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Statement by the Hon. **NGUYEN VAN GIAU**,  
Governor of the Fund for **VIETNAM**,  
at the Joint Annual Discussion



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It is a great honour for me to join this 61th Annual Meetings of the International Monetary Fund and the World Bank. Let me take this opportunity to thank our hosts for their hospitality and excellent arrangements for this event.

I wish to extend our warm congratulations to Mr. Dominique Strauss-Kahn on his appointment as the next Managing Director of the Fund and to Mr. Robert Zoellick on his first annual meetings in the capacity of the Bank's President. I would also like to express our appreciation to Mr. Rodrigo de Rato for his significant contribution to the work of the two institutions.

We are meeting at a time when the world economy is moderating after several consecutive years of broad-based growth. Activities in the United States have been slowed down as a result of the downturn in housing sector. Nevertheless, the euro zone and Japan are performing well and serving as locomotives of growth. Developing Asian economies are on positive track, led by sustained high growth in China and India. However, there are still significant vulnerabilities worldwide, including political instability, persistent high oil prices, mounting global imbalances and financial market volatility. The recent subprime mortgage turmoil signals how problems in a specific financial segment could repercuss throughout the whole macroeconomic system, representing an immediate challenge for policy makers in ensuring that stability goes in tandem with growth.

In this connection, Vietnam welcomes efforts made by the Fund and the Bank in safeguarding global financial stability, promoting sustainable growth and reducing poverty. We attach special importance to the reforms under Medium-term Strategy being put forward by the Fund for it to remain relevant and responsive to the needs of member countries, especially the

developing ones. The recent Board's adoption of revised 1977 Decision on Surveillance was an essential step to enhance effectiveness of the Fund's surveillance. We noted, however, that members' macro conditions are diverse and rapidly changing. Therefore, Fund surveillance activities under the revised framework should take into account of country-specific socio-economic conditions while refraining from putting further obligations on member countries. Such direction would go in line with the principles of flexibility and candidness in this core function of the Fund.

Another key element element of the Fund's Medium-term Strategy is Quota and Voice reform. Following the ad hoc quota increase, we acknowledge the ongoing work of the Fund to come up with different formulas for quotas recalculation and appreciate the time and focus exerted given the complexities of this issue. While a lot of factors are to be considered, we believe that the new quota distribution should be better aligned to recognize the increasing role of developing countries in the global economy. It is for the benefit of the Fund's mandate that voice and representation of developing countries are strengthened.

On another aspect of Bank and Fund operations concerning Millennium Development Goals (MDGs), we are fully aware that the achievement of MDGs is a great challenge to countries even those with rapid growth track record. In this regard, we commend the Bank's continued focus on assisting poverty reduction cause in Asia, where still half of the world's poor are living. We share our common viewpoint with the approach of integrating MDGs in development programs and projects of the Bank. In addition, enhancing aid effectiveness is equally essential to MDGs attainment, which requires closer coordination between international donors and aid recipients. We fully support the Bank's initiative of formulating new financing modalities based on national development strategies, which help promote ownership and capacity of recipient countries.

The intensified level of globalization and interdependence among nations remind us that we are living under a common roof. While confronting the same challenges such as the devastating impacts of climate change, or the

spread of communicable diseases, we are also having the same needs such as knowledge sharing and mutual trading. Thus, we hold that the Bank's role in providing global and regional public goods remains relevant. We see a consistency between the Bank's framework on global and regional public goods and our national priorities.

In the context of more complex and fragmented aid architecture, the Bank's work on strengthening country-based development model is of vital importance to ensure concerted actions of development between international and national partners. This would not only boost aid effectiveness but also help us have a common vision and go together on the way to achieve it. We think that extensive dialogue with and capacity building for aid recipients are necessary elements for a solid and viable country-based development model.

As a final note to the Bank's operations, we highly appreciate commitments by international donors to IDA 15 replenishment. Such resource has been a very valuable assistance to developing countries including Vietnam.

Next, let me take this chance to provide a briefing of the latest developments in my country since our last gathering. The last months have been a turning point in Vietnam's international integration process with the country's landmark accession to WTO in November 2006. WTO membership brings about enormous opportunities for the economy but new challenges are emerging as well. The improved access to international market is expected to have positive impact on production and export. Foreign capital continues to flow in dramatically, providing an important source of financing for investment, yet also causing difficulties for the conduct of monetary policy and overall macroeconomic management. At the same time, heightened pressures from foreign competition will necessitate bolder reforms from both the state and private sectors.

Against that background, the economy continues to perform strongly although high inflation rate, rising trade deficit, agricultural epidemic and natural calamities remain major challenges for the country in remaining

months of the year. As of the end of September, GDP growth went up to 8.16% and is expected to reach the set target of 8.2-8.5% for the whole year. In the same period, export turnover reached US\$ 31.2 billion, making a year-on-year increase of 19.3%. Foreign capital inflows struck new record on all three channels of foreign direct investment (registered capital), official development assistance (commitment figure) and foreign indirect investment, at US\$ 9.6 billion, 4.5 billion and 6.2 billion respectively. The stock market experienced a boom in late 2006 and early 2007.

The Government has been pushing up reforms in various aspects of economy, banking and finance, fiscal and administration. In the financial sector, progresses are being made with regard to enhancing considerably the legal framework for the sector through the drafting of new laws on the State Bank of Vietnam, Credit Institutions, Bank Supervision and Credit Insurance. Equitization of the state owned commercial banks (SOCBs) is on track, with the first SOCB's IPO expected to take place soon. Bank supervision and governance are being improved steadily.

Looking back at the development path of the country, with ceaseless efforts of broad-based reform and international integration, we have gained significant achievements in various socio-economic fields so far. As compared with 1986 when the reform process was initiated, GDP have increased over four times after 20 years and recorded the second-highest growth rate in Asia during the last decade. Poverty incidence has been reduced at a fast pace, falling around 3 percentage points per year since 1990. We have already achieved five out of the ten main MDG targets for 2015 and is on track to achieve another four ahead of time.

The new Socio-Economic Development Plan (SEDP) 2006-2010 reaffirmed the country's vision of becoming a middle-income one by the year 2010 while ensuring equal and sustainable development. In recognition of the huge challenges on the way ahead, we are committed to furthering reforms and international integration so as to realize this vision. At this important junction, we look forward to receiving continued assistance from the

international community, especially the Bank and the Fund as the leading development partners of Vietnam.

In concluding, I would like to convey our sincere thanks to the management and staff of the Fund and the Bank for efficient support extended to Vietnam thus far. I wish the Meetings a splendid success.