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FISCAL POLICIES FOR SOCIO-ECONOMIC RECOVERY AND DEVELOPMENT IN VIETNAM

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In recent times, the global economy has faced numerous challenges and difficulties. The pandemic is still ongoing in many regions, inflation has been increasing, and prolonged geo-political tensions have disrupted global supply chains. These external factors have posed significant difficulties for the Vietnamese economy. In the face of the dual risks of inflation and recession, Vietnam has chosen to implement flexible fiscal measures not only to promote socio-economic recovery and development but also to stabilize the macroeconomic situation. To introduce Vietnam's fiscal policies, this presentation consists of three main points: (1) an overview of Vietnam's fiscal policies implemented recently for socio-economic recovery and development; (2) the achieved results; and (3) the direction of fiscal policies in the future.

Firstly, an overview of fiscal policy implementation in Vietnam

During 2020-2021, when the global economy was in recession due to the Covid-19 pandemic, Vietnam implemented various fiscal measures that support people and businesses in overcoming difficultiesincluding tax and fee exemptions and the extension of tax payment deadlines. Additionally, the state budget provided supports for healthcare facilities, medical equipment procurement, and various entities involved in pandemic prevention, and Vietnamese people, workers, and employers facing difficulties due to the Covid-19 pandemic. The reason why Vietnam can effectively implement the aforementioned fiscal measures is because we have a favorable fiscal space thanks to the state financial-budgetary reforms in the period of 2011-2019. In 2019, the scale of state budget revenue reached 25.7% of GDP, the state budget deficit was at 2.67% of GDP, and public debt stood at 55% of GDP, all below the thresholds set by the National Assembly.

In 2022, Vietnam’s economy continued to face many difficulties and challenges. The Vietnamese government launched a program for socio-economic recovery and development with strong measures to control the pandemic and to achieve economic recovery, especially measures to promote public investment, reduce taxes and fees to support businesses and provide interest rate support for corporate loans and social policy loans.

In response to the recent sharp increase in global fuel energy prices, the Standing Committee of the Vietnam National Assembly decided to reduce petroleum and lubricant environmental protection taxes by about 50-70% in 2022 and 2023 to stabilize prices, contributing to control the inflation and stabilize the macroeconomic situation.

Secondly, the contribution of fiscal policies to economic recovery and development

The choice of fiscal measures in Vietnam in recent times has been considered reasonable and has brought about significant results. During the period of 2020-2022, the total amount of tax, fees, and charges exemptions, reductions, deferrals for businesses and individuals reached about VND 447 trillion (USD 19 billion). The tax, fees, and charges exemptions and reductions have stimulated consumer demand and contributed to the economic recovery. As a result, the state budget revenue has not only avoided a decrease but also achieved positive results. In addition, we implemented strong administrative procedure reforms and applied digital technology to the management of state budget revenue. Thanks to these efforts, the total state budget revenue in 2022 increased by 15% compared to that of 2021, contributing to ensuring fiscal stability with a deficit level of 4% of GDP. The public debt indicators by the end of 2022 were all within prudent thresholds.

The positive contributions in managing fiscal policies have contributed to Vietnam's economic growth in the past period. Amidst strong fluctuations in the global economy and the recession in many countries, Vietnam has successfully maintained macroeconomic stability. GDP growth rates in 2020 and 2021 reached 2.91% and 2.58%, respectively, while inflation was controlled at 3.23% and 1.84%. In 2022, the Vietnamese economy experienced a positive recovery, with strong macroeconomic factors. The full-year GDP growth rate reached 8.02%, the highest in the region; merchandise exports increased by 10.6%, while imports increased by 8.4%, resulting in a trade surplus of $11.2 billion, contributing to foreign exchange reserves and facilitating exchange rate management. Despite significant inflationary pressures from global prices, Vietnam’s inflation target was still achieved. The average CPI increased by 3.15% compared to the average in 2021, and the core inflation rate remained at 2.59%.

The positive results from socio-economic development, fiscal management, and public debt control have contributed to elevating Vietnam's national credit rating. In 2022, Vietnam's long-term national credit rating was upgraded by S&P Global Ratings to BB+ with a "stable outlook," and Moody's Investors Service upgraded the long-term national credit rating from Ba3 to Ba2 with a "stable outlook."

Thirdly, the orientation of medium-term fiscal policy

In 2023, Vietnam's economy is expected to continue facing various risks and challenges. The risk of global economic recession may affect trade and export growth, and domestic inflation will also be pressured by global inflation. Meanwhile, the ongoing COVID-19 pandemic still poses risks for another outbreak that can impact economic recovery. In 2023 and the medium run, Vietnam will continue to strengthen fiscal management, control budget deficit and public debt, control inflation, maintain macroeconomic stability, and sustain sustainable growth. The following key measures need to be implemented:

First, enhancing the institutional framework and legal policies regarding finance and state budget. This includes a focus on improving tax policies to ensure the efficient mobilization of resources and stable revenue for the state budget, address harmonously between economic development and environmental issues, contributing to the establishment of a competitive environment that is suitable for the integration and economic development process. In the coming period, the tax policy direction will involve expanding the tax base by broadening the scope and taxable objects (value-added tax, excise tax, and environmental protection tax). Reviewing preferential, exempted, and reduced tax policies that are no longer appropriate, ensuring transparency, creating a favorable investment and business environment, promoting fairness, encouraging investment, fostering competition, and regulating income reasonably, in line with the integration process and sustainable development of the economy. Amending tax and state budget laws in the context of implementing global corporate minimum tax. Simultaneously, developing supportive measures for investment, production, and business for foreign direct investment (FDI) enterprises, ensuring compliance with OECD's global corporate minimum tax rules, aligning with international commitments, norms, and the practical context, as well as Vietnam's strategy for attracting foreign investment.

Second, efficient management of state budget expenditures; continuing the sustainable restructuring of state budget expenditures; prioritizing investment capital expenditures and ensuring resources for debt repayment, enhancing state budget resources for national reserves, increasing investment in human development, and ensuring social security.

Third, tight control of budget deficit, public debt, and ensuring compliance with approved thresholds. Enhancing the effectiveness of risk management for public debt through diversifying capital sources and borrowing methods domestically and internationally; effectively utilizing public investment resources.

Fourth, actively participating in international financial integration, improving the legal framework, and implementing commitments on finance within FTAs, bilateral trade agreements, and the WTO. Monitoring and assessing the impact of FTA implementation and political and trade tensions among major countries to timely and appropriate response.

Fifth, strengthening administrative reform, improving the business environment, applying information technology, and embarking on a strong digital transformation with the goal of approaching digital finance.

These are some of Vietnam's experiences in utilizing fiscal policies to promote socio-economic recovery and development and maintain macroeconomic stability./.