

VIET NAM

NGUYEN VAN GIAU, Governor

It is my great honor to speak at the 41st Annual Meeting of the Asian Development Bank (ADB). First of all, I would like to express my sincere thanks to ADB and the organizing committee for the excellent preparations. I would also like to thank our host, the Government of Spain, for its hospitality.

Over the past year, the global economy has experienced various complicated developments. The subprime crisis, along with the slowdown of the US economy, has had adverse implications for the global economy, and especially for the Asian economies. Higher prices, particularly for oil and food, have challenged global food and energy security. The financial turmoil that began in the US has brought about numerous global macroeconomic problems, including higher inflation, a demand imbalance, and a gloomy forecast of global economic growth from 4.9% to 3.7%. Major economies, such as the US, Japan, and the European Union (EU), have reset their economic growth goals. In the region, economies enjoying high and sustainable growth, including the People's Republic of China (PRC) and the Association of Southeast Asia (ASEAN) might see growth decreasing from 11.4% in 2007 to 10% in 2008 for the PRC and from 6.5% in 2007 to 5.7% in 2008 for the ASEAN economies

The global economic turmoil has caused countries, including ADB members, to adjust their macroeconomic, financial and monetary policies in an effort to contain inflation pressure, and higher food and oil prices. However, these negative impacts may be mitigated in ADB members thanks to the comprehensive institutional reforms, regional trade facilitation efforts, and high regional demand over the past few years.

The current situation is setting new challenges for both regional and international institutions, including ADB. They will need to take concrete actions to support their member countries, thereby contributing to the continuation of economic stability, and sustaining achievements in poverty reduction. In addition to conducting research and providing warnings, ADB should strengthen its policy coordination with other international institutions, while proposing policy advice and solutions to each member country. ADB, with its operating principle of poverty reduction, should also provide timely assistance for countries to deal the current "hot" issue of food security.

Over the past year, ADB has had numerous achievements, showing its increasing importance and influence beyond the region. ADB has conducted research and provided assessments of global economic developments as well as of factors affecting member countries' economies, and suggested common policy directives. ADB's activities have followed its reform objectives closely and have comprised a series of initiatives to transform ADB into an institution whose

activities and resources are gathered towards development objectives and are suited to the demands of member countries. ADB has been reforming itself to improve its response to the diverse needs of its members, as exemplified by a rapid increase in the number of its field offices from 13 in 2000 to 23 in 2008. ADB continues to undergo robust adjustments in organizational structure and further internal capacity improvement so as to fulfill its mission. ADB has also made great efforts to foster partnership and coordination with other international institutions to improve the efficiency of supporting activities and to reduce costs to its member countries. The role and efficiency of ADB is ranked first in the *Global Accountability Report* by One World Trust according to four dimensions of accountability: transparency, participation, evaluation and response mechanism.

ADB continues to deploy its strengths in technical assistance and lending programs in infrastructure, education, health care, agriculture, and rural areas. Besides granting direct loans, ADB has implemented the regional cooperation initiative, including establishing a successful subregional cooperation model, the Greater Mekong Subregion (GMS), which benefits member countries by improving infrastructure and facilitating trade and investment. Meanwhile, the diversification of loan instruments, along with the adjustment of the new ones, has proved to be more suitable to the existing circumstances of the member countries.

Under the recently approved long-term strategic framework 2008–2020 (Strategy 2020), ADB reaffirms its missions in poverty reduction and economic development while preserving natural resource sustainability, and major and freer market development in an effort to share the mutual benefits of cooperation. ADB should continue asserting its role by using the advantages gained over the past 40 years. It should intensify policy dialogue with member countries, given the recent economic developments; enhance the effectiveness of policy dialogue as well as policy consultations; continue pursuing the goals of job creation, economic development, and life improvement; improve developing countries' access to funds; and work with countries to successfully achieve the Millennium Development Goals. ADB should assist member countries, especially developing countries, through funding and consultations that address food security, ensure the achievements in poverty reduction so far, and mitigate the negative implications of the global economic turmoil.

In order to fulfill its mandate and successfully implement Strategy 2020, ADB should have the corresponding resources. Viet Nam welcomes the results of the negotiations for the ninth replenishment of the Asian Development Fund (ADF X). Looking ahead, ADF remains the main instrument to implement ADB's policies and strategies, especially in poverty reduction. ADB's concessional loans and grants for developing countries with low income per capita and debt repayment capability help improve living standards in these countries. On this occasion, Viet Nam congratulates the strong commitments by donors to ADF X for a better Asia.

In 2007, Viet Nam's accession to the World Trade Organization (WTO) facilitated the deeper integration of its economy into the world economy. The main achievements of Viet Nam in 2007 were as follows.

In 2007, the economy continued to grow steadily and the highest growth rate in the previous 10 years was achieved. There were also positive changes in the economic structure. Economic growth for the year increased to 8.5% (compared with 8.2%–8.5% as planned). Agriculture, forestry and fisheries increased by 3.5%, industry and construction by 10.6%, and services by 8.7%.

Thanks to improvements in the investment and business environment, investment resources for development were mobilized from many sources, especially from foreign direct investment, and public and the nonstate enterprises. The total social fund mobilization for investment in 2007 was up by 16.4% over 2006 and accounted for 40.6% of GDP. Fund mobilization from public and private sources made up 34.4% of the total social investment fund and increased by 19.5% over the previous year. Foreign direct investment was US\$4.63 billion, an increase of more than 17.1% over that in 2006.

External activities and international economic integration achieved results, including broadening of cooperation and improving Viet Nam's position in the international arena. The implementation of international commitments also mobilized funds and facilitated technology transfer and the promotion of exports. Together with the export and import of goods, 2007 also witnessed the promotion of the export and import of services. Services combined export and import turnover in 2007 was US\$12.4 billion. Of this, exports reached US\$6 billion, up by 18.2% from the previous year, and imports were US\$6.4 billion, an increase of 24.9%.

Macroeconomic balances were maintained, facilitating economic stability and development. Budget revenue exceeded projections, and the budget deficit was contained below 5%. Total budget revenue increased by 16.4% as compared with 2006 as expected and accounted for 106.5% of the planned budget. Total budget expenditure increased by 17.9% as compared with the previous year and accounted for 106.5% of the planned budget. The Government's debt indicators and the national foreign debt remained at safe levels. Viet Nam's 2007 overall balance of payments enjoyed a surplus of US\$10.1 billion, more than double the 2006 surplus, improving the international reserves. As of the end of 2007, foreign reserves were equivalent to about 5 months of imports.

In 2007, Viet Nam gave priority to capital market development, with the securities market playing a crucial role. The aim is to increase the ratio of market capitalization to 50% of GDP by 2010 and to 70% by 2020. In 2007, the securities market grew rapidly. About 300 companies have been listed or registered to trade at the Ho Chi Minh Stock Exchange and the Hanoi Securities Trading Center, leveraging market capitalization to 35% of GDP. By the end of 2007, Viet Nam had 557 types of bonds, mainly Government bonds, the total value of which stood at US\$7.1 billion and accounted for 11.67% of GDP. Of the securities investors, 5,570 are foreign individuals and institutions, including such international institutional investors as JP Morgan, Merrill Lynch, and Citigroup.

Economic growth has created favorable conditions for the achievement of social goals. For example, 1.68 million jobs were created, reducing the unemployment rate from 4.82% in 2006 to 4.64% in 2007. The percentage of poor households came down from 18% in 2006 to 14.7% in 2007.

Despite great achievements, Viet Nam is still facing with numerous challenges. These include the low level of growth quality, the efficiency of the economy and competitiveness. Financial market analysis, projection, and monitoring do not yet meet the requirements of rapid and sustainable economic development. The investment absorbing capacity of the economy, although being improved, is not sufficient to mobilize and use investment resources in a highly effective manner. In addition, Viet Nam also needs to surmount challenges in the areas of sustainable environmental protection, public administration reform and anticorruption measures.

2008 is considered a pivotal year for Viet Nam's development to create the momentum for the implementation of the 2006–2010 Five Year Plan and the 2001-2010 Socio-Economic Development Plan.

However, given recent global and domestic economic developments as well as inflation pressure, in 2008, the Vietnamese government gives priority to the following goals: containing inflation, stabilizing the macroeconomy, ensuring social welfare, and promoting sustainable development. Of these, containing inflation is top priority. It is expected that the Government's vigorous anti-inflationary measures will mean that GDP growth rate for 2008 will drop to 7%. However, a slowdown is necessary to restructure and enhance the competitiveness of the economy, and to establish needed fundamentals and momentum in preparation for long-term, sustainable, and high growth for the years to come.

In the past, Viet Nam has been continuously supported by ADB in terms of both financial resources and development policy consultation, as reflected in the country strategy and program for 2007–2009. Intensive dialogue and consultation have been carried out with regard to measures to contain inflation, ensure the "quality of growth" through continued attention to the needs of the poor and ethnic minorities, and sustainable environmental improvement. A significant part of these socioeconomic achievements is attributed to funding support from the ADB.

In 2007, ADB financed eight projects and programs for Viet Nam, totaling US\$1.5 billion, and grants totaling US\$7.8 million. These increased the total amount of ADB financing to US\$5.5 billion as of 31 January 2008. Energy (21.3%), transportation (21.1%), and agricultural and natural resources (17.7%) have attracted the most financing. At a consultative group meeting in December 2007, ADB committed to finance US\$1.35 billion to Viet Nam, which would make it the largest official development assistance donor in 2008. Most ADB programs and investment projects focus on improving living standards, policy reform and institutional enhancement, developing infrastructure and human resources, and strengthening the education and health sectors, which contribute significantly to poverty reduction and socioeconomic development. Viet Nam greatly appreciates the invaluable assistance extended by ADB and other donors. The Vietnamese Government commits to utilizing these financing resources in an effective and efficient manner.

Looking ahead, it is our hope that ADB will work side by side with Viet Nam by providing support in the following areas, among others: socioeconomic infrastructure development; promotion of sound and sustainable financial markets and banking operations; strengthening of health and education sectors; and private sector development. We call for ADB's continued efforts to accelerate the implementation of regional and subregional cooperation initiatives with a view to helping members transform the current transport corridors into economic corridors, thus contributing to economic growth associated with poverty reduction at the subregional level. We look forward to enjoying further support from ADB in poverty reduction and sustainable development.

I would like to take this occasion, on behalf of the Government and people of Viet Nam, to express our sincere gratitude to the Management, Board and staff of ADB for the valuable and continuous support extended to Viet Nam. Finally, I wish you all the best of health and success. May the meeting be a splendid success.