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**SNA and use of national accounts
data for development planning and
policy making in Viet Nam**

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SNA and use of national accounts data for development planning and policy making in Viet Nam

After reform 20 years, Viet Nam has gained initial remarkable and important achievements in socio – economic development in profile of the country in international arena. This fact can be demonstrated by a high and sustainable growth rate (between 7.5% and 8.5% per year), the encouraging results in poverty reduction, improvement in people's life, having become the WTO 150th member and selected as the non – standing member of the UN security council in 2007, etc.

Socio – economic development objectives in coming years are as follows:

- + Develop economy quickly, unshakably and steadily;
- + Increase people's living standard;
- + Quickly shift structure of economy and labor force towards industrialization and modernization.
- + Enhance effectiveness and competitiveness of economy and encourage external cooperation in many fields.

All above aims are considered and assessed in long term, medium and short term plan through macroeconomic indicators, system of national accounts. Integrated economic indicators of SNA are really significant and important base for development planning and policy making by managers and policy makers as well as foreign investors and international organizations in Viet Nam.

The following contents are the actuality of national accounts and use of national accounts data for development planning and policy making in Viet Nam:

I. Summary of the actuality of national accounts data of Viet Nam

With assistance of UNDP from 1993, General Statistics Office (GSO) of Viet Nam has officially applied SNA in the whole country and calculated some integrated economic indicators of SNA for provinces and cities directly under control of authority instead of using the material products system (MPS) and in recent years Asian Development Bank (ADB) has

sponsored the technical assistance project. Since then up to now, GSO has applied 1993 SNA at all levels of calculating integrated economic indicators and compiling main accounts. The results on application of 1993 SNA in Viet Nam are as follows:

a. The results of calculating integrated economic indicators in accordance with 1993 SNA

1. Gross output at current and constant prices by sector and kinds of economic activity (from 1990 to 2007).
2. GDP at current and constant prices by types of ownership, main sectors and kinds of economic activity (from 1986 to 1990 and from 1990 to 2007).
3. Structure and growth rate of GDP by types of ownership, main sectors and kinds of economic activity (from 1986 to 2007).
4. Quarterly GDP estimated regularly, at current and constant prices by production method, divided into three major sectors and 20 kinds of economic activity (from 1999 to 2007 with the data series of 37 quarters).
5. Gross national income (GNI), national income, national disposable income (NDI) and saving (from 1989 to 2007).
6. Final consumption, final consumption of household and general government by expenditure purposes at current and constant prices, structure and index of final consumption (from 1986 to 2007).
7. Gross capital formation (gross fixed capital formation and inventories) by types at current and constant prices, structure and index of gross capital formation and inventories (from 1990 to 2007).
8. Exports and imports by kinds of goods and services.
9. Balance of payment, current account as % of GDP / GNI.
10. Revenue and expenditure of state budget.
11. Fiscal deficit or surplus and expenditure plan of ministries, central agencies and provinces / cities (from 1990 to 2007).

12. Trade balance as % of GDP (from 1995 to 2007).
13. Foreign direct investment by country and main trade counterparts (from 1995 to 2007).
14. Implemented construction investment by types of ownership (from 1990 to 2007).
15. Production price and consumer price index.
16. Number and rate of labor force participation by sectors (from 1995 to 2007).
17. The employed in classification by industry and level (from 1995 to 2007).

b. The results of national accounts compilation in accordance with 1993 SNA

1. Production account (from 1995 to 2007).
2. Generation of income account (from 1995 to 2007).
3. Allocation of primary income account (from 1995 to 2007).
4. Secondary distribution of income account (from 1995 to 2007).
5. Income and outlay account by institutional sectors (from 1990 to 2006).
6. Use of disposable income account (from 1995 to 2007).
7. Capital account (from 1995 to 2007).
8. Goods and services account (from 1990 to 2007).
9. Balance of payment (from 1993 to 2007).
10. Input – output table (product by product) with the dimension of 97 products in 1995, 115 products in 2000, 135 products in 2007 under compilation process.

c. Estimation of GDP by provinces, cities, regions

On the base of characters of socio – economic management, provinces and cities directly under central authority of Viet Nam are considered as:

- * One level of macroeconomic management.
- * The role and responsibility of local government and leading instruments of provinces and cities deal with:
 1. Establishment of economic development plans;
 2. Revenue and expenditure plan of local government budget;
 3. Protection and management of natural resources, environment, social problems;
 4. Continuously improve living standard;
 5. Carry out social equalization and stable economic development in the area of provinces and cities of the country .etc ...

Consequently, estimation of GDP and some integrated economic indicators of SNA by province and city is necessary and crucial work of GSO. From 1994, 64 statistics offices of provinces and cities in Viet Nam have estimated GRDP at current and constant prices by kinds of economic activity and ownership (from 1990 to 2007).

II. Taking the national accounts data in development planning and policy making

The national accounts data has been used frequently in preparing socio – economic development plans, in formulating policies, in evaluating and monitoring the plan implementation process, in developing the important reports for Government, Party and National bodies to operate and direct the national economy.

a. Taking the national accounts data in directing, operating, evaluating and monitoring the Plan Implementation process

The national accounts data has been used in preparing the monthly, quarterly and 6 - month reports to the Government for its direction and operation. Based on the data within the quarter and accumulated to the quarter, the Government could evaluate comprehensively the socio – economic situation; examine performance of the plan's targets, then propose orientation and measures to realize the plan in the following months.

If there are some disadvantageous elements and unusual changing, for instance: the CPI has increased dramatically or the economic growth rate is

lower in comparison with that of the same period last year, the Government will make the guidance and direction decision, propose the mechanisms, policies, and measures or may consider adjusting the plan's targets.

b. Taking national accounts data in developing the annual and 5 – year socio – economic development plans.

1. The development of annual plan

1.1. The development of a guidance framework for the annual plan:

The development of a guidance framework for the annual plan is to orient the line-ministries, industries and provinces in evaluating, forecasting the implementation progression of current Plan and developing a plan for the next year. This period usually starts from April or May every year.

The determination of general economic targets in the development period of guidance framework bases mainly on initial data collected up to the present and forecasted data for the whole year, the judgement on the context and macro-economic policies, and starts from growth rate of GDP, Gross capital formation, Exports and Imports, Balance of payment, Revenue and expenditure of state budget, the consumption - capital formation balance and the use ... Deriving from the consumption demand and policy in the planned year, total consumption is calculated by forecasting per capital consumption and population in the next year. Based on proportion between capital formation and consumption, between the total of capital formation and consumption and total of the use, inputs/output table... the experts will forecast the total use of whole economy, GDP, exports and imports, the growth rate of the main industries and products....

In general, the period of developing the guidance framework is the time when the experts start from the demand of economy. In this period, there may be the initial forecast on the development possibility of industries, areas. From the demand and possibilities, the experts will propose the development options that are harmonious between demand and capacity of the economy.

1.2. Synthesis of annual plan:

The period for synthesizing annual plan usually starts from September – October every year. This is the time to start from the capacity of the economy. The methodology of calculating macroeconomic indicators is basically unified between operated year and planned year.

The data source to calculate general economic targets in the planned period includes:

- Data in the operated years; the proportions in operated years such as rate of intermediate consumption over gross output in industries, proportion of capital formation and consumption etc.

- Development plans for industries, areas, particularly targets of outputs for agricultural, forestry, aquaculture, industrial fields, turnover of service in the planned year etc.

- Mechanism and policies which will come into effect in the planned year such as that on consumption, investment, export, import, financial and monetary operation etc.

2. The development of 5-year socio- economic development plan

The development of 5-year plan is also conducted through 2 periods: period of developing a guidance framework for plan (in the third or fourth year of the present 5-year plan) and period of synthesizing the plan (in the fifth year of the present 5-year plan).

The development of 5-year plan often uses almost all national accounts data to calculate indicators for operated year, forecast and determine targets for coming 5-year plan.

In addition, national accounts data has been frequently for scientific studies, in-depth reports and formulating macroeconomic policies etc.

In general, national accounts data provided by General Statistics Office has paid important role in operating the economy, developing, monitoring and evaluating implementation of Vietnam's socio- economic development plans and formulating policies.

III. Several existing problems

Beside achieved results, some existing problems are summarized as follows:

1. Information suppliers and users' awareness of national accounts statistics and other integrated economic statistics is still constrained. Obedience to law and regulations on data provision is not in a strict way.

2. Information sources don't meet demand for compiling national accounts, especially for calculation of quarterly integrated economic indicators and national accounts by institutional sectors.

3. Statistical analysis and macroeconomic forecast is very weak, not meeting demand of policy makers, government agencies and other users.

4. Coordination between GSO and ministries, agencies, other users in term of data collection and provision as well as information exchange and sharing among related agencies are not in a strict way.

5. Up to now, GSO has implemented only a part of 1993 SNA, that shows limitation and existing problems of national statistics in Viet Nam.

6. Time to publish, report national accounts data sometimes does not coincide with time to report socio-economic development situation or plan implementation to the Government, National Assembly and Party's other agencies, State bodies, hence effectiveness of the data declines. The official report of statistical data for the previous year (Statistic Year Book) is normally issued in the middle of the current year, while state agencies and researchers demand using official statistical data earlier.

IV. Some orientations for coordination and development of national accounts in Viet Nam to 2010

In the coming time, there should be measures to deal with above-mentioned difficulties and shortcomings in order to enhance quality and quantity of national accounts data, to help effectively the economy direction and operation, plan development and policies formulation in Vietnam. To realize this, beside the General Statistics Office and the Government of Vietnam, Viet Nam hopes to continuously receive international organizations and donors' support in socio-economic development in general and statistics in particularly.

a. Objectives of orientations for coordination and development of SNA in Viet Nam

1. Strengthening and improving national accounts statistics in Viet Nam in order to increase quality of SNA data, to meet timely and comprehensibly demand of government, policy making agencies and other users in all levels and to raise national accounts statistics of Viet Nam to development level of countries in area and to become consistent with 1993 SNA revision.

2. Developing relation between information users (such as governmental agencies, ministries and international organizations and other users) and information producers (GSO and provincial statistics offices) in order to increase effectiveness of statistical information use.

b. Action plan for coordination and development of SNA

1. Improving legal framework

- Enact regulation of information provision to GSO from ministries, agencies and institutions.

- Promulgate mechanism of working assignment and cooperation between Ministry of Plan and Investment, Ministry of Finance, State Bank of Viet Nam, other agencies and GSO; between SNA department and other statistical departments within GSO and provincial statistics offices.

2. Widening the range of 1993 SNA application

- Checking thoroughly the remaining activities and sectors not covered by SNA.

- Consolidating and improving quality of current indicators and accounts estimated at both central and local level quarterly and annually such as gross output, intermediate consumption, GDP, final consumption, gross capital formation, exports and imports of goods and services, state budget, banking, .etc ...

- Extending the range of other key integrated economic indicators and compiling essential accounts of 1993 SNA.
 - + Such indicators like gross national income (GNI), national disposable income (NDI), saving (S) by institutional sectors.
 - + Compiling national accounts by institutional sectors, such as production account, generation of income account, allocation of primary income account, secondary distribution of income account, use of income use, capital account, external transaction account.
 - + Compiling annually SUT, IO table, several satellite accounts such as health account, non – profit institutional sector account.

c. Extending the area and scope of information collection

1. Setting up and re-organize the information sources, restructure subject matter statistics to meet compilation requirement of SNA better.

2. Collecting information on non – observed economy and the lacking information of service sector.

3. Implementing some special surveys for SNA in fields of estimating quarterly GDP by final expenditure approach, building major coefficients on intermediate consumption and GVA of base year for compiling SNA, conducting surveys on non – observed economy.

4. Conducting surveys for IO table and SUT in 2008.

V. Some proposals for sustainable development and use of SNA

United Nations (UN), International Monetary Fund (IMF), World Bank (WB), Committee of European Community (CEC), Organization of Economic Cooperation and Development (OECD) and other international organizations need to have programmes to continue technical assistance for implementation of the updated SNA, particularly to developing countries. Technical assistance activities need to focus on the following issues:

1. Organization of meetings, workshops, training seminars, training courses on the updated SNA, other fields of economic statistics and experience exchange on SNA implementation and use between countries in the same area.

2. Technical assistance for developing countries to increase quality of SNA data, to widen the range of the updated SNA application, to develop relation between information users and producers, to improve the capacity of statistics analysis and economic forecasting.

3. There is need for research and methodological guide on compilation of regional accounts such as GDP, income and some key indicators.

4. Need to have strategies to support countries in the strengthening of the statistical infrastructure, basic data collection, statistics reporting and economic analysis as well as the timely dissemination of quality statistics.