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Statement by the **HON. LE DUC THUY**,  
Governor of the Fund for **VIETNAM**,  
at the Joint Annual Discussion



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*Your Excellency Mr. Chairman,*

*Your Excellency, the IMF Managing Director and the WB President,*

*Your Excellency the Governors and Distinguished Guests.*

Let me start by expressing my congratulation to Singapore on hosting the Annual Meetings this year, and my heartfelt gratitude to the beautiful island and the Organizing Committee for their great efforts to make such perfect preparation for this important event. On behalf of the delegation of the Socialist Republic of Vietnam, I would also like to take this opportunity to extend my warm greetings to the Chairman of this year's IMF/WB Annual Meetings. We are all grateful to the two leading international financial institutions for their outstanding work in assisting their member countries to ensure financial stability, sustainable growth and poverty reduction in the past time. I wish our 60<sup>th</sup> Annual Meeting a splendid success.

*Ladies and Gentlemen,*

One year after the 2005 Annual Meetings, we are happy to celebrate the uninterrupted strong growth of the world's economy. African member countries are witnessing ever high growth since 1970s to reflect a clear evidence that the developing world is making an increasing contribution to the global economic growth. The Asia – Pacific region, comprising of dynamic economies, is showing a more and more important role in the world economy. While the striking growth achievements by the Euro Zone have brought about great surprise to all, the Latin American economies started recovering in the first half of this year. The American economy continues to expand, however, the global imbalance still remains as a huge challenge. The high oil price, full of unexpected upheavals, has required a comprehensive solution to stabilize the supply of this number 1 energy. The search for an alternative and environmentally favourable fuel source has been mentioned almost everywhere.

Our last Annual Meetings adopted the Fund's Medium – Term Strategy with a view to enhance surveillance, adjust lending facilities to meet the changing needs of its

member countries, and improve the Fund's governance and capacity as well as operations within the Fund. At the last Spring Meetings, we also heard the Managing Director's report on the implementations of this Strategy. Over the past year, the Fund has taken extensive steps in implementing the Strategy through efforts to mitigate the global imbalances and assist member countries in dealing with their national difficulties. Vietnam wholly supports these efforts and hopes that the IMF will speed up the implementation of the main substances of the Strategy, especially the Quotas and Voice Reform. This is a proper plan and with a successful implementation, it will make the Fund better reflect member countries' position in the world economy, to echo the voice of the low-income member countries, thereby strengthening the credibility and efficient operations of the Fund to ultimately result in benefit for all the member countries.

Vietnam welcomes the WB's efforts to continue the implementation of the policies mapped out in the previous years of which the African Action Plan is considered as the first operational priority in the past year. At the same time, we also appreciate the Bank's Multilateral Debt Relief Initiatives and the IDA's non-commitment program. The WB's policy in enhancing engagement in governance and anti – corruption as well as the Sanction Reform Plan which serves to promote aid effectiveness is absolutely necessary. However, Vietnam emphasizes that the observation of the Bank's legal framework and the Articles of Agreement must be in parallel with the respect for the member countries' national sovereignty; the member countries' governments should be treated as the highest representatives, with neither intervening in the internal affairs of the member countries nor punishing any member country for its weakness. These are crucial prerequisites for the aid recipient member countries to make full use of the precious assistance of the international community to obtain successes in poverty reduction and timely meet the Millennium Development Goals.

Strengthening the Bank – Fund cooperation is key to the assistance for middle and low income member countries. The WB and the IMF are working closely on various fields, namely trade and finance, public spending and medium – term growth, debt and so on. While the IMF's mandate is policy advice and macroeconomic stability, the WB focuses on structural and sectoral aspects, therefore, a harmonious cooperation between the two should bring about a considerable aid commitments to their member countries and keep these commitments stable. The Debt Relief to the Highly Indebted Poor Countries Initiative, the Multilateral Debt Relief Initiative, the Bank – Fund Debt Sustainability Framework, the Financial Sector Assessment Program, etc are all the results of the effective cooperation between the IMF and the WB. We hope that this cooperation will continue to be consolidated to ensure the world economic stability, to

promote investment for sustainable growth and assist member countries in strengthening their financial system and minimize any risk of financial crises in the future.

*Ladies and Gentlemen,*

The world economy adverse developments in 2005 brought about great impacts on Vietnam's economy, namely among other things increasing CPI and hindering the fulfillment of the Government's social – economic targets. However, the macro-economic performance generally appeared strong in 2005. Despite the avian flu outbreak and unfavorable weather conditions, our real GDP growth rate was 8.4%, the highest level for the last 9 years. In 2006, agricultural production has suffered a decline due to the foot and mouth disease epidemic, crop diseases and continuous natural disasters. In addition, the rising price of crude oil and some key raw materials has put pressure on the input cost of domestic goods and services, thus raising the consumer price. However, right from the beginning of this year, Vietnam continued to witness robust and stable economic growth thanks to the Government's proper direction and the great efforts made by various ministries and provinces together with external assistance, hence meeting the average 7.5% GDP growth target set in the 5-year (2001 – 2005) Social Economic Development Program.

In the banking sector, one striking feature is the Vietnamese Government's adoption of "The Targets and Solutions to Develop the Banking Sector to 2010 and Directions to 2020", to include such main objectives as developing the State Bank of Vietnam into a modern Central Bank, substantially reforming and comprehensively developing the credit institutions system in an advanced and universalized manner to reach the fairly good level of the ASEAN banking system. The banking sector in Vietnam is stepping up its reform, strengthening the financial capacity of the commercial bank system, improving the legal system in financial and monetary activities to establish a transparent and level-playing field in order to stimulate competition and ensure the safety of the whole system.

The year 2006 is the first year of the 5-year (2006 – 2010) Socio-Economic Development Plan and a year of many political, social and economic events of great importance to Vietnam. My country will surely face new opportunities and challenges, especially when our WTO accession is about to take place.

It could be said that to fulfill the targets set out in the 5-year (2006 – 2010) Socio-Economic Development Plan, the Vietnamese Government will have to deal with many challenges, especially the need to ensure equal and sustainable growth, the competitiveness of the economy, the pace of economic structural transformation, effective mobilization and utilization of all social resources and coping with the post WTO accession issues. The Vietnamese Government and people are determined to pursue the outlined reform roadmap, to develop a really market-based economy, to ensure a parallel between the high rate and good quality of economic growth. We hope that by implementing a plan based on broad consultation and thorough consideration of the reality, Vietnam will achieve the sustainable economic growth target, comprehensively reform the SOEs and the SOCBs, substantially improve the business environment, step up and improve investment, bring about a new momentum in external economic cooperation, get prepared to overcome the huge challenges following Vietnam's WTO accession and bring Vietnam out of the low – income country group as soon as possible.

It is my strong belief that the great determination and efforts of the Vietnamese Government and people in order to overcome the challenges ahead to reap sustainable economic growth, to raise the living standard of our people and integrate into the world economy will enjoy active support from the international community, especially the WB and the IMF. Once again, on behalf of the Vietnamese Government and people, I would like to express our sincere thanks the Boards and staff of the Bank and the Fund for their precious and continuous assistance to Vietnam.

*Thank you!*