

Vietnam



The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at www.revenuewatch.org/rgi.

Background

Vietnam has considerable oil reserves and was the sixth-largest oil producer in the Asia-Pacific region in 2011. However, production has declined in recent years and the country is now a net oil importer. Petroleum accounted for 14 percent of government income in 2009, down from 24 percent in 2004, the result

Vietnam	2000	2005	2011
Population (million)	77.63	82.39	87.84
GDP (constant 2011 international \$ billion)	39.8	59.9	123.6
GDP per capita, PPP (constant 2005 international \$)	1,597	2,161	3,013
Oil and gas revenue (% total government revenue)	...	0%	13%
Extractive exports (% total exports)	27%	26%	12%

SOURCES: Oil and gas revenue as share of total government revenue from the Economist Intelligence Unit and the International Monetary Fund. All other data from the World Bank. Oil and gas revenues 2005 data from 2007; 2011 data from 2009; Extractive exports 2011 data from 2010.

of a significant drop in revenue. Vietnam also has an estimated 24.7 trillion cubic feet of natural gas reserves, and the government is actively promoting investment in the sector.

Vietnam's Performance on the RGI

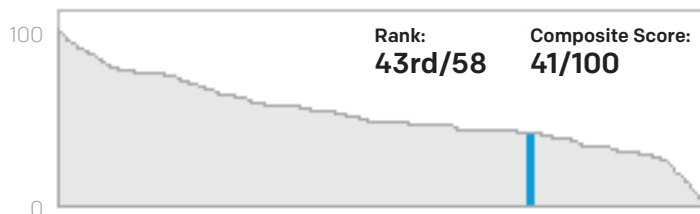
Vietnam received a "weak" score of 41, ranking 43rd out of 58 countries. A relatively high Institutional and Legal Setting score was offset by "failing" scores on the other components.

Institutional and Legal Setting

(Rank: 27th/58 Score: 63/100)

A comprehensive legal framework contributed to a "partial" score of 63, Vietnam's highest on any component.

The Industry and Trade Ministry regulates the sector and the prime minister has final authority to grant hydrocarbon rights, but PetroVietnam, the national petroleum company, makes most licensing decisions. In recent years, PetroVietnam has signed 60 exploration and production contracts with foreign



companies, most of them in the form of production sharing contracts. The company conducts direct negotiations with oil companies or organizes competitive open bidding rounds. Environmental impact assessments are required.

The Finance Ministry collects revenues and deposits them in state treasuries before they are centralized; however, some oil and gas revenues are used to cover PetroVietnam's expenses, never entering the national treasury.

Vietnam has no freedom of information law. Anti-corruption legislation requires disclosure of national finances, but key aspects of the petroleum sector are excluded under a "state secrets" provision.

Reporting Practices

(Rank: 40th/58 Score: 39/100)

The government provides only incomplete data on the petroleum industry, earning a "failing" score of 39.

PetroVietnam publishes bidding procedures and reports on licensing decisions. No law requires disclosure of oil and gas contracts, although PetroVietnam voluntarily publishes some contract information. Environmental impact assessments must be made available to the public, but it is not clear that this happens in practice.

The Finance Ministry publishes aggregated information on oil revenues and exports, along with the non-resource fiscal balance. The Industry and Trade Ministry publishes production volumes, prices, export values, and data on investment in the petroleum sector. National law prohibits disclosure of information on reserves, petroleum blocks, projects, contracts, or profits.

Safeguards and Quality Controls

(Rank: 50th/58 Score: 31/100)

A lack of conflict-of-interest disclosure requirements and poor audit mechanisms led to a "failing" score of 31.

PetroVietnam has some discretionary power in the licensing process. Contract terms are not strictly defined by legislation, leaving room for PetroVietnam officials to negotiate with foreign companies. It is very difficult to appeal licensing decisions.

The National Assembly rarely investigates allegations of mismanagement in the oil sector, and national accounts are not

audited regularly. Although a National Assembly committee scrutinizes reports on resource revenues, lawmakers lack the capacity to oversee the industry effectively.

Enabling Environment

(Rank: 35th/58 Score 30/100)

Vietnam received a “failing” score of 30, with especially low global rankings on government accountability and democracy.

State-Owned Companies

(Rank: 28th/45 Score: 41/100)

PetroVietnam is entirely owned by the government and is Viet-

nam’s largest state-owned corporation. It functions under the direct management of the prime minister and the Industry and Trade Ministry. Since 2008, PetroVietnam has made an effort to disclose industry information, publishing brief news releases on its website with historical data on petroleum prices, export values, estimates of investment in exploration and development, and the government’s share in production sharing contracts. The company does not provide full reports on its operations or subsidiaries. It is audited at irregular intervals and does not publish the results.

Vietnam’s Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
43	COMPOSITE SCORE	41
27	Institutional and Legal Setting	63
	Freedom of information law	33
	Comprehensive sector legislation	100
	EITI participation	0
	Independent licensing process	50
	Environmental and social impact assessments required	50
	Clarity in revenue collection	83
	Comprehensive public sector balance	83
	SOC financial reports required	100
	Fund rules defined in law	..
	Subnational transfer rules defined in law	..
40	Reporting Practices	39
	Licensing process	67
	Contracts	0
	Environmental and social impact assessments	33
	Exploration data	50
	Production volumes	50
	Production value	67
	Primary sources of revenue	25
	Secondary sources of revenue	0
	Subsidies	0
	Operating company names	67
	Comprehensive SOC reports	17
	SOC production data	29
	SOC revenue data	4
	SOC quasi fiscal activities	83
	SOC board of directors	100
	Fund rules	..

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	..
	Subnational transfer rules	..
	Comprehensive subnational transfer reports	..
	Subnational reporting of transfers	..
50	Safeguards and Quality Controls	31
	Checks on licensing process	44
	Checks on budgetary process	78
	Quality of government reports	56
	Government disclosure of conflicts of interest	0
	Quality of SOC reports	17
	SOC reports audited	56
	SOC use of international accounting standards	0
	SOC disclosure of conflicts of interest	0
	Quality of fund reports	..
	Fund reports audited	..
	Government follows fund rules	..
	Checks on fund spending	..
	Fund disclosure of conflicts of interest	..
	Quality of subnational transfer reports	..
	Government follows subnational transfer rules	..
35	Enabling Environment	30
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	36
	Open Budget (IBP Index)	19
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	13
	Government effectiveness (WGI)	44
	Rule of law (WGI)	39

■	Satisfactory	■	Weak
■	Partial	■	Failing