

## **MINISTRY OF FINANCE**

### **Capital market development in Vietnam**

In recent years, the Government of Viet Nam has intensively pushed forward comprehensive reforms in all aspects, including socio-economic and administrative reforms. Aiming at rapid and sustainable economic growth while pursuing social equality and environment protection and improvement, Viet Nam's economy has achieved sound and stable growth.

In year 2007, inspired by difficulties in natural disaster, dangerous diseases and complicated performance of world economy; high increases in crude oil prices, critical production material prices, Vietnam economy could achieve the highest level of growth for 11 years and belonging to the group of countries who have highest economic growth in the region. The social area has gained good achievements, especially the poverty reduction has been highly appreciated by international community. Besides the achievements, in 2007 and the first months of 2008, due to the effects of world economic fluctuation, Vietnam economy has been facing with difficulties, especially the exports and domestic consumption index. However, the macro economic balances are under control, the targets of growth and investment are achieved.

The good achievements in social economic development have been gained with the active contribution of capital markets in Vietnam, which help to mobilize domestic and foreign financial resources to invest efficiently for development, and maintain the macro stabilization.

After 7 years of operation, Vietnam securities market has been developed stably. The market has gained good progresses in two recent years, which create the prerequisite for next development. Through securities market, fund raising is improved to contribute for the development of enterprises and economic growth. The policies, solutions applied and adjusted during implementation have been proved for a better regulation of the market, which link to the performance of general economy.

For the scope of market, by December 31<sup>st</sup>, 2007, there are 253 companies have been listed and registered for transaction on security market. The total value of transaction on both trading floors is about 40% of GDP. In

general, after equitizing and listing on security markets, enterprises remain good growth and profit rates.

In early months of 2008, go parallel with the recession of world stock exchanges, Vietnam security markets are affected. However, with the continuous economic growth, the stable investment policies and the relevant solutions for development of security markets, which will help Vietnam security markets steadily growth and stabilization.

The intermediates operate on the security markets are increasing in number and step by step improving their performance quality. There are 75 licensed security companies, 24 licensed fund management companies who provide services on the markets.

Vietnam bond markets are quite developed with various types of bonds (Government bonds, local government bonds, enterprise bonds and bank bond) total outstanding of about 17% of GDP. In 2005, the first issuance of Government bond to the international market has been completed successfully with the amount of USD 750 millions. This is good start for Vietnam for its next issuance to international capital market.

Fast and stable growth of insurance market has certain contributions to GDP growth. Total turnovers of insurance industry for period 2001 – 2007 increased at average of 30%/p.a; in 2007 the turnover accounted for 2% of GDP, increased by 16% as compared to 2006. The total amount of investment by enterprises invested back to the economy increased by 25% as compared to previous year.

During recent years, the insurance markets have been formed steadily with all market components. There are more than 40 insurance enterprises, insurance brokers with different types of ownership, which the chartered capitals is VND 16,000 billions. Quality of insurance products and services have been improved gradually to serve better for demands of economy and people's life.

For state – owned enterprises reform:

Up to now, the process of equitization and reform of SOEs sector has gained significant results. The legal frame work for SOEs restructuring and

equitization has been improved continuously to fit to reform process and to promote the enterprise restructuring and equitization, especially the method of price bidding for the first issuance of enterprises' stocks has eliminated the mechanism of "Close equitization "of enterprises.

For implementation of Government's guidance, the equitization of large number of SOEs and the changing of corporate governance have improved the efficiency of enterprises' performance and lighten the burden for State Budget. Most of enterprises conducted their equitization with price bidding for its first issuance of stocks through stock exchange and securities trading center and financial intermediaries. This method not only contributes to the improvement of objectiveness, transparency of equitization process but also to the link of equitization process with the development of securities market during recent time. With the selling out of stocks to outsiders, the equitized enterprises took the initiative in selecting of their institutional investors to improve the enterprises' efficiency.

During recent time, number of general corporations have been equitized, such as: Vietnam Import, Export Construction Corporation (Vinaconex), Trading and Construction Corporation, Informatics and Electronics Corporation, Vietnam Insurance Corporation (Bao Viet), etc. Some big economic groups have been set up, such as: PetroVietnam, EVN, VNPT, Coalimex, Vinashin, Vinatex, Rubber Corporation, Bao Viet Financial, Insurance Group. Some other big enterprises, corporations have prepared or finished their process of equitization, such as: Vietcombank has successfully completed its IPO in January 2008, and preparing for its shareholders' meeting, Saigon and Hanoi Liquor, Beer and Drinking have completed their preparation for initial selling out their stock to public...

To push up the economic reform comprehensively, in coming period, The Government of Vietnam will continue to strengthen the development of capital markets on following aspects:

(1) To complete the institutional. Policy and legal framework, to strengthen the inspection and monitoring for healthy and sustainable development of securities market, to facilitate for enterprise's listing on domestic and international stock exchanges. To research for linking Vietnam stock exchange with regional securities trading centers and having cross listed with some eligible companies.

(2) To improve business environment, build up corporate governance capacity and improve the human resources in order to strengthen the dynamic participation of private sector in our economic development. To complete monitoring mechanism, including early warning system to less efficient enterprises.

To speed up the process of SOEs' reform, link equitization to listing, registering on securities markets. To implement the equitization and listing of some big enterprises and corporations in areas of banking, insurance, telecommunication, electricity, etc. To continue reforming in banking sector, to improve financial capacity and competition of domestic insurance enterprises, opening up the participation of foreign insurance enterprises as committed time frame. The target to 2010, the ratio between insurance premium to GDP is 4.5% , total capitals invested back to economy increase 14 times compared to 2000.

(3) To develop legal frame work with instruments for healthy monitoring on the basic of development of clear data for the evaluation and regulation of financial services markets. To improve the legal frameworks in financial, banking, accounting, insurance, auditing to ensure the stable, sustainable development of markets under the integration conditions.

(4) Closely link monetary policies with fiscal policies; harmonize the purpose of mobilizing funds for economic growth, sustainable capital market development with macro economic stabilization, inflation control, and national financial security.

With Vietnam's social – economic development strategy in coming period, and the direction for strengthening comprehensive economic reform to meet the challenges of integration, I believe that Vietnam will come over the challenges and make use of advantage and take up the opportunities for economic development./.