in particular:

a) 2011 – 2015:

- Keeping on reviewing and solving the problems. Sufficiently establishing and synchronizing the policies on public debt and national foreign debt management. Concentrating on the amendment and supplement the regulations on the management and use of ODA, the criteria for public debt by origin,

the mechanism for the managing loans and repaying foreign debt of credit institutions and enterprises on the principle of independently taking and repaying loans, taking and repaying loans from local governments, mobilizing and using preferential loans, taking foreign commercial loans; the mechanism for risk management and national credit ratings in order to create an efficient legal environment for debt management in conformity with international practice.

- Establishing the policies on PPP (Public-Private Partnership), BOT (Build-Operate-Transfer), BTO (Build-Transfer-Operate), BT (Build-Transfer)... in order to socialized the capital sources mobilized for infrastructural development. Utilizing such sources to gradually replace the ODA that is decreasing and relieve the burden of investment on the State budget.

- Developing and efficiently using the debt tools (strategies, mid-term programs, annual elaborate plans, debt supervision norm system) as the basis for mobilizing and using loaned capital for socio-economic development in each period.

- Building the mechanism for registration of debts in the public sector, including debts of State-owned corporation, within the safety limit of indices of public debts approved by the National Assembly. Publicizing the loan limits to help units actively carry out projects using loaned capital.

- Innovating and improving the quality of the plans for mobilizing and using loans, avoiding duplication and waste for the purpose of increasing the efficiency of loaned capital.

- Amending and supplementing the system of norms and technical standards congruently with practical conditions of Vietnam and international practice.

b) 2016 – 2020:

Reviewing and summarizing the implementation of the Law on Public debt management for the purpose of forming the basis for amending and supplementing the Law on Public debt management. Amending and supplementing the legal documents guiding the implementation of the Law on Public debt management as well as other relevant provisions in order to loosen the capital transaction for the purpose of following the integration trend, expanding the financial and commercial relationship in the world on the basis of establishing a tight management system that controls the foreign capital flows, detects the potential risks and takes appropriate preventive measures, avoiding public debt and national foreign debt crisis.

2. Keeping on increasing the efficiency of loaned capital mobilization and use.

- Utilizing capital sources from ODA, actively and reasonably mobilizing preferential loans, keeping on harmonizing the procedures, avoiding the Government's foreign commercial loans and Government guarantee granted to enterprises.

- Developing the public investment on the basis on reviewing the national target programs and key projects in order to form the basis for the capital mobilization and distribution, including the capital allocation from the State budget, re-lending programs, and guarantees of crucial programs and projects.

- The loans taken out for the purpose of balancing the State budget must be tightly controlled, ensuring the estimated deficit in the strategy and converting the State budget deficit in conformity with international practice.

- Improving the efficiency of loan negotiations in order to avoid the dependence on the sponsors, especially in the contracts for the construction, installation and procurement of equipment and technology from foreign loaned capital. Reducing costs and improving investment efficiency.

- The authorities in charge, and project owners must properly carry out the projects in each stage: Selection, dossier compilation and project approval. Accurately calculating from every aspect related to the quality and capital use efficiency of the project, the solvency and sustainability of the project.

3. Intensifying the supervision, risk management. Ensuring the debt security and national financial security.

- Controlling the loans using debt tools: strategies, mid-term programs, plans, and the limits on the basis of debt safety norms.
- Enhancing the inspection and supervision of capital use to ensure the solvency. Strictly supervising the mobilization, distribution, use and repayment of public debts and foreign debts of enterprises to avoid risks, ensure debt security and national financial security.
- Repaying debts completely and punctually without overdue debts that affect international commitments. Actively and flexibly using the financial tools to minimize the risks to the list of public debts.
- Setting up the system of debt database, forecasting, analyzing and giving warning about the levels of risks to the list of public debts and national foreign debts. Actively recommending solutions for potential risks to the list of debts.
- Enhancing the inspection over the law observance of units that use the loaned capital for ensuring the investment efficiency.

#### 4. Developing the Government bond market.

- Completing the bond market structure, concentrating on the innovation of issuance method, the provisions on the market participants, the mechanism for bidding, interest rate management and market restructuring by buy back premature bonds , swapping bonds, derivative tools
- Developing domestic capital market to improve the mobilization of VND, especially developing the facilities of investors, diversifying terms and improve the liquidation so that the Prime Minister may become the standard interest rate curve for debt tools.
- Developing the facilities of investors, establishing the system of primary transactors to encourage bond transaction on the market, combining the issuance market and transaction market.
- Step by step completing the transaction compatible with the market mechanism towards discarding the ceiling interest rate determination methods in order to form the standard interest rate curve of Government bonds.

#### 5. Intensifying the management of debts of State-owned corporations.

- Reviewing and completing the structure, mechanism, policies and models of State management and the owner's management over State-owned enterprises. Separating the administrative management from the representation of the State ownership at the enterprise. Ensuring the efficiency of the ownership representation of State-owned enterprises.
- Increasing the productivity and competitiveness of enterprises. Creating an equitable environment for enterprises in every economic sector. Ensuring the equal opportunities and access to resources, especially land, investment credit capital and legal information about enterprises.
- Intensifying the rearrangement, equitization, improving the capability, efficiency, independence and responsibilities of State-owned economic corporations and enterprises.
- Enhancing the inspection and supervision over the loan application, loan use and loan repayment of State-owned enterprises without being dissolved or bankrupt due to insolvency. Resolutely dissolving the State-owned enterprises doing unprofitable and inefficient business that cause loss to State's capital.
- Restricting the loans taken by such corporations under 3 times of the equity capital. The State-owned corporations shall only invest in major business lines and supporting business lines directly related to the major one; must not invest in securities, banking, insurance, real estate (except major business), and recoup the capital invested in such business by 2015 at the latest.
- Taking appropriate measures to make the enterprise of which the ratios of debt payable to the equity capital have exceed the safety limit reduce such ratios to the acceptable levels for the purpose of ensuring the national financial security.

6. Ensuring the budget for developing and implementing the debt strategy. The budget for developing and implementing the project of public debt and national foreign debt strategy is approximately 240 billion VND concentrating on primary activities such as developing, disseminating, training, guiding and organizing the implementation of the debt strategy project.

7. The debt information must be disclosed via reports and assessment of the mobilization, distribution and use of loaned capital, and the repayment of public debts and national foreign debts regularly or irregularly in accordance with the Law on Public debt management and international practice.

8. Completing the organization and reforming the administrative procedures. Modernizing and improving the efficiency of debt management agencies.

- The Government shall unify the public debt and national foreign debt management on the basis of delegating powers and responsibilities to agencies depending on their assigned duties; unify the supervisions over the debts on the basis of the cooperation among the Governmental agencies.

- Establishing developed, independent, professional debt management organizations management in conformity with international practice for the purpose of unifying the State management over public debts as prescribed by the Law on Public debt management.

- Sufficiently providing equipment and technology, improving the efficiency of the information system, modernizing the process of collecting, synthesizing and analyzing the debt structure that satisfy the requirements for debt management, capital market development and international economic integration.

- Reforming the administrative procedures, harmonizing the procedures for investing, building and distributing capital from the State budget and from re-lending program that ensure tight supervision.

#### **IV. SPECIFIC IMPLEMENTATION PROJECTS**

The public debt and national foreign debt strategy 2011 – 2020 and the orientation towards 2030 is implemented in two 5-year stages: 2011 – 2015 and 2016 – 2020, and actualizing the following detailed projects.

1. The target and orientation of mobilizing and using loaned capital, debt management and safety norms of debts in each 5-year stage: 2011 – 2015 and 2016 – 2020.

2. The mid-term debt management program for 3 consecutive years 2013 - 2015.

3. Developing the domestic capital market, including the Government bond market, to improve the ability to mobilize capital for the State budget and for development investment.

4. Enhancing the management of risks to the list of public debts for the purpose of reducing the public debt liability and contributing to the implementation of debt safety norm.

5. Managing the grant of Government guarantees, including the prioritized programs and projects for granting Government guarantees in each period and the supervision mechanism.

6. The mobilization, use, repayment and management of municipal debt in accordance with the provisions on the State budget management.

7. Improving the efficiency of mobilization, use and repayment on the Government's foreign commercial loans.

8. Mobilizing and using capital from ODA, foreign preferential loans of the Government from the sponsors 2011 – 2015.

9. Developing public investment programs, including national target programs.

10. Consolidating the financial institutions providing investment credit, export credit and policy credit of the State (Vietnam Development Bank, Vietnam Bank For Social Policies).

11. Raising the national credit rating for the purpose of improving the ability to mobilize capital from international financial market.

12. Completing the organizational structure of debt management agencies, improving the training quality and capability of debt management officers.

13. Keeping on completing the database system and disclosing information about the public debts and national foreign debts.

14. Studying the methods of public debt management from some countries in the world as the experience for Vietnam.

## **Article 2. Organizing the implementation**

1. The Ministry of Finance have responsibility to:

a) Be in charge and cooperate with Ministries, ministerial-level agencies, Governmental agencies, People's Committees of central-affiliated cities and provinces in the implementation of the debt strategy; approve and guide the plans for the implementation of the debt strategy in each period.

b) Mobilize, distribute, use and loaned capital and repay debts of the Government; manage the grant of Government guarantees; guide and monitor the loan application and repayment of local governments.

c) Be in charge and cooperate with relevant agencies in macroscopically supervising the public debts and national foreign debts; cooperate with relevant agencies in carrying out regular or irregular inspection of the mobilization, distribution, use of loaned capital and repayment of public debts and national foreign debts.

d) Be in charge and cooperate with relevant agencies in making and submitting recommendations to the Prime Minister on the amendment of the target and contents of the debt strategy if necessary.

2. The Ministry of Planning and Investment shall be in charge of studying and developing the projects of mobilizing and using capital from ODA, foreign preferential loans; developing public investment programs, including national target programs; controlling the loan application and repayment of foreign-capitalized enterprises; supervising and assessing the conditions and efficiency of capital from ODA under the Government's provisions.

3. The State bank of Vietnam shall be in charge and cooperate with relevant agencies in performing the State management, developing, managing and certifying the foreign commercial loan limit applicable to credit institutions and enterprises under the method of independently taking and repaying loans.

4. Ministries, ministerial-level agencies, Governmental agencies shall perform their State management over public debts as prescribed by the Law on Public debt management; supervise, inspect, report and provide information about the mobilization and use of loaned capital for the units under their management.

5. The State audit, independent audit agencies, inspectorates shall perform their tasks in the loaned capital mobilization and use for the purpose of ensuring the loans are properly used and the solvency is guaranteed; raising the transparency during the mobilization, distribution and use of loaned capital.

6. People's Committees of central-affiliated cities and provinces are responsible for managing municipal debts, making annual plans on taking and repaying loans, compiling the investment portfolio planned to use provincial loaned capital as prescribed in the Law on Public debt management; accurately, sufficiently and promptly providing information and figures to the Ministry of Finance and relevant inspection and supervision agencies on the loaned capital mobilization and use, and debt repayment of local governments.

7. The re-lending agencies authorized by the Ministry of Finance are responsible for managing and assessing the efficiency of loaned capital, recovering the loans and paying off the debts; making reports, providing information and cooperating with the Ministry of Finance in inspecting and supervising the adherence to the regulations on managing, using loaned capital and repaying re-lended loans applicable to authorized subjects.

8. The project owners, credit institutions and enterprises must properly and efficiently use loaned capital and fully fulfill the liability in the loan or guarantee agreements.

9. The enterprise independently applying and repaying loans or granted Government guarantees must select the best loans congruent with the selected investment project. The foreign loans independently taken and repair by enterprises must be supervised by State management agencies.

**Article 3.** This Decision takes effect on the date of its signing.

**Article 4.** Ministers, Heads of ministerial-level agencies, Heads of Governmental agencies, the Presidents of People's Committees of central-affiliated cities and provinces are responsible for the implementation of this Decision./.

**THE PRIME MINISTER**

**Nguyen Tan Dung**