Journal of Economics and Development Vol. 14, No.3, December 2012, pp. 99 - 112 ISSN 1859 0020

Reforming the State Bank of Vietnam towards an Independent Central Bank: the Application of New Public Management in Vietnam

Dang Ngoc Duc
National Economics University, Vietnam
Email: dangocduc@neu.edu.vn

Abstract

In many open-rich financially developed countries, the central bank (CB) plays an important role in the development of a sound and effective financial system in particular, and economic development and stabilization of the economy in general. In these countries, the governance of the CB is based on the three main principles of New Public Management (NPM) known as the three 'pillars', which includes: (i) central bank independence; (ii) central bank accountability, and (iii) central bank transparency. Among them, central bank independence is considered the key and primary 'pillar'. This implies that the reform of the central bank towards an independent entity thereby could be seen as one of the most important elements of a public administration reform program in developing countries (LCDs), and Vietnam should not be an exception. The State Bank of Vietnam (SBV) – as the Vietnam's Central Bank – has been operating successfully in the last decades and has contributed greatly to Vietnam's development. However, the dependence of the SBV on the Government has shown a number of weaknesses that should be overcome as soon as possible in the next stage of the development process, especially when Vietnam becomes an official member of the World Trade Organization (WTO) in 2018. In this paper, three issues will be covered, including: (1) The independent central bank and its positive impact on the development and stabilization of the economy as a theoretical framework for discussion on the need for and the way of the reform of the central bank in developing countries; (2) a factual analysis of the SBV's problems resulting from its high dependence upon the government, as well as opportunities and challenges of reforming the SBV towards an independent central bank; (3) recommendations for solutions to ensure the success of SBV reform in the future.

Keywords: Central bank, central bank independence, financial system reform, public management reform, accountability, transparency, autonomy, State Bank of Vietnam.

1. Independent central bank – the NPM application in governance of the central bank in developed countries

In all modernized economies, the central bank (CB) is the government authority responsible for issuing currency, managing money circulation, operating as the lender of last resource to commercial banks, and as banker to the government. Therefore, the CB plays an important role in the development of a sound and effective financial system as well as in the economic development and stabilization of developed countries. However, there is general agreement that in the relationship between the CB and the government, the level of independence of the CB from the government should be specified so that the bank can carry on the above important role. Although over recent years wide discussions continue on this issue amongst not only economists but also lawyers and politicians, it is a fact that the CB in these countries is granted more power and higher independence, and is called the independent central bank (ICB), in most opened-rich and financially developed countries as compared to those of "closed poor" and financially repressed ones. An ICB could be seen as the right way of governance of the CB; this is a good explanation for the common recent trend of reforming towards an independent CB in developing and transitional economies.

It is very important to point out that it is observed that the *governance of a CB is always aligned with the requirements of the New Pubsh Management model (NPM)* in financially developed countries, which is considered the irreversible trend of public management reform in the last 20th century until now. In fact, for almost the entire 20th century up to the 1970s, the bureaucracy was seen as the optimal public administration model. As described by Max Webber [9], to be effective, a public administration should be characterized by five principles: (i) fixed areas ordered by rules; (ii) an ordered hierarchy; (iii) a separate 'bureau' with its own files and records; (iv) expert training; and, (v) full-time career officials and management by rules. As commonly perceived, a bureaucratic administration should be hierarchical and impersonal to be able to function properly and effectively. However, this bureaucracy model has been criticized as too bureaucratic and technically inefficient since the 1970s-80s under pressure of the economic liberalization movement. While institutional economists argue that the bureaucracy may nurture monopolies rather than competitive markets, and bureaucrats were driven by their self-interests rather than public interests, management theorists urged to adopt the modern management approach of the business sector into the public sector as the way to increase its efficiency and effectiveness. Consequently, the *NPM model* has been initiated with five main features, including (i) marketization of traditional public affairs vis-à-vis contractualism, application of the user-pay system, promotion of competitive tendering and outsourcing, and fostering of privatization and equitization; (ii) result-oriented management which is characterized by adoption of strategic planning, result-based budgeting and reporting, and performance measurement; (iii) delegation of managerial autonomy to agency managers; (iv) decentralization and disaggregation; and (v) customer focus. The NPM usually relies on four common pillars of good governance which include accountability, transparency, predictability and participation.

Specifically applied to central banking, The NPM model, as applied to the CB, is defined by three key concepts, also called three 'pillars' (Lybek, 1998): (1) CB independence; (2) CB accountability; (3) CB transparency. Of these, CB independence (CBI) must be the first and primary 'pillar'. While the last two pillars are self-explanatory due to their alignment with the main features of the NPM model, the CBI needs more justification. As discussed in Section 2, the CBI will shift the relationship between CB and commercial banks towards contractual and a market-based nature, allowing bank supervision to be more client-focused and result-based. In fact, all such changes are the evidence of application of the NPM model in the governance of the CB. This implies that the reform of the CB towards an independent model could thereby be seen as one of the most important elements of the public administration reform program in developing countries, and Vietnam should not be an exception.

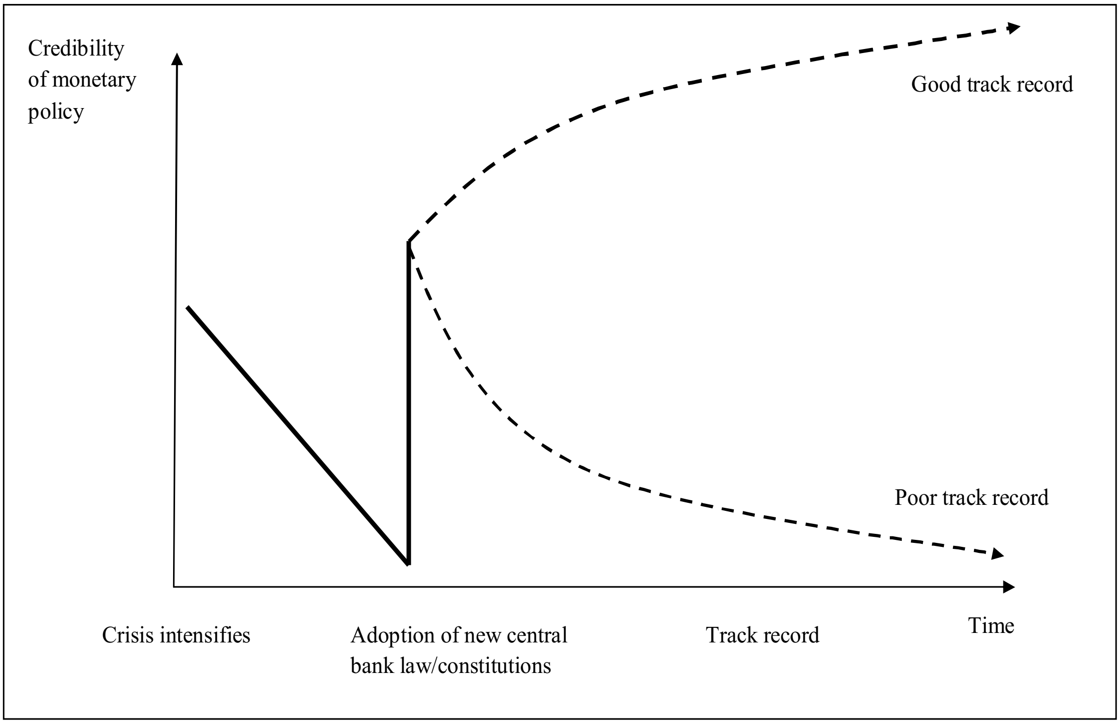
2. The importance of CBI in stabilization and development of the economy

The most essential advantage of CBI is fighting inflation. Based upon a great deal of real evidence, many economists believe that with more independence the CB can carry out a more creditable and efficient monetary policy in terms of inflation control and formulation of stabilization of the economy. It is argued that the CB is functioning both as a 'money stock' by issuing money and as a 'money pump' by controlling over-supply of money and by regulating money demand in the economy. Without, or with less, government intervention, the CB can regulate the money supply based on the demand for money so that money circulation will be kept stable. Inflation will be controlled under desired levels, and particularly, no money will be issued to finance government budget deficits, which is one of main sources of inflation observed in many countries.

The ICB can create sustainable real economic growth. According to Lybek (1999), both the stability of the financial system and interest rate setting are very important for sustainable real economic growth because both have crucial effects on financial process in the economy. Without the effect of an interest rate setting mechanism of the CBI, the price of using funds is often not reasonably directed by the government, being too low or too high, so that savings cannot be transferred well into investments. The former situation will result in limited capital mobilization and thereby there will be a lack of capital for investments for economic growth, while the latter will create inefficiency of capital allocation.

It is also a fact that in most countries where the CB is independent from government controls, where the CB even plays the role of a macro-economic agency[1], the relationship between CB and commercial banks[2] is contractual and market-based. There is no priority

Figure 1: Credibility of Monetary Policy and Reform of CB Legislation



Source: Lybek, T. (1998) "Elements of Central Bank: Autonomy and Accountability)

and directing mechanisms in lending to banks as well as no intervention more to commercial bank operations. Banking supervision under ICB is always implemented with more direction of the activities of banks. These are 'clients focus' and 'result-based management' mechanisms. As a result, under these conditions, banking and financial market activities are safe and sound and have greater efficiency by having less poor investment "decision made" or non-performing loans, as well as having an adequacy of information, so that all market participants know how and what to expect. Thus, the CBI is the way to ensure the soundness and transparency of the financial system.

Relevant to the realization of the impact of ICB on the development of the financial system and the economy, there is a huge volume of research and studies in the current literature. This literature has distinguished different types of independence, differently based on different approaches. Debelle and Fisher (1994) và have mainly based their work on the CB function while Lybek (1998, 1999) has approached to the goal and target of independence and also distinguished between the goal and target of the autonomy. However, the general agreement on the types of independence could be defined in a number of aspects including: (1) Legal framework; (2) Policy goal design; (3) Operation determination; (4) Management tools. It is understood that the first aspect is a basic condition and meaningful for the remaining aspects of independence. Indeed, all the CB's functional activities are ensured to be implemented independently, based only upon the law. In other words, these aspects reflect the levels of independence of the CB, which is whether the CB's policy in goal designing, operation determination and management tools is defined under guarantee of law. If this is the case then independence of the CB could be seen to be at a high level. Furthermore, from the other approach, these aspects would be used as indicators to evaluate the ICB levels and as benchmarks for the destination of reforming central banking towards an independent model.

The above discussion on the ICB benefits and determination is quite useful to analyse the current situation of the SBV in the context of the banking reform in Vietnam that has been taking place since the 1990s.

3. Recent reform of the banking system and the State Bank of Vietnam

The reform of the Vietnam banking system has been closely linked with the transition of the economy from the centrally planned model to the market oriented one, which was initiated in 1986. The reform of the SBV is a part of the banking system reform. Prior to the start of the reform, there was only one bank in Vietnam, namely the National Bank with the straightforward or hierarchical model of organization[3], carrying out the function of both a CB and a commercial bank simultaneously; it was therefore a mono banking system. This system was a former Soviet one and applicable to the previous model of the economy, but no longer suitable for the changes in the economy that have been made since the 1986 renovation programs. In fact, the mono banking system could not adequately support the economy and renovation programs. It also caused too many serious problems that had never been seen before, and pushed the economy into a crisis period in 1986 - 1988. The programs of banking system reform therefore have been implemented since late 1988. Up until now, there have been many important changes and accomplishments. I would like to focus on only three substantial changes related to this topic, due to the limited scope of this paper. These are as follows:

Firstly, the change in the banking system model and its operation mechanism is an institutional reform. From late 1988, Vietnam's banking system has been transferred into a dual model, in which the State Bank of Vietnam has granted the CB to act separately from commercial banking, which is the role of the four state owned commercial banks (SOCBs) that had been generated[4] at the time to exercise the function of profitable or business institutions.

Secondly, two Ordinances were enacted in 1990 to define the legal framework for the banking operation of the banking system's mechanism and activities. Based on the two Ordinances (1990), the SBV had since 1992 no longer continued to have relationships with companies, including state owned enterprises (SOEs), and has since then specialized in the functional operations of the CB of the country. The CB's clients now are only the commercial banks and the government. While having been given autonomy at a certain level, SOCBs are specialized in the money business and providing financial services to customers, both the wholesale market (banks and financial institutions), and retail markets (banks and other financial institutions with enterprise companies and also individuals).

Thirdly, as a result of the above changes, there were a number of remarkable achievements that helped open opportunities for banking supervision and the development of banking markets. It was the first time in Vietnam that the monetary policy and banking supervision had been introduced to conduct the growth of money supply and commercial banking based upon market oriented principles. The banking sector in Vietnam used a great deal of promotion to expand both in terms of size and number of 'newcomers', including the latterly established private and foreign banks.

One should emphasize that the above achievements have had a significant impact on the development and stabilization of the Vietnam economy during the period 1992 to 2002 as well as contributing to the development of the economy now. In fact, hyperinflation and many other problems were solved right after the banking reforms had begun, and the Vietnam economy has experienced a golden period of sustainable development with high rates of economic growth and controlled rates of inflation[5].

Nevertheless, apart from achievements obtained from the banking system reform programs, there are many problems that exist in both the banking system development generally and in the operation and functional management of the SBV particularly. Once again, for reasons of time and scope limitations of this paper, some selected problems are briefly presented here, including: (1) The hierarchical organization model of the SBV still; (2) The situation of the highly complex dependence of the SBV on the government on one side, and also the excessive direct control over commercial banks on the other; (3) The low financial position of the SBV; (4) The inefficiency in the money supply, interest rate and exchange rate adjustments; (5) The weakness of the SBV in banking supervision and inspection.

Regarding the first problem, it is clear that the organization of the SBV is still a typical one, characterized by a bureaucratic or hierarchical model: The head office at the central level has multiple functional divisions with a cumbersome network of branches located in each province. This situation has caused too many limitations on the SBV management activities; especially, there is overlap of control in some areas of the banking operations while there is no control or management at all in some others. In addition, there have been a lot of regulations and rules issued, and they are all too specific and complicated for either understanding or applying (Nguyễn Hương Giang, 2011). This means that the SBV management is not really '*final result-based*' but still '*rules-based*', and the consequence is that many of these regulations and rules are 'null and void'[6].

The second problem is shown by the first

Table 1: Key milestones of SBV development

Year	Milestone
1951	Establishment of the National Bank of Vietnam
1960	National Bank of Vietnam changed into the State Bank of Vietnam
1978	The South National Bank merged into the State Bank of Vietnam (after the re-union of the North and the South)
1988	The State Bank of Vietnam focused on CB activities and functions only. Commercial lending was moved to commercial banks
1990	Two Ordinances of State Bank and Credit Institutions were issued and implemented
1993	SBV restarted the relationship with international monetary organizations (IMF, WB, ADB)
1997	Two laws (Law of State Bank and Law of Credit Institutions) were issued
2010	Two new laws (Law of State Bank and Law of Credit Institutions) were issued to replaced the 1997 laws

Source: State Bank of Vietnam website www.sbv.org.vn

Article of the State Bank Law (2010), that the SBV is '*a ministerial agency of the Government, which performs the State management of monetary and banking activities and acts as the CB of the Socialist Republic of Vietnam; and performs the State management of public services under the jurisdiction of the State Bank*'. That implies that the SBV is much more completely dependent on the government. The government deficit is financed by additional money issued by the SBV while it belongs to the government; all of which causes a trend toward inflation inflation. Moreover, setting interest rates and exchange rates and regulating them are thereby easily influenced by the government goals at times. This situation is differently from a '*market-based*' or economic-based way of operation. In fact, it is a '*political-based*'[7] way of working. Being '*a ministerial agency of the government*' on the other side, the SBV is powerful enough to interfere in the bank's operations by mainly directing policy instruments, such as regulations on credit procedures, non-performing loans management, and profit distribution, to name a few instances of interference. This problem is not only reducing the banks' promotion in improving efficiency but is also creating a dubious atmosphere around the banks' operation[8].

The third problem is concerned with the SBV's financial ability to adjust or regulate the financial markets in order to achieve given goals. It is very clear that the higher the financial controlling position, the stronger the

Box 1: Roles, functions and capital expenditure of the State Bank of Vietnam

Article 2: **The roles and functions of State Bank of Vietnam**

1. The State Bank of Vietnam (hereafter referred to as the State Bank) is a Government body/institution, and is the CB of the Socialist Republic of Vietnam.

2. The State Bank is a legal entity, having chartered capital owned by the State, with its principal headquarters located in Hanoi.

3. The State Bank has the functions of managing monetary policy, banking and foreign currencies (hereafter referred to as the monetary and banking); issuing domestic currency, operating as the banker for credit/financial institutions, and providing the Government with monetary services.

Article 42: Chartered capital.

The chartered capital of the State Bank shall be provided by the State Budget. The level of chartered capital of the State Bank shall be determined by the Prime Minister.

Article 43: Revenues and expenditures.

In principle, revenues and expenditures of the State Bank shall be carried out in accordance with provisions of the Law on State Budget. The Prime Minister shall stipulate the contents of revenues and expenditures suitable for the particular operations of the State Bank.

Source: The Law on State Bank of Vietnam No. 46/2010/QH12

adjustments the CB can make. However, according to the Sate Bank Law (1998, 2007 and 2010), 'the financial activities of the SBV are completely funded by the government budget based on the State Budget Law'. The question is, how could an adjustment be made if there is no general agreement between the State Budget and the SBV on the financial costs or related matters. The SBV is not only heavily dependent on the government but on the State Budget as well.

The fourth and the fifth problems come from the same sources, partly from the three problems discussed above, and partly from using under-qualified human resources rather than 'merit-based' staff. More important is that these two problems will have a negative impact on the SBV accountability and transparency.

4. Reforming SBV towards an independent CB model: Opportunities and challenges

Based on the problems found in the Vietnamese banking system and SBV operations, further SBV reform programs are needed in many ways. The argument is that financial mechanisms must be fitted to economic mechanisms and the related issues, so that the financial system, particularly the banking system, and the SBV must be changed in the same direction when the Vietnam economy is more and more market oriented. The *NPM model* must be applied to the SBV's functional operations to give it higher independence or autonomy since the SBV is a government agency. Another argument is that 'financial development leads to economic development' whereby the SBV and the banking system reform could be seen as the correct way to target the goals of industrialization, modernization and global integration of the Vietnam economy.

Currently, there are abundant opportunities, opening for the SBV to be independent, that come from groups who are benefitting from the sustainable development of the Vietnamese economy. Most Vietnamese people understand that they could have better living standards in a better legal, social and economic environment. In order to have '*good governance*' of the CB, the are strategic stages to be worked through should be aimed at more independence, accountability and transparency of the SBV. Hence, first, most Vietnamese people will support the reform of the SBV toward an independent CB model because it can help satisfy their essential demands. Second, foreign investors doing business in Vietnam also need a sound and transparent environment for their investments and will support the independence of the SBV. Third, international development organizations such as the World Bank (WB), the International Monetary Fund (IMF), the Asian Development Bank (ADB) and the likes would help Vietnam in many ways to implement this reform since they would also gain in turn from the reform of the SBV.

However, on the opposite side, there are also a number of challenges that would obstruct the progress of the reform. Some challenges would come from groups of people who will lose the power of keeping the SBV that helps finance their needs[9]. Other challenges would also stem from the leaders who want to maintain the bureaucratic model in public sector management.

They are either under-qualified or unfamiliar with the NPM model and worry therefore about a possible financial crisis, which may leave them no other choices, if the SBV is allowed to become independent. Finally, people who choose to satisfy their self-interests by corruption will be against the independent model of the SBV because they will no longer be able to continue their corruption due to the soundness and transparency of the SBV operations resulting from the independence.

5. Recommendations

Regardless of the realized challenges, the reform of the SBV must be continued, and the success is doubtless. Beside many other undertaken solutions and recommendations, the five following solutions could be additionally applicable.

The reform of the SBV should be accompanied by an improvement in the thinking of the leaders and with a change in their points of view. This solution is critically important because it will yield more powerful leaders to support the new model of the SBV. It is necessary for them to attend related intensive training courses conducted by experienced professors and practitioners. In addition, advisory boards in each field of governance should be organized to assist the leaders in making decisions on the orders for the reform process.

b) It is necessary to improve the legal framework for the SBV's functional operations to support the independence of the SBV from the government. This solution is also very important since the above-mentioned legal framework is the primary condition and necessity for the SBV to be independent. The State Bank Law (2010) should be improved so that the SBV will be no longer a ministerial government agency. At the same time, the articles, which regulate the SBV's operation mechanisms, should be revised for ease of general understanding and comprehension rather than being complicated with too much detail, as in its current version.

Restructuring the SBV organization according to the model of the CB in financially developed countries, resulting in a good CBI and good governance of the CB. Many large and developed countries with strong economies have the organization of their CB's simple and far different from the bureaucratic organization of SBV. Changes in organization will support the changes in the operation mechanisms, particularly by applying the model of 'NPM' emphasizing the combination of more result-based and law-based management tools.

Increasing the financial position of the SBV. This solution should be also considered as the 'second runner-up' because the SBV would not be independent, if the SBV is granted independence or autonomy, with such weakness of financial capability, even at its current strength. It is imperative to separate the SBV activities from the State Budget facilities by determining the amount of capital that the SBV should have to conduct its own functions.

Last but not least, improving the money markets in Vietnam, in which the SBV will be the biggest bank, or having partnerships with any other banks without supreme control, is a very significant solution. It is argued that money markets development is the best way for interest rate and exchange rate setting (Smaghi, 2007) because these 'prices' are also determined by market forces, as any other type of markets. Furthermore, the SBV can minimize the costs of intervention and adjustment programs from the developed money market operation.

6. Conclusion

From the foregoing discussion, there are a number of points that can be emphasized, including:

- CBI is one of the three pillars of CB governance and the policy recommendation for the NPM model nowadays.

- Along with the renovation programs for the economy, the SBV has actively implemented a set of reforms which encompass institutional operation mechanisms and management reform. There have been a lot of achievements and positive impacts on the development of the economy resulting from the reforms of the SBV. However, in comparison with the public sector management theory and measurement of many real aspects of its performance, it is argued that the SBV is still not independent yet, and it needs to continue reforming towards an independent CB.

- There have been a number of opportunities and even some challenges that will lead to the SBV's independence. The reform is expected to be successful if the recommended solutions are considered and applied complementary to other reforms and policy implications.

APPENDIX: MAIN GUIDELINES ON CB AUTONOMY AND ACCOUNTABILITY

Objectives and targets	Price stability, as the best contribution monetary policy can make to balanced sustainable growth, is the preferable formulation for the primary objective. Consistent with this broad objective, a specific target—which could, for example, involve explicit inflation targets, maintenance of a fixed exchange rate, or monetary aggregate targets—should be established and published. These targets may be determined by the CB (target autonomy); or determined by the government in agreement with the CB (instrument autonomy). To facilitate accountability, the target(s) should be easy to monitor. Consideration should be given to explicit, but limited "escape clauses" in the face of significant exogenous shocks.
Monetary policy	A CB should determine and implement monetary policy to achieve its target. To this end, the CB should have authority to determine quantities and interest rates on its own transactions without interference from the government
Conflict resolution	A clear and open process should be established to resolve any policy conflict between the CB and the government. Some of the aspects below (e.g., the nature of government representation on the board) are potential channels for such a resolution; another approach is to allow the government to direct or overrule the CB, but such a power should be constrained, to avoid other than exceptional use. It should be absolutely clear to the executive, legislature, and the general public that responsibility for the results lies with the government, not the CB, if the CB is overruled, its advice ignored, or its effectiveness is significantly limited by government policies. This may require that both the government and the CB publish a formal statement to that extent. For instance, in cases where international reserves decline to levels insufficient to conduct international transactions due to factors outside the CB's control, it shall make recommendations to the government. If the government does not react within a specified period, the CB should notify the general public that it temporarily cannot be held accountable for price stability due to factors outside its control.

Governor	Nomination and appointment/confirmation of the governor should be by separate bodies to provide some measure of balance, bearing in mind the institutional framework. The term should be longer than the election cycle of the body with the predominant role in selecting the governor. Dismissal should be only for breaches of qualification requirements, or misconduct; lack of performance could also be grounds if clearly defined in terms of the primary objective and specific targets. The latter could be ruled upon according to a suitable and independent judicial procedure, and perhaps be with the consent of the legislature.
Board	Composition of the board should ensure a reasonably well informed and balanced view, but avoid conflicts of interest. Precisely what is reasonable depends in part on the role of the board (decision-making, monitoring, or purely advisory), and whether it is a single or multiple board structure. The highest level board should include a majority of non-executive, non-government directors. Indeed, direct government representatives should be eliminated from a policy board and probably also from a monitoring board. If a government representative does participate in a policy board, it should at least be without the right to vote (though it might be with a limited, temporary veto power). As with the governor, nomination and appointment/confirmation should be by different bodies; terms should be longer than the election cycle of the main body in the appointment process, and should be staggered; and dismissal of board members should occur only for breaches of qualification requirements and misconduct, and on performance grounds only if clearly defined. The latter could be ruled upon according to a suitable and independent judicial procedure, and be with the other board members' prior consent.
Credit to government	If not prohibited, direct credit to the government should be carefully limited to what is consistent with monetary policy objectives and targets. For example, temporary advances and loans could be allowed only if: (i) they are explicitly limited to a small ratio of average recurrent revenue of preceding fiscal years (say, 5 per cent); (ii) they bear a market-related interest rate; and ideally (iii) they are securitized by negotiable securities. The CB should not underwrite and participate as a buyer in the primary market for government securities, except with non-competitive bids and within the overall limit for credit to government. Indirect credit to the government, that is, buying outright existing government securities held by the market, or accepting them as collateral, should be guided by monetary policy objectives. The CB should not finance quasi-fiscal activities.

Exchange rate policy	Basic consistency needs to be ensured between the exchange rate and monetary policy. If exchange rate policy (including choice of regime) is not solely the responsibility of the CB, the bank should nevertheless have sufficient authority to implement monetary policy within the constraint of exchange rate policy (e.g., in a fixed exchange rate regime, to support the exchange rate as the specific target of monetary policy), and should be the principal advisor on exchange rate policy issues (e.g., as to whether the current regime is most suitable for the fundamental price stability objective). In the event of a conflict with the government on exchange rate issues, the conflict resolution procedures as stated above should come into effect.
Financial conditions	The law should ensure that the CB has sufficient financial autonomy to support policy autonomy, but with matching financial accountability. Its budget should not be subject to normal annual appropriation procedures (but could be subject to a longer-term appropriation—e.g., on a cycle consistent with the term of the governor). Only realized net profits, after prudent provisioning by the CB and appropriate allocations to general reserves, should be returned to the government. The government should ensure the solvency of the CB by transferring interest bearing negotiable securities if the authorized capital is depleted. The body to which the CB is accountable should be allowed to ask external auditors and the auditor general to review the CB's accounts and procedures.
Publication and reporting	Policy and financial accountability should be clearly established. The CB should prepare formal statements on monetary policy performance at, say, six-month intervals, without prior approval by the government. Regardless of to whom the bank is directly accountable, these statements should be forwarded to both the executive and the legislature and should be published for the benefit of the public. Annual financial statements audited by external auditors should similarly be forwarded and published. Summary balance sheets should be published more frequently (e.g., on a weekly or monthly basis).

Notes:

1. The CB grants and revokes licenses, sets regulations and performs the function of governmental management in banking and financial markets.
2. The CB serves as banker to other banks in taking deposits, being the lender of last resource and payment center.
3. That is one head office at the central level and its branch networks from province levels to the basic lower levels.
4. From specialized departments and branches of the former National Bank of Vietnam.
5. During 1992-2002, the average growth rate was about 8,3%, while average inflation rate was less than 5,4%.
6. An example is that the regulation of foreign exchange management is the most difficult, but the Dollarization and black markets for foreign exchange in Vietnam are still very popular.
7. Examples are the regulations on reserve requirements at the beginning of 2008, and foreign exchange rate limits in June, 2008, which resulted in difficulties in activities of banks and markets last year.
8. Banks try to hide their profit and financial information will be distorted.
9. They need to reach faster economic growth as well as other social goals before election time.

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