

# VIETNAM ECONOMIC REPORT

## *May 2007, Japan*

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## Outline

- I. Socio-economic achievements
- II. WTO accession
- III. Banking sector reform
- IV. Public finance reform
- V. SOEs reform
- VI. Development of capital and securities markets
- VII. Vietnam's external financial position
- VIII. Improved investment environment
- IX. International integration
- X. Effective utilization and management of ODA



## I. Socio-economic achievements 2001-2006

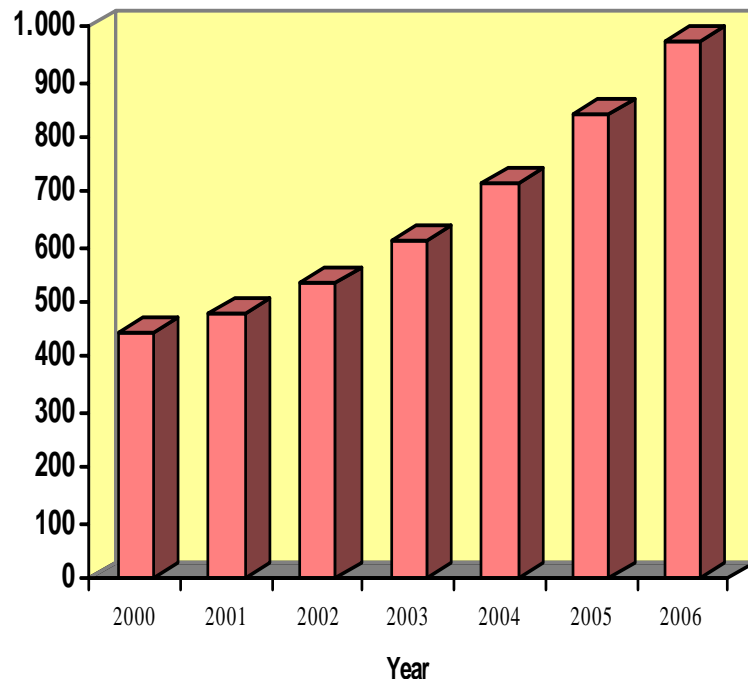
- Advantages: domestically social and political stability, expanded external relationships
- Difficulties and challenges: breakout of SARS and bird influenza, natural disasters, global price increases...



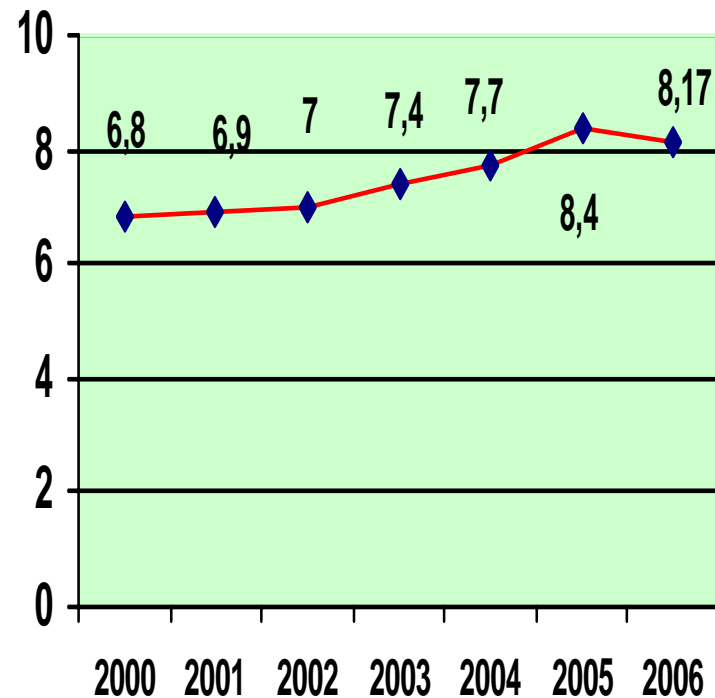
# I. Socio-economic achievements 2001-2006 (cont)

- Annual economic growth: 7,6%
- GDP in 2005 was double that of 1995.

GDP (VND tri-current price)



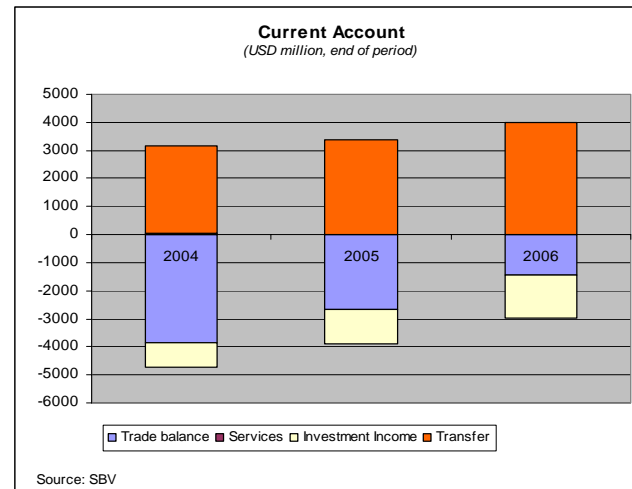
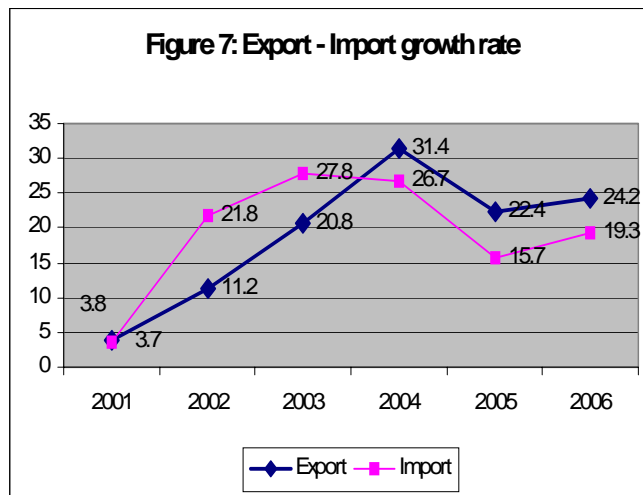
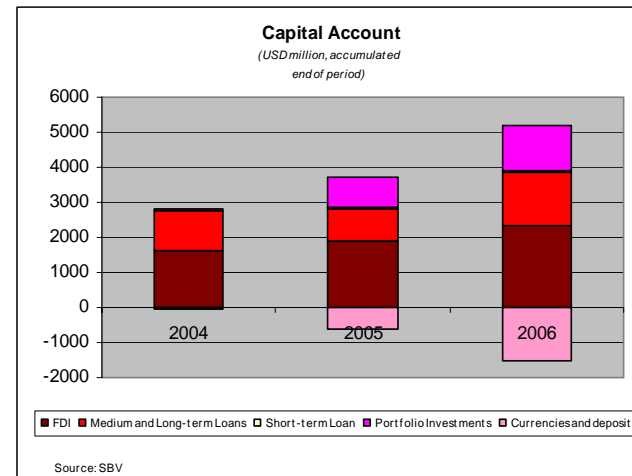
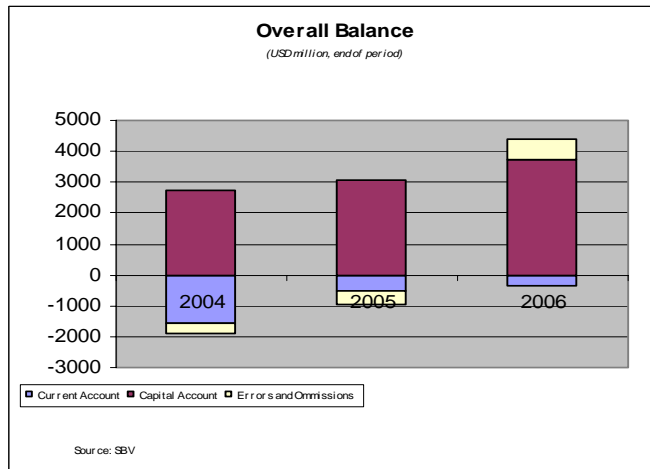
GDP growth rate

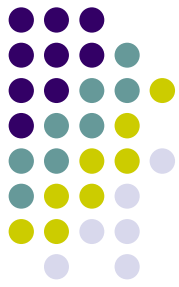




# I. Socio-economic achievements 2001-2006 (cont)

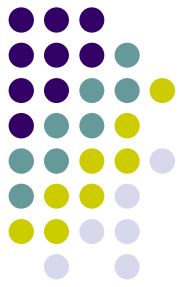
- Sustained macroeconomic, social and political stability





## I. Socio-economic achievements 2001-2006 (cont)

- Improved education quality;
- Education expenditures: 18% of the total State budget in 2006;
- Environmental pollution prevention: attached much importance;
- Sustainable development models;
- Health care network: improved and upgraded;
- Many dangerous epidemic diseases were prevented and defeated.



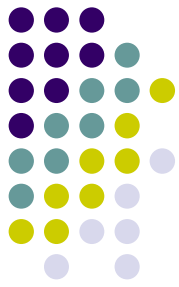
## I. Socio-economic achievements 2001-2006 (cont)

- Poverty reduction: encouraging results, facilitated accession of the poor to preferential credit source and basic social services
  - *developed and upgraded the infrastructure of the especially poor communes, improved living conditions*
  - *a sharp decrease of poor household ratio from 17.5% in 2001 down to 7% in 2005*
- Continuously improved economic regulations system.



## II. WTO accession

- Full member of the WTO since January 11, 2007;
- Committed to cut the average rate from the current 17.4% down to 13.4% (5-7 years); open market for 11 sectors, 110 over 155 sub-sectors;
- Opportunities:
  - *market expansion*
  - *level playing field in terms of goods and services export*
  - *acceleration of institutional and business environment improvement toward open and transparency*



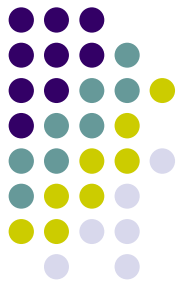
## II. WTO accession (cont.)

- *Challenges:*
  - *increased competitive pressure*
  - *widening gap between the rich and the poor*
  - *incomplete and incomprehensive policy system ...*
- *Measures:*
  - *improve the legal system and management regime, abolish all subsidy types, strengthen financial and banking reforms, create a soundly and fairly competitive environment, ensure macroeconomic stability*
  - *strengthen determinedly administration reform, make public and transparent all policies, processes and procedures*



## II. WTO accession (cont.)

- *develop energy and transportation infrastructure through mobilizing all sources of funds, improve the competitiveness of the economy*
- *develop services sector, focusing on high value-added services such as finance, banking, telecommunication, tourism; not maintain inappropriate protection measures*



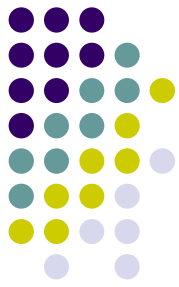
### III. Banking sector reform

- Banking sector reform master plan
  - *the Law on State Bank of Vietnam*
  - *the Law on Credit Institutions*
  - *the Law on Deposit Insurance and*
  - *the Law on Banking Regulation and Supervision*
  - ➔ *international standards and practices*
- The new Law on *State Bank of Vietnam* (2008):
  - *the State Bank of Vietnam ➔ a modern Central Bank*
  - *improved status of The State Bank of Vietnam*



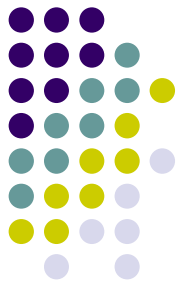
### III. Banking sector reform (cont.)

- Financial restructuring and reforms of organization and operations of the SOCBs:
  - *separation of policy lending from commercial activities*
  - *strengthened competitiveness*
  - *introduction of international standards in terms of organization, governance...*
- Results:
  - *improved financial situation and performance*
  - *resolved the accumulated NPL amount as of the end of 2000*
  - *newly developed products*
  - *improved prudential ratios and competitiveness*
  - *rising credit quality, efficiency and profitability*
  - *4 SOCBs – complete equitization process in 2007 – domestic IPO at the end of 2007, IPO abroad in 2008.*



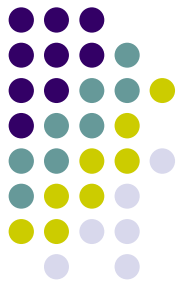
### III. Banking sector reform (cont.)

- Restructuring joint-stocks banks:
  - *strengthening and improving financial positions*
  - *improving credit quality and efficiency to prevent newly arising NPL*



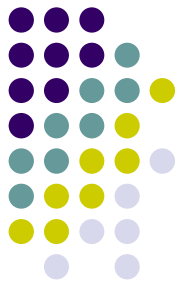
### III. Banking sector reform (cont.)

- Results:
  - *significant progresses in corporate governance, business expansion*
  - *sound and prudent performance, risk management and management information systems*
  - *some strengths in certain areas over the SOCBs*
  - *most of the CAR ratios are in line with international practices; and some from USD60m. USD125m*



### III. Banking sector reform (cont.)

- Higher financial and non-financial conditions in the coming time for the new establishment of JVBs, approaching the regionally best standards;
- Encouraging the participation of strategic partners, merging and consolidation between banks to improve their scope of business, financial strength and competitiveness;
- In line with Basel 1 requirements and gradually adopt Basel 2 and IFRS by 2008.



Thank you for your attention!!!