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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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Mr. Chairman, fellow Governors and Ministers, first of all, I would like to express our high appreciation to our colleagues at the Bank and the Fund for their excellent arrangements of this important event.

Since the last time we met at the 2007 meetings, the global economy has experienced various complicated developments, albeit several advantages. Increasing food and oil prices, the spillover inflation and the current global financial turmoil have caused the slowdowns in the global economic and financial systems, especially the fledging financial systems of the developing and transitional economies.

Higher prices, particularly oil and food prices, have globally challenged the food and energy security. The U.S. crisis-led financial turmoil has brought about numerous global macroeconomic problems, higher inflation, demand imbalance, and a gloomy forecast of the global economic growth from 4.9 percent to 3.7 percent. Major economies, such as the U.S., Japan, and the E.U., have reset their economic growth goals. In the region, high and sustainable –growth economies, including China and ASEAN economies might have growth respectively decreasing from 11.4 percent and 6.5 percent in 2007 to 10 percent and 5.7 percent in 2008. The global economic turmoil has caused countries, including Vietnam, to adjust their macroeconomic policies as well as financial and monetary policies in an effort to contain inflation pressure, and higher food and oil prices.

The current situation is setting new challenges for international institutions, including the Fund and the Bank to take bold actions in an effort to support their member countries, thereby, contributing to the continuation of economic stability and driving forces, and ensuring poverty reduction achievements. In this connection, Vietnam welcomes efforts made by the Fund and the Bank in safeguarding global financial stability, promoting sustainable growth and reducing poverty.

It is encouraging that the Fund has recently made substantial efforts in its governance, operational and financial reform. We welcome the Fund's success in the first step of strengthening member representation through quotas and voice enhancement. Policy dialogue between the IMF and its member countries is now more candid, and overall more effective, when better focused on how members' economic policies impact the stability of their economies and of the economies of their partners. Lending activities are also reformed in order to provide assistance faster, in larger amounts, to low-income countries, streamline policy commitments made by borrower governments and also help address commodity price changes, disasters and conflicts. We also highly appreciate significant benefits that IMF technical assistance brings to member countries, with a unique feature of strong surveillance-lending-technical assistance relationship. Those reform activities are much supported by the IMF's directions of diversifying revenue sources together with strengthening the effectiveness in resources allocation and utilization. However, regarding the issue of cost sharing in TA provision, we would like to note that the priority should be given toward developing countries, facilitating them to maintain their access and utilization of the Fund's assistance.

At the same time, we saw that soaring food and commodity prices over the past year reaffirmed the role the Bank plays in international economic development and poverty reduction worldwide. We highly appreciate the Bank's ability in tackling the global crises and supporting sustainable growth with care for the environment in its client countries while safeguarding and improving people's health, education, and other human development outcomes. We also highly appreciate the collaboration and partnership the Bank had with numerous other multilateral organizations and partners to realize the most far-reaching results possible. The Bank's quick response in May 2008 with a rapid financing facility[1] for food crisis is widely acknowledged by all as an immediate action addressing immediate needs. In the longer run, the Bank's recommendations on the focus of increasing agricultural productivity and narrowing the gap between the urban and rural areas will significantly contribute to the agricultural and rural development of the member countries, thus ensuring the sustainable economic development.

On financial side, the borrowing member countries highly appreciate the great efforts made by the Board of Executive Directors to bring down the commitment fee on the outstanding credits of the IDA to zero percent. This decision helps the borrowers to reduce cost of resource significantly, hence increasing their capacity to invest for economic growth and poverty reduction. We also thank the IBRD for its biggest simplification and reduction in its loan pricing since the Asia financial crisis. It now makes borrowers to have access to IBRD loans at longer maturities and at price that are lower and more transparent than they had been.

On non financial side, we endorse the Bank's efforts in introducing simple projects that can be easily replicated, mechanism for additional financing of successful projects and revision to emergency and rapid response lending policy. We also endorse the approval of the Board in April 2008 for piloting the use of country system for financial management and safeguards as it helps harmonize the procedures of both the Bank and the borrowing member countries.

[1] The World Bank report shows the first grants under the facility were approved for Djibouti ($5 million), Haiti ($10 million), and Liberia ($10 million).

However, much needs to be done without delay to alleviate global crises. An estimated 2.5 billion people are trying to survive on $2 or less a day. Therefore, in the coming time the role of the IMF and the WB will be more significant in assisting their member countries to accomplish the cause of economic development and poverty reduction.

In addressing the adverse impact of the current global turmoil on the macroeconomy of the country, we welcome the coming focus of the IMF's activities on key issues of global economic and financial concern and its actions to help members to meet the potential global challenges. It would be good for all members that IMF will making substantial progress in the coming time to enable member countries deal with imminent crises and urgent tasks, including responding to the challenges posed by rising food and fuel prices, drawing lessons from financial market crises and advancing key surveillance issues. Regarding this, we totally support the call made by IMF Managing Director Dominique Strauss- Kahn for a global solution to the financial crisis, in which the Fund would play the coordination role to organize a global response to weaknesses in the global financial system.

Another IMF priority is to review its lending instruments. We agree that it is time for the Fund to revise some credit facilities so that it can provide a more accessible and appropriate source of capital for those countries in need. New organizational tools and working practices, especially enhancement of IMF consultations and local capacity building program are much welcomed. We also look forward to further advances of the Fund's governance agenda, including the next step beyond strengthening membership representation through quotas and voice improvements.

We share the vision of the Bank which is "*to contribute to an inclusive and sustainable globalization - to overcome poverty, enhance growth with care for the environment, and create individual opportunity and hope."*. This vision reaffirms the commitment of the Bank to fight against poverty and ensure the equal and sustainable development. In this connection, we think that the Bank should continue to collaborate closely with its member countries and international partners to make further progress in addressing the above-mention challenges. Particularly, we strongly support the Bank's policy to consider Africa, especially Sub-Saharan Africa where extreme poverty is expected to growth, as its priority for action. We also urge the Bank to continue to intensify its role in coordinating the necessary available resources both technical and financial ones to support and assist the other countries in all regions to confront their emerging vulnerabilities, including Vietnam.

Skyrocketing food prices are a harsh reality, resulting in even greater hunger and malnutrition worldwide. Climate change threatens agricultural productivity and consequently the world's food supply as well as the income of most of the poorest people. Natural catastrophes, such as this year's earthquake in China and cyclone in Myanmar, devastate millions who may not survive without immediate disaster relief. Communicable diseases, with HIV/AIDS and malaria being the most critical, continue to challenge us. Therefore, we commend the Bank to continue to push forward the Global Food Crisis Response Program in collaboration with the United Nation and other partners. We also encourage the Bank to advance work on all aspects of voice and participation, keeping in mind the distinct nature of the Bank's development mandate, and the importance of enhancing voice and participation for all developing and transition countries in the World Bank Group. As the change in the climate spans multisectors and development issues, all the countries are at significant risk. Therefore, we urge the Bank to continue to scale up its actions like adopting a Strategic Framework for Climate Change, setting up specialized climate funds, in order to help member countries to adapt to climate change and mitigate its impacts as well as to turn the challenge of climate change into an opportunity for development leading to an inclusive and sustainable globalization.

Now let me take this chance to provide a briefing of the latest developments in my country since our last gathering. Over the past year, we have achieved the following significant achievements:

2007 was the year we effectively joined WTO, since then macroeconomic situation has been severely impacted by complex volatilities of the world economy: inflation bounced back to 2 digit number (12.63% in 2007 and 21.87% for the first 9 months of 2008 compared with the end of 2007); trade deficit increased sharply to 29.1% the total exports in 2007 and 32.6% of the total exports in the first 9 months of 2008. Given rapidly increasing inflation and trade deficit exercise being threats to macroeconomic stability, the Government considered inflation control as the first priority objective and focused on directing the implementation of 8 major comprehensive sets of policies, including : (i) tightening monetary policy and ensuring the liquidity for banking system and the whole economy; (ii) closely monitoring and enhancing efficiency of public spending; (iii) focusing on production development and ensuring balance of good supply and demand; (iv) promoting exports, strictly supervising imports to reduce trade deficit; (v) strictly practicing thrift in production and consumption; (vi) enhancing market management work to guard against speculation, smuggling and trade fraud; (vii) sstrengthening policies to stabilize people's life and expanding the coverage of implementation of social security policy; and (viii) promoting information and propagandization.

With the implementation of the Government's policies including monetary policy, macroeconomic developments have shown positives signals: (i) GDP for the first 9 months reached 6.52%, still at a high level compared with many other countries; (ii) Inflation reduced from the monthly average of 2.9% for the first 6 months to less than 1% for July, August and September; (iii) Trade deficit narrowed from the monthly average of USD2.3 billions in the first 6 months to the level of less than USD1.0 billion/month in July, August and September; (iv) Newly granted and added FDI of the first 9 months reached USD57.1 billions, up by 398.5% from the same period of 2007; and (v) The money market and foreign exchange market are stable, credit and total liquidity have a slower trend, ensuring the settlement safety for the credit institution system.

The Vietnam economy still maintains the potential of stable development in medium and long term. However, from now to the end of 2008, the world and domestic economies may have many complex developments, especially the effects of the US financial turmoil, therefore, the Government continues to implement tight monetary and fiscal policy but in a flexible way in order to help control inflation, stabilize macroeconomic situation, ensure social security and sustainable development.

In addition to our own efforts, the support from WB and IMF is always appreciated by the Government of Vietnam. Particularly, the financial support of the WB has contributed significantly to building up the key fundamentals for economic development of Vietnam. Over the past 15 years, WB has provided financial assistance of more than USD 8 billion for around 80 programs and projects in various areas. In fiscal year 2009, WB has committed more than USD1.8 billion for 15 programs and projects, of which there will be an IBRD –financed project. Such financing program would make the Bank become one of the biggest ODA providers for 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.