VIETNAM – NEWS AND REGULATIONS

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# BANKING & FINANCE

**2023 credit growth at 13.5%**

*VNE*

**Credit rose sharply over the closing months of the year.**

Vietnam posted credit growth in 2023 of nearly 13.5 per cent, Deputy Governor of the State Bank of Vietnam (SBV) Dao Minh Tu told a press conference in Hanoi on January 3.

Growth in December stood at 4.35 per cent.

Director of the Monetary Policy Department at the SBV Pham Chi Quang said strong credit growth was often seen at the end of the year, with a rise in demand leading to a rise in capital demand and credit.

Meanwhile, liquidity capacity in the banking system is currently high, creating the conditions for credit institutions to supply capital to the economy at reasonable lending rates, he said.

The SBV has set a credit growth target of 15 per cent in 2024, with possible adjustments made in line with the development of the macro-economy and inflation rates.

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**2023 corporate bond issuances reach $11.6bln**

*VNE*

**The banking sector was the largest contributor to issuances this year.**

Successful corporate bond issuances in December recorded total value of over VND16.7 trillion ($695 million), according to the MB Securities Joint Stock Company.

The figure was down 57 per cent month-on-month but up three-fold year-on-year.

The total value of corporate bond issuances for the year as a whole was therefore estimated at VND268 trillion ($11.16 billion), a year-on-year decline of 1 per cent.

The banking sector posted the highest amount, with VND138.3 trillion ($5.76 billion), accounting for 51 per cent, followed by the real estate sector with VND77.1 trillion ($3.2 billion), or 29 per cent.

As of December 22, the State Treasury had issued government bonds worth over VND296.6 trillion ($12.3 billion), or 74 per cent of the annual target.

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# ECONOMY

**Viet Nam to become 21st largest economy by 2038: CEBR**

*VGP*

The United Kingdom’s Center for Economics and Business Research (CEBR) predicted that Viet Nam may become the 24th largest economy in the world by 2033 and 21st by 2038.

The Vietnamese economy is now the 34th largest economy.

Viet Nam and the Philippines are among two economies in Southeast Asia that are projected to make a big leap in the World Economic League Table (WELT) between 2023 and 2038, according to CERB.

Viet Nam is notable illustrations for the group of countries anticipated to enhance their standing by developing their positioning within the global value chain, implementing domestic reforms and improving the productivity which can be achieved through the efficient mobilization of public and private capital, the center highlighted.

It emphasized that Viet Nam has demonstrated significant progress and is expected to climb 10 steps by 2038, with full opportunities to surpass most countries in ASEAN, behind only Indonesia, to join the top 25 economies in the world.

CEBR also predicted a positive outlook for Viet Nam over the next 15 years. With its population advantage, the country can likely achieve its goal of becoming a high-income country by 2045.

Viet Nam's GDP growth was estimated at 5.05 percent in 2023 compared to 8.02 percent of the previous year, the General Statistics Office reported.

Last year, the Southeast Asian country's GDP size was estimated at US$430 billion and GDP per capita increased by US$160 year-on-year to US$4,284.

Viet Nam was ranked 12th out of 20 countries with the highest rate of economic growth over the past 10 years, according to Yahoo!Finance.

The Southeast Asian country maintained an average real GDP growth rate of 6.1 percent over the last decade.

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**FTAs give fresh impetus to economic growth, market diversification**

***VOV***

The benefits of free trade agreements (FTAs) have exerted a positive impact on the socio-economic development of localities across the country, especially in terms of accelerating trade growth and market expansion, according to insiders.

In fact, new-generation FTAs such as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), the EU – Vietnam FTA (EVFTA), and the UK – Vietnam FTA (UKVFTA) have opened up a wealth of opportunities for Vietnam to diversify its export and import markets and at the same time attract greater foreign investment.

To Thi Huong Lan, deputy director of the Thai Binh provincial Department of Industry and Trade, emphasised that the province’s export turnover has increased to 40% thanks to advantages brought about by these FTAs, adding that local firms have utilised tariff incentives from FTAs in an effective manner.

Lan revealed that the majority of the locality’s export products have met the origin criteria set forth by the new-generation FTAs, while businesses have moved to take advantage of tax incentives in a bid to boost exports to several demanding markets, including Japan.

Phan Thi Thanh Xuan, general secretary of the Vietnam Leather, Footwear and Handbag Association (Lefaso), said that while most major markets have shrunk due to decreasing demand, exports to the UK even witnessed impressive growth of up to 11% last year.

The positive export growth recorded in the UK market helped the Vietnamese leather and footwear industry not suffer any steep declines last year.

Xuan analysed that the UK is also a major importer of Vietnamese footwear, particularly as these products are almost no longer produced in the UK, a factor that will open up bright export prospects for Vietnamese businesses moving forward.

At present, local firms are focused on applying British standards and regulations, as well as testing equipment in order to evaluate product quality to further accelerate exports to the demanding market.

Thanks to effective cooperation among relevant Vietnamese agencies and the German Organization for International Cooperation, Xuan said Lefaso has supported small and medium-sized enterprises (SMEs) to improve product quality, especially when exporting quality shoe products to the European market.

Further penetration into the UK market will also help to create opportunities for Vietnamese products to make greater inroads into other demanding markets around the world, she noted.

According to experts, although FTAs have brought about plenty of positive effects, Vietnamese enterprises have yet to fully tap into the FTA incentives.

In fact, the proportion of export turnover to FTA markets has so far failed to meet expectations, while the rate of taking advantage of preferential certificate of origin (C/O) is not high.

This will therefore require greater efforts and stricter coordination from relevant agencies and craft associations in supporting businesses in gaining greater insights into the advantages of each FTA to bring about the highest possible level efficiency, industry insiders stressed.

With regard to the regulations of new-generation FTAs, Do Thi Thuy Huong, member of the Executive Committee of the Vietnam Electronic Industries Association, underlined the need to grasp the latest rules set forth by foreign importers.

Huong revealed that local businesses have received effective support from the German Corporation for International Cooperation (GIZ), which has provided them with the latest standards set by the German Supply Chain Due Diligence Act (LkSG).

The programme, which took effect since January 1, 2023, imposes certain obligations on organisations with respect to the conduct of due diligence implicating adverse environmental and human rights impacts in supply chains.

This is one of the regulations which local exporters in the supply chain are required to abide by in order to boost exports to the EU in a sustainable manner, concluded Huong.

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# INVESTMENT

**PepsiCo invests over $90mln in facility at Ha Nam industrial park**

*VNE*

In a significant move, the Pepsico Vietnam Limited Liability Company is set to lead investment in a new Pepsico food production facility in northern Ha Nam province, with total investment nearing $90 million. The facility will be built at the expanded Dong Van I Industrial Park in Bach Thuong ward, Duy Tien town, covering 80,000 sq m.

Scheduled to get underway in 2024, which marks 30 years since Pepsico arrived in Vietnam, the project is expected to be completed and operational by the third quarter of 2025. Once stable operations are in place, the facility is projected to supply over 23,000 tons of various snacks to the market annually. Pepsico also aims to invest in expanding raw material areas in Ha Nam, utilizing sustainable agriculture practices and digital technology.

The investment will support Ha Nam in achieving its goal by 2025 to become an industrially-modern province. It involves a state-of-the-art industrial plant employing renewable energy, enhancing both the quantity and quality of workers in the region and fostering high-tech agriculture.

Cooperating with partners, including the Suntory Group, Pepsico Vietnam currently operates 14 plants and distribution centers in Vietnam, employing some 13,000 workers. It provides a diverse range of beverages and snack products under various brands, such as Lays, Poca, Doritos, Quaker, Pepsi, Aquafina, Sting, 7 Up, and more.

Earlier, in July, Pepsico Vietnam received an investment license to build a beverage manufacturing plant at the Huu Thanh Industrial Park in Huu Thanh commune, Duc Hoa district, in the Mekong Delta’s Long An province. Spanning 200,000 sq m, the project has total investment of VND4.374 trillion ($185 million), and is expected to be completed in the first quarter of 2026.

The expansions to the Dong Van I Industrial Park have been meticulously organized along main transportation routes, incorporating public structures, green spaces, gates, fences, and plant facilities, to ensure a cohesive landscape and provide a green architectural space.

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**JICA sign $290 million ODA agreement for Ben Thanh-Suoi Tien Urban Railway**

*VIR*

The Japan International Cooperation Agency (JICA) signed a loan agreement with the Vietnamese government in Hanoi on December 29 to provide an official development assistance (ODA) loan of approximately $290 million for Line1 of the Ho Chi Minh City Urban Railway project.

Planned for completion in 2024, the Ho Chi Minh City Urban Railway Construction project ([Ben Thanh-Suoi Tien](https://vir.com.vn/search_enginer.html?p=search&q=Ben%20Thanh%20Suoi%20Tien) section – Line 1) will alleviate traffic congestion and air pollution while encouraging regional economic development.

This project will contribute to the achievement of the United Nations' Sustainable Development Goals, including those for industry, innovation, and infrastructure, sustainable cities and communities, and climate action.

Special Terms for Economic Partnership (STEP) will apply to the loan for this project. Japanese technology will be applied, including underground civil engineering, rolling stock, the electricity, communication, and signalling system, and maintenance.

STEP refers to special assistance terms for promoting the visibility of Japanese aid through the transfer of outstanding Japanese technology and expertise to developing nations.

The main contract is tied to Japan, but the subcontracting is generally untied. The main agreement partner must be a Japanese company, an overseas subsidiary of a Japanese company, or a joint venture between a Japanese company and the borrowing nation where the Japanese company is the lead partner – although under certain conditions a joint venture between a Japanese company (which is the lead partner of the joint venture) and an affiliated company (as accounted for under the equity method) of a Japanese company may be the main agreement partner.

The Ben Thanh-Suoi Tien section is one of eight metro lines that will form a mass public transport system for the largest urban area in the country.

The project has four main packages using ODA loans from the Japanese government, including three construction packages and one mechanical and electrical package.

The Ben Thanh-Suoi Tien project has a total investment of more than $1.82 billion and a length of nearly 20km from Ben Thanh market in District 1 to Long Binh Depot in Thu Duc city.

This is the first urban railway project in the city. Construction began in 2012, and currently test runs are being launched alongside the completion of some final items. The goal is to have it operating by July 2024.

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# PROPERTY

**Property market hopes for brighter outlook in 2024**

*VNS*

A brighter outlook is predicted for the property market in 2024 compared to last year thanks to favourable regulations and interest rates.

In 2024, the market may witness a shortage of supply, especially from new and legally eligible projects. Meanwhile, demand is unlikely to bounce back strongly, but some segments may record breakthroughs, Võ Hồng Thắng, Director of the consulting service and project development section of DKRA Group, told the Lao Động (Labour) daily.

The property market will have opportunities to show more positive performance when the Land Law is approved and takes effect, and other legal corridors are perfected. Besides, the Law on Real Estate Trading and the Law on Housing, scheduled to come into force at the start of 2025, will help facilitate money flows and create favourable legal regulations for the market’s sustainable development, he noted.

Property expert Nguyễn Quốc Anh forecast the market will rebound from the second - fourth quarters of 2024 and begin flourishing in between Q2 and Q4 of 2025. It may gradually enter a phase of stability after Q1 of 2026.

He added the market will continue growing well in terms of liquidity and prices, and many types of real estate will appear.

Nguyễn Văn Đính, Chairman of the Việt Nam Association of Realtors, noted an array of businesses shut down last year while about 70 per cent of brokers quit their job. Companies are also grappling with the bond maturity pressure.

However, thanks to the Government’s strong moves to tackle difficulties as well as local authorities and businesses’ joint efforts, positive signs have been spotted in the property market.

For the 2021-25 period, 475 social housing projects with 432,698 apartments for low-income earners and workers of industrial parks have been completed or under construction, according to the Construction Ministry.

Regarding the credit package worth VNĐ120 trillion (US$4.9 billion) for social and workers’ housing development and old apartment bloc renovation, 23 provinces have announced 54 eligible projects with demand for over VNĐ25.88 trillion. About VNĐ143.3 billion in loans has been disbursed for some of those projects so far, statistics show.

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**Real estate ranks high in 2023 foreign investment interest**

*VIR*

Foreign investors are increasing their presence in Vietnam’s real estate market with a range of activities to expand their portfolios.

Malaysian property company United Overseas Australia (UOA) in December was one of the latest major names to announce a joint venture agreement with CapitaLand Vietnam Holdings to develop a $247 million property project in Vietnam.

The development budget will be funded by each party in proportion of their respective ownership, with UOA’s share coming to just over 30 per cent.

Previously, UOA has developed a number of real estate projects in Ho Chi Minh City such as the UOA Tower, MarQ, and Millennial Tower in the Phu My Hung township.

Meanwhile, during the cooperation signing ceremony with distribution partners that took place in early December, CapitaLand Development revealed the names of those accompanying the development of Lumi Hanoi: Mitsubishi Estate and Far East Organization.

Lumi Hanoi is the first residential real estate project for Far East in the Vietnamese market. Previously, its resort subsidiaries also signed a cooperation agreement to fund two boutique hotels in Ho Chi Minh City.

As for Mitsubishi Estate, it is the company’s third real estate deal, after previous activities in office buildings and luxury apartments in Ho Chi Minh City and Binh Duong province.

According to the Foreign Investment Agency under the Ministry of Planning and Investment, as of December 20, the total registered foreign investment capital in Vietnam reached nearly $36.6 billion, an increase of 32 per cent compared with the same period last year.

Real estate ranked second in terms of sectors with nearly $4.67 billion, accounting for more than 12.7 per cent of the total registered capital, an increase of 4.8 per cent.

During the year, 111 countries and territories put money in Vietnam. Of which, Singapore currently leads with a total amount of more than $6.8 billion. This accounts for 18.6 per cent and shows an increase of 5.4 per cent over the same period in 2022.

Singapore has emerged as the leading investor in real estate in Vietnam, with familiar names such as CapitaLand, Keppel Land, Mapple Tree, and Sembcorp.

Notably, foreign funding has expanded through a series of large-scale manufacturers such as Samsung, Intel, Foxconn, Pegatron, Goertek, and Lego with projects worth billions of dollars.

In 2023, a series of large-scale ventures were implemented in Vietnam, such as by Compal and Quanta Computer. The increase in the manufacturing sector has improved the demand for industrial zones, deemed a good foundation for the improvement in industrial property and logistics.

“Recent shifts have brought positive changes to Vietnam’s industrial real estate market. The amount of foreign investment flowing strongly into Vietnam causes the demand for industrial real estate to increase, and the wave of funding in industrial real estate is increasingly expanding,” said senior manager of industrial real estate at Savills Hanoi, Thomas Rooney.

According to vice chairman of Vietnam Real Estate Brokers Association Tran Van Binh, industrial and residential real estate are two segments that are recording many signs of return from domestic and international investors, and the market has become more bustling with project merger and acquisition activities.

“To help the domestic real estate market become vibrant, as well as retain highly qualified human resources, the Vietnamese government has increased the supply of real estate, building products suitable for housing needs and foreign funding in Vietnam. At the same time, it has introduced regulations and created better conditions for non-nationals to buy real estate in Vietnam,” Binh said.

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# OIL&GAS&[ENERGY](http://tuoitrenews.vn/society)&MINING

**VN's renewables need long-term strategy and faster localisation**

*VNS*

Without a long-term strategy and faster localisation, Việt Nam's energy sector could very well fall short in the competition for renewable energy market share on home ground, said industry insiders and experts.

Without a long-term strategy and faster localisation, Việt Nam's energy sector could very well fall short in the competition for renewable energy market share on home ground, said industry insiders and experts.

In a recent study by UK-based think tank Ember, Việt Nam accounted for 69 per cent of all solar and wind power output in ASEAN in 2022, which was estimated at 50TWh.

Vũ Chi Mai, director of Clean, Affordable and Secure Energy for Southeast Asia (CASE), a programme that drives change in the Southeast Asian power sector towards an increased ambition concerning climate change mitigation, said the Southeast Asian country's stable socio-political environment makes it among some of the most attractive investment destinations for solar and wind power business in the region.

In addition, the Vietnamese government has implemented numerous preferential policies, aimed at supporting renewable energy, paving the way for the development of a substantial market and workforce.

Mai said the country has the potential to promote domestic market localisation, with the proportion increasing from 45 per cent to nearly 80 per cent for solar power and from 37 per cent to 55 per cent for wind power by 2050. The value of localisation could reach US$80 billion, or 50 per cent of the total market potential.

However, participation by Vietnamese businesses in the industry has been somewhat lacklustre. Consequently, the market share, valued at billions of dollars, remains predominantly in the hands of foreign enterprises.

According to experts from CASE, the current supply capabilities of domestic enterprises in the renewable energy sector are limited, with the onshore wind sector in Việt Nam lacking the production of nacelles (wind turbine housing), hubs, rotor blades, and underwater cables have not been produced. Statistics show that 90% of equipment for renewable energy projects is still imported.

Contributing factors included a lack of assessment capacity, and infrastructure, in addition to insufficient technological capabilities and production levels that do not meet the requirements. Moreover, the industrial support policies for renewable energy are still inadequate.

Industry insiders and experts have long called for a faster rate of localisation and less dependence on foreign companies.

A case study that may be useful for Việt Nam is China. When European wind turbine manufacturers went to China, the country also required them to meet a certain level of localisation and transfer specific technologies.

As a result, China's renewable developed rapidly and rose to become the global leader in the solar energy sector. Currently, China's GoldWind, a wind power generation company, holds the second-largest share of the global market. In a very short period, China achieved this because of its favourable policies encouraging localisation. This serves as a lesson for Vietnam to "follow, but lead" by setting conditions for renewable energy technology leaders to hold the leading technology, Mai said.

In addition, to absorb technology from FDI regions, businesses need to continue evaluating the capabilities of companies in the wind and solar value chain, including support industry enterprises. Simultaneously, boosting research and development, technology transfer, experimental projects, and developing skilled manpower is essential for maximum localisation.

Đinh Văn Tuấn, Deputy General Director of Ba Son Corporation, one of the first domestic companies to participate in manufacturing wind turbine towers, believes that Vietnamese businesses are taking advantage of opportunities to produce final products for foreign renewable energy partners. However, the biggest obstacle for enterprises is the policy mechanism and pricing. Without mastering technology, the cost of production will be high, leading to low competitiveness.

"Viet Nam is following, so it needs support from the government in terms of mechanisms and policies to transfer technology, and invest in new, modern production lines. Only in this way can we reduce production cost, increase competitiveness for domestic businesses, and integrate deeper into the global value chain," he said.

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**Electricity prices highly unlikely to decrease**

***VNP***

It is highly unlikely that electricity prices will go down given the current demand, Nguyen Anh Tuan, General Director of Vietnam Electricity (EVN), said at a conference organised by EVN in Hanoi on January 2.

Tuan said electricity production requires natural resources, which are finite and being depleted, including hydropower. Coupled with the financial challenges faced by EVN, minor decreases in fuel prices do not have an effect significant enough to bring electricity prices down.

According to Tuan typically Vietnam's hydropower output accounted for 35% of total output. However, due to droughts in 2023, many hydropower reservoirs were at dead water levels, resulting in hydropower accounting for just 28.4% of total output.

Meanwhile, coal-fired thermal power, which typically accounts for 33.2%, managed to account for 46.2% of total output in 2023. Gas turbine and oil-fired thermal power, normally making up 10.3%, accounted for 9.8%. Imported electricity had a very low share of 1.46%, and renewable energy with an installed capacity of 26.9% only achieved 13% in production.

For now, hydropower remains the most stable output but it can only meet less than a third of the nation's demand for electricity. Renewable energy remains expensive due to earlier incentive policies, which have driven its prices as high as 9.35 US cents per FiT1, higher than EVN's electricity retail prices.

"With our output structure, the cost to produce electricity mainly relies on natural resources. As resources are depleting, the cost will increase. This must be communicated clearly to our customers," Tuan said.

According to EVN, the average total cost of electricity generation, transmission and distribution is 2,092.78 VND/kWh, while the selling price is 1,950 VND/kWh.

"Of the 2,092.78 VND/kWh, the production cost of buying electricity from EVN units and non-EVN enterprises is approximately 1,620 VND/kWh, equivalent to 80% of our total operating costs. In other countries, the cost of buying electricity is typically about 50% compared to the selling price, with the remaining 50% allocated to transmission, distribution and operational management. Meanwhile, we only have 20% for these processes, making it very difficult for EVN and its units to balance our books," said Tuan.

EVN's efforts to optimise costs and improve savings in recent years have not produced significant results, at least not enough to address its financial challenges. Therefore, adjustments to retail electricity pricing policies in 2024 are necessary to address EVN's financial difficulties.

Total revenue from electricity sales for the entire group in 2023 is estimated to reach 497 trillion VND, a 5.4% increase year-on-year. The total consolidated asset value of EVN as of the end of 2023 is estimated at 630.53 trillion VND, 94.7% compared to 2022, with equity capital of 201.53 trillion VND, 89.4% compared to 2022.

According to the director-general, Vietnam's total power capacity has reached over 80,000 MW, an increase of nearly 3,000 MW compared to 2022, with renewable energy exceeding 21,000 MW, making the country the top ASEAN renewable producer.

However, due to management issues, there were shortages in the country's northern regions in June last year.

He said the shortages occurred due to various unfavourable factors, including both objective and subjective reasons. These included a low power reserve in the northern region, and the impact of El Nino leading to prolonged drought and reduced water flow to hydropower reservoirs, especially in the northern region. Other causes included high demand for supplementary load, as well as malfunctions in many coal-fired thermal power plants across the system due to the increased water temperature for cooling, extended repair work, and troubleshooting at some non-EVN coal-fired thermal power plants.

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# LEGAL

**Government agrees to VAT cut of 2% in 1H 2024**

*VNE*

## *Reductions to take effect from January 1 until June 30.*

Value-added tax (VAT) rates on most goods and services will be cut by 2 per cent from January 1, under a new Decree from the government, the Government News has reported.

The 2 per cent reduction will be applicable to products and services subject to a 10 per cent rate, with exceptions for three groups of products and services, as follows.

Group 1: Telecommunications, financial activities, banking, securities, insurance, real estate business, metals and prefabricated products, mining products (excluding coal mining), coke coal, refined petroleum, and chemical products.

Group 2: Goods and services subject to special consumption taxes.

Group 3: Information technology under information technology laws.

The VAT reduction will be applied to all stages, including import, manufacturing, processing and trading.

The Decree will be in effect from January 1 to June 30, 2024.

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**New decree on government debt instruments on horizon**

*VNE*

## Issuance, registration, depositing, listing, and trading of government debt instruments on the securities market will be regulated.

Government Decree No. 83/2023/ND-CP, which amends Decree No. 95/2018/ND-CP on the issuance, registration, depositing, listing, and trading of government debt instruments on the securities market, will come into effect on January 15.

Under the new decree, government bonds can be privately placed for each private investor (buyer) or via a commercial bank or a Vietnam-based foreign bank as an agent that will sell the bonds to buyers and repay them.

The State Treasury is assigned to submit to the Ministry of Finance for approval a policy on the private placement of government bonds. The policy is to define bond buyers, determine the number of bonds to be issued, the bond terms, the estimated interest rate, the estimated time for issuance, and issuance forms (the State Treasury will directly issue bonds or select a distribution agent).

Decree No. 83/2023/ND-CP also amends Article 22 of Decree No. 95/2018/ND-CP relating to foreign currency bonds.

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