



Governor's Statement No. 12

October 10, 2014

Statement by the Hon. **NGUYEN VAN BINH**,
Governor of the Fund for **VIETNAM**

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Honorable Chairman,
Md. Christine Lagarde - Managing Director of the International Monetary Fund,
H.E Jim Yong Kim - President of the World Bank Group,
Distinguished Governors,

Ladies and Gentlemen,

First of all, I am very pleased to represent the Government and the State Bank of Vietnam in addressing this meeting of the Board of Governors of the International Monetary Fund (IMF) and the World Bank Group (WB). We are meeting here today to discuss global economic developments and challenges, and how the Fund and the Bank can help us address these issues. As we are all aware, the global economy has become increasingly integrated that any concern rising from one part of the world might affect economies in other parts, including our own countries. Therefore, it is our responsibilities to closely work together in order to maintain financial stability, promote sustainable growth, and bring about prosperity.

I. Global economic developments

Global economic growth for 2014 is expected to be moderate and uneven mainly due to financial market volatility, geopolitical tensions, and unresolved structural problems. Since the second quarter of the year, the global economic growth has notably picked up its momentum with highlights in the US and UK (2.1% and 3.1% respectively). However, this recovery is still slower than expected and yet to be in comfort, particularly in the Euro area.

In 2014, financial markets continue to be exposed to downside risks that can worsen financial conditions such as geopolitical risks, internal and external vulnerabilities, strong capital flow volatility for emerging and frontier economies, weak demand and low inflation in advanced economies. These risks have shown signs of re-emerging and threaten to stagnate growth. At this junction, we must accelerate structural reforms and fiscal consolidation while maintaining accommodative monetary policies to prepare the ground for a solid economic recovery in 2015.

II. IMF/WB roles in recent developments

In this context, we highly appreciate the critical role of the IMF and the WB in promoting economic development and safeguarding financial stability during the challenge period of the global economy. In 2013/2014, it shows the efforts of the IMF and WB in addressing global challenges, coordinating and advising development

strategies and macro-economic policies. We are grateful for the support that the Bank and the Fund have extended to us over the years.

We welcome and appreciate the Bank's efforts in implementing 4 new directions of: (i) reducing extreme poverty; (ii) promoting shared economic prosperity; (ii) improving efficiency of investment activities; (iii) combining strengths of resources from the WB to maximize development impact. In particular, the Bank has been able to mobilize 51.96 billion USD in the IDA 17 (up 5.5% compared to the IDA 16), to meet the needs of IDA borrowing countries. We believe that the Bank's recent activities are consistent with its strategies. These activities has supported member countries especially in the context of tightened financial conditions internationally. We also appreciate the Bank and its shareholders for reaching consensus to implement a flexible mechanism to help optimize the use of WB resources. We strongly support the Bank to commit these valuable resources to support: (i) inclusive growth, (ii) gender equality, (iii) climate change, and (iv) crisis prevention mechanism.

As a large IDA recipient, Vietnam pledges to utilize this valuable resource effectively to promote poverty reduction and support socio-economic development. We hope that the WB will continue to support us so that we can have both the resource and the motivation to achieve development goals and successfully graduate IDA in the future. Asides from the financial support, we hope that the WB will provide more technical assistance and policies advice for member countries who have just obtain medium-income status such as Vietnam to avoid middle-income trap and continue on the road of sustainable growth.

In recent years, the Fund has developed important changes in its lending facilities in order to response to crisis quickly and flexibly. The changes has resulted in a number of lending programs with a total committed amount of up to 140 billion USD, and many technical assistance to monitor financial sector reforms in member countries such as Ireland, Greece, Portugal, and Spain. In addition to the new lending facilities, we also welcome the Fund's efforts in reforming its governance such as quota formula, budget and income reviews with a commitment to increase the representation of dynamic economies and strengthen the voice of low-income countries. We hope to see notable progress in this respect in the near future. We also highly value and hope the Fund will further strengthen its technical assistance to improve macroeconomic policy management capacity, strengthen regional and international collaboration, to better assist member countries.

III. Vietnam economic developments

In 2014, the improvement of global economic growth has created favorable conditions for Vietnam to enhance economic stability. However, Vietnam economic growth remains below its potential due to weak domestic demand, difficulties in business activities, and high inventory. In this context, the Government is determined to preserve macroeconomic stability, promote economic growth, and accelerate economic structural reforms to improve efficiencies and competitiveness.

Thanks to remarkable effort of the Government in implementing comprehensive economic reforms, Vietnam economy has achieved many encouraging and positive outcomes as the followings: (i) economic growth signals strong recovery and remains stable. 2014 GDP growth accelerates gradually quarter by quarter (Q1-5.09%, Q2 – 5.42%, Q3 – 6.19%) and is projected to be higher than that of 2013 and continue to increase in 2015; (ii) inflation has been successfully subdued with 9 month CPI at 4,61% y-o-y, the lowest level in the past 10 years; (iii) interest rates continue its declining trend to facilitate business and production activities; (iv) export growth increases by 14.1% y-o-y, benefiting from a gradual recovery in advanced economies; (v) international reserves reach its highest level since 2011 (increased by almost five-fold) and are expected continue to increase from now until the end of 2014. Despite these positive developments, our Government commits to accelerate economic structural reforms in order to achieve the target of macroeconomic stability and sustainable growth.

We would like to once again take this opportunity to thank the Bank and the Fund for standing together with the Vietnam's Government through ups and downs. We reaffirmed our commitment to work together with the Bank and the Fund in achieving our own targets contributing to the global socio-economic developments and stability.

Thank you.