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VIET NAM

Phung Khac Ke, Alternate Governor

It is an honor to speak at the 39th Annual Meeting of the Board of Governors of the Asian Development Bank (ADB). First, I would like to congratulate ADB and the host country India on successfully organizing this meeting. It is my pleasure to visit Hyderabad, which is rich in culture and famous for technological developments. I would also like to welcome Armenia and Brunei Darussalam to ADB.

In 2005, the world experienced a number of unexpected and complicated incidents, including earthquakes, droughts, typhoons, floods, a resurgence of avian influenza, and especially an increase in the price of oil to two-decade highs, together with political and economic unrest in some areas of the world. These factors and the cyclical upward trend of inflation and interest rates weakened global economic growth from 5.1% in 2004 to 4.3% in 2005.

These adverse global and regional impacts and domestic developments, such as unfavorable weather, a resurgence of avian influenza, and the unexpected price hike of essential raw commodities had a considerable impact on the Vietnamese economy, pushing the domestic consumer price index (CPI) upward and having an impact on the achievement of socio-economic targets. However, because of well-defined and flexibly implemented macroeconomic policies and measures, in 2005, the final year of the Socio-economic Development Plan for 2001-2005, the Vietnamese economy performed well, which was acknowledged by our international development partners.

In 2005, the Vietnamese economy maintained a high growth rate of 8.4%, thus contributing to the achievement of a GDP average annual growth rate of 7.5% as set out for the 2001-2005 period. The total export value in 2005 reached \$69.42 billion, an increase of 18.8% against 2004, while the import deficit narrowed significantly in terms of both absolute number and portion of the total import value. Total budget revenues in 2005 were estimated at \$13.2 billion, an increase of 16% against 2004, supplementing the resources for infrastructure, production, economic growth and poverty reduction. The ratio of poor households was significantly reduced. However, according to Viet Nam's new poverty line, this percentage was still high: 23% in 2005 against 24.1% in 2004. The developing economic environment helped to generate 1.14 million new jobs in 2005, hence reducing the urban unemployment rate from 17.5% in 2001 to 5.3% in 2005.

In addition, in 2005, the Vietnamese Government continued its strong reform efforts in order to accelerate our international economic integration. It also carried out reforms to state-owned enterprises (SOEs) and the financial sector, namely the passage by the National Assembly of the Unified Enterprise Law, the Common Investment Law, the Procurement Law and the Anti-Corruption Law. These laws were in line with international practices and



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were designed to create a favourable investment environment and a level playing field for enterprises; to support the development of the private sector; to issue prudential banking regulations in line with international practices; and to make efforts to resolve non-performing loans in the banking system in parallel with the restructuring of state-owned commercial banks (SOCBS), notably the Government's decision to equitize two SOCBs.

In the new 5-year Socio-economic Development Plan for the 2006-2010 period, the Government consulted and worked closely with bilateral and multilateral development partners in order to define new development directives. The general development objectives in this period are: (i) socially fair and sustainable development with the targeted GDP average growth rate of 7.5%-8%; (ii) generation of around 8 million new jobs with an average of 1.6 million per year, and a reduction in the percentage of poor households to 10% by 2010, according to the new poverty line; (iii) a focus on economic restructuring, with the industrial, construction and service sectors accounting for 80% of GDP; (iv) completion of the SOE restructuring process and continuation of the restructuring of the financial sector; (v) support for the development of the private sector, particularly small and medium-sized enterprises (SMEs); (vi) strengthening international economic integration and cooperation, and promoting cooperation with bilateral and multilateral strategic partners; and (vii) strengthening administrative management and resolutely fighting against corruption.

In order to achieve these objectives in the 2006-2010 period, the Government will have to encounter a number of challenges, particularly fair and sustainable development, improving the competitiveness of the economy, promoting changes to the economic structure, effective mobilization and usage of resources, and completing negotiations for WTO accession. We would therefore greatly appreciate further support from the international community in order to achieve our set targets.

The Vietnamese Government values the efforts and support of ADB to member countries highly. Under the medium term strategy I (MTS I) in the 2001-2005 period, ADB made remarkable achievements, particularly in such areas as infrastructure, agriculture and rural development, human resources development, and poverty reduction support in regional member countries. However, a strongly developing economic environment and increasingly deeper international economic integration in regional member countries requires ADB to face new challenges and operational targets. These include (i) further improvement of the investment environment to meet increasing and more diversified investment demand in order to maintain a high economic growth rate; (ii) socially comprehensive economic development, narrowing the increasing gap between the rich and the poor; (iii) further promoting regional cooperation and integration; (iv) development of a sustainable environment; and (v) improving governance and the anti-corruption fight. Against this background, MTS II for the 2006-2008 period identified five priority strategic areas that ADB must pursue in the next period, especially measures to improve the investment environment and socially comprehensive development. We fully agree and support ADB's efforts to implement MTS II, which will define its overall operational direction for the 2006-2008 period. In addition, the Greater Mekong Subregion Program (GMS) initiated by ADB is a successful model of subregional cooperation. Viet Nam hopes to enjoy further support from ADB for GMS projects to improve the effectiveness of this initiative.

We acknowledge that ADB and regional member countries face common challenges. With the supportive and catalytic role of ADB, and strong cooperation from member countries, together we can resolve issues of common interest and, thereby, contribute to the achievement of sustainable poverty reduction objectives and comprehensive economic development targets. The Vietnamese people and Government acknowledge and appreciate the importance of ADB's support for our programs and projects in key areas over the past years. In future, we hope to enjoy more support from ADB to help us achieve the targets of

development, poverty reduction and integration, in line with the operational directions of MTS II in the 2006-2008 period.

On behalf of the Vietnamese people and Government, I would like to extend my sincere thanks and appreciation to ADB's Board of Directors and staff for your continuous and much appreciated support given to Viet Nam.