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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
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Statement by the Hon. **NGUYEN VAN GIAU**,
Governor of the Bank and the Fund for **VIETNAM**,
at the Joint Annual Discussion

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Fellow governors and distinguished guests,

First of all, on behalf of the Government of Vietnam, I would like to express our sincere thanks to all of you here today for appointing Vietnam as the Chairman of the 2009 IMF/WB Annual Meetings. This chairmanship shows international community's confidence in Vietnam and is a great honor for us.

Ladies and Gentlemen,

The global financial and economic crisis is having dramatic effects on the world economic growth. As currently projected by the World Bank, the global output is expected to shrink by 2.9 percent in 2009, global trade by 10 percent. Growth in developing countries is projected to fall at the rate of 1.2 percent. GDP of these countries except China and India is also expected to fall at the rate of 1.6%. Meanwhile, private investment flows to developing countries plummeted by more than 40% in 2008 as access to international capital markets dried up. Unemployment in industrial countries shows an increasing trend.

Under such circumstances, countries have called for unprecedented policy responses which aimed at reversing the adverse impacts of the global crisis, recovering economic growth and ensuring the socio-economic achievements. Through unilateral and multilateral actions, governments have drawn on monetary policy, fiscal stimulus and guarantee programs to shore up the banking sector, thus contributing to the economic growth and job creation. Those actions are beginning to have a positive impact on financial markets, where liquidity conditions in global interbank markets have begun to ease, credit risk premiums has narrowed and equity markets have staged a tentative revival. However, the policy agenda for stabilizing financial markets and fostering global economic recovery is broad and complex; therefore, major challenges still remain. This situation calls for both short-term and longer-term coordination of actions at the global level of the Bretton Woods institutions such as the WBG and the IMF.

Now, let me highlight very briefly the main contributions of the two institutions over the last year to help member countries cope with adverse impact of the global crisis, restore growth and maintain the global efforts in fighting against poverty.

In order to support developing member countries to deal with adverse impact of global financial crisis and restore economic growth and social security, we highly appreciate the WB's call for a "0.7% of stimulus packages pledge" of its developed countries to the global Vulnerability Fund to help these developing countries. This Fund has a very significant role in supporting developing countries to implement their economic stimulus as well as to cover their budget deficits.

We particularly appreciate the Bank's recent initiatives to focus on three priority areas, including (i) safety net programs to protect the most vulnerable; (ii) maintaining investments in infrastructure; and (iii) support for small and medium size enterprises and microfinance. These initiatives include the Global Food Crisis Response Program (GFRP) with total value of US\$2 billion, the rapid social response programs (RSR), the IDA Fast Track Facility, the Infrastructure Recovery and Assets Platform providing US\$45 billion for infrastructure over the next three years and other IFC's private sector support programs including the Global Trade Finance Program (US\$3 billion), the Microfinance Enhancement Facility (US\$500 million) and advisory services programs etc.

In order to ensure a balanced and sustainable growth, we also welcome the Bank's initiatives in maintaining trade flows, advising against protectionism and ensuring financing. Particularly, the Global Trade Liquidity Program of the Bank will support up to US\$50 billion to preserve trade flows over three years. Over recent years, the Bank has had very encouraging efforts in initiating and coordinating actions to mitigate risk of the climate change. We support the role of the Climate Investment Fund under which the donors have successfully pledged US\$6 billion, complementing the Global Environment Fund and others.

In modernizing the WBG to meet with increasing demand, we appreciate very much the Enhancing Voice and Participation of Developing and Transition Countries in the WBG. This program has created positive impacts to help increase voice and participation of these countries in the operations of the Bank.

We highly appreciate the major timely changes in operational policy of the IMF in the common efforts to respond to the global economic and financial crisis. In face of new developments in world economic conditions, the Fund has reformed its lending framework towards increasing access limits, renovating lending facilities responsive to the demand of member countries, and application of more focused and flexible program conditions, allowing for higher pro-poor spending. This enhancement of lending facilities has been highly appreciated by the international community. Furthermore, the Fund has adjusted its policy advice to give more attention to monetary support, develop exit strategy and consider practical situation of the member countries, thereby raising

effectiveness and appropriateness of the Fund's programs. Especially, the general SDR allocation has greatly support international reserves of member countries, in particular the developing ones.

We also commend the Fund for augmenting its financial support for crisis resolution and prevention, which reached the record-setting level of US\$167 billion. We call on the attention of donors to implementing the G-20 commitments on generating additional lending resources for the Fund in support of the developing members' efforts in resolving adverse impacts of the global crisis.

Concerning post-crisis direction, we hold that the Fund's initiation of reforming international financial architecture and governance, in which quota and voice is a focal component, is of great importance to preventing future crisis and laying solid foundation for sustainable global development.

Taking this opportunity, I would provide you with a briefing of the latest developments in my country since our last meeting. Over the last year, Vietnam was affected directly by many unfavorable factors from the global financial crisis, resulting in the downsizing of export and production and adversely impacting employment and living of the people.

Under such circumstances, the Government of Vietnam has asserted that all efforts should be required to actively prevent economic downturn, promote production and export, stimulate investment and consumption and ensure social security. To this end, we mainly focus on implementation of expanded fiscal and flexible monetary policies.

For fiscal policy, we continue to implement expanded fiscal policy by increasing budget expenditures for development and investment, introducing interest rate subsidy schemes, exemptions and deferrals of tax payments for enterprises. Personal Income Tax (PIT) has been deferred during first five months of 2009, together with reduction of 30% of Corporate Income Tax (CIT) for small and medium enterprises in the last quarter of 2008 and 2009 etc. In addition, the Government also focuses much on mobilizing and disbursing FDI and ODA funds, especially for infrastructure projects, high-tech production projects with large value of exports and job creation.

For the first eight months of this year, we also implemented cautiously relaxed monetary policy and flexible exchange rate policy in line with close monitoring and projecting of the movements of both global and domestic economic and financial conditions, with a view to reversing economic downturn, preventing recurrent inflation and maintaining macro stability. In addition, we closely monitor the movements in domestic money markets and forecasting effectively money supply—demand, establishing management information system to make forecasts on movements of the markets; strengthening banking supervision

activities, especially the offsite supervision in combination with monitoring actual business activities of each commercial banks in order to timely deal with problems arised and secure the system stability.

Thanks to above-mentioned uniform and bold stimulus actions, economic downturn was reversed successfully, macroeconomic indicators were stabilized and the confidence of the people and both domestic and foreign business was restored. Macroeconomic trend showed positive sign with economic growth of 4.5% for the first 9 months of 2009, slowed down but with higher growth by each quarter and still higher than those of other countries in the region and the whole world; inflation contained at a lower level of 4.11% for the first 9 months of 2009 in comparison with that of 21.87% for the same 9 months of 2008; trade deficit is much lower than that of 2008; foreign direct investment totally registered at US\$12.5 billion with total disbursement of US\$ 7.2 billion showing the confidence of foreign investors in Vietnam's medium and long-term economic perspective; better production and business activities; and recovered real estate and securities markets.

However, we see that from now on until the end of 2009, the world economy and domestic economy might have complicated movements. In this context, Government of Vietnam will continue to focus on implementation of the "5 groups of measures", which include: (i) continuing to implement announced solutions to stimulate domestic demand and consumption; (ii) gradually restructuring our economy; (iii) furthering the exploitation and expansion of markets for exports; (iv) actively preventing the recurrence of inflation; and (v) continuing to make good progress in poverty reduction.

In addition to our own efforts, the support from WBG and IMF is always appreciated by the Government of Vietnam. Particularly, the financial support of the WBG and the advisory assistance of the IMF have contributed significantly to building up the key fundamentals for economic development of Vietnam. Over the past 15 years, the Bank and the Fund have proved their significant role in helping Vietnam in its economic development and poverty reduction. As of September 2009, the WBG has provided more than US\$ 9.83 billion of concessional funds, thus becoming one of the biggest ODA providers for Vietnam. The Government also has frequent effective macroeconomic policy consultation and discussion with the IMF.

In conclusion, 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.