

INFORMAL MID-YEAR CONSULTATIVE GROUP MEETING FOR VIETNAM *BUON MA THUOT, JUNE 8, 2009*

News Release

Contacts:

In Buon Ma Thuot: Nguyen Hong Ngan - 0912225429

E-mail: nnguyen5@worldbank.org

Vietnam's economy is holding better in the economic slowdown, challenges remains ahead.

Buon Ma Thuot, June 8, 2009 - The one-day mid-year informal Consultative Group (CG) meeting for Vietnam was held today, with donors expressing their satisfaction with the Government's handling of the recent economic turbulence, and vowing their continued support to Vietnam so that the country can come out of the economic crisis in a stronger position.

At the meeting, the Government and donors jointly reviewed Vietnam's recent macroeconomic orientations and policies and the social impacts of the recent economic slowdown on the society. They also heard reports from the Vietnam Business Forum held prior to the mid-year CG. In the afternoon, the delegates reflected on the report from the Anti-Corruption Dialogue, discussing the importance of good governance and anti-corruption efforts. Future challenges to Vietnam with regard to climate change, as well as how to improve aid effectiveness, were also on the agenda of the meeting.

H.E. Deputy Prime Minister Pham Gia Khiem opened the meeting by taking stock of the implementation of the government's recent stimulus package, commenting on its impacts on the economy, and the challenges from the domestic and international environment. The Deputy Prime Minister briefed the donors on the current situation of poverty in Vietnam amidst the economic slowdown, and called on the donors to provide further support. *"I would like to ask donors to pay attention to the fact that due to the economic difficulties, many households, who have escaped poverty, now face the risk to poverty relapse, and that erodes the efforts that the donors, the Government and the Vietnamese people have exerted so far."*

Minister of Planning and Investment, Mr. Vo Hong Phuc, provided an update on socio-economic developments so far this year, and drew attention to the significance of the venue of the meeting. *"The fact that the Mid Year CG meeting is organized in Buon Ma Thuot this year shows not only the Vietnamese Government's determination to accelerate a sustainable economic and social development throughout the country, it also shows our hope that the donors will make strong contributions to the development of the Central Highlands, where the economy remains underdeveloped, lives of ethnic minority communities stays hard, and the poverty rate is still high."*

In her opening speech, Ms Victoria Kwakwa, the World Bank Country Director noted that *"times of difficulties and challenge are also the time of unique opportunity. We believe that the ongoing economic downturn does indeed provide such a unique opportunity for Vietnam. The crisis has highlighted where some of the weakest links in the country's socio-economic development lie. Vietnam has the opportunity to boldly address these weaknesses and turn them to strength, improve the resilience of the economy and position the country for even stronger and more inclusive growth in a global environment that is increasingly competitive and prone to instability."*

MACROECONOMIC MANAGEMENT

Delegates noted that Vietnam faces various challenges brought about by the sluggish global economic situation. Although there are signs that the situation is bottoming out, the Government was encouraged to pay close attention to the developments in the national and global economy.

“The IMF notes that Vietnam is weathering the current global crisis relatively well” said **Mr. Ben Bingham, the IMF Senior Resident Representative**. However, some adjustments in policies were needed to preserve macroeconomic stability. In addition to tightening monetary policy to rein in credit growth and provide greater support to the Dong, the IMF stressed the need for the government to agree with the National Assembly on a revised fiscal plan for 2009 *“one that addresses concerns that the government financing requirements be contained to levels consistent with maintaining macroeconomic stability.”*

Delegates also encouraged the Government to use the forthcoming Law on the State Bank, the Law on Credit Institutions, and the State Budget Law to advance reforms that will modernize monetary and fiscal management in Vietnam, as well as upgrade bank supervision.

“With some positive signs both globally and in Vietnam, we note that there is optimism that the worst period is over, said **ADB Country Director to Vietnam, Mr. Ayumi Konishi**. *“Macroeconomic stability and acceleration of reforms including that of SOEs will lead to greater confidence, which in turn will mitigate adverse impacts of the global economic downturn on Vietnam,”* he talked.

Delegates commended the Vietnamese Government to protect its efforts for macroeconomic stability, paying particular attention to alleviating the economic burden on the poor and other vulnerable group. **Mr. Sakaba Mitsuo, Japanese Ambassador** remarked: *“In this connection, it was appreciated that the Government of Vietnam included in its economic stimulus package measures to strengthen social security, along with those for economic growth”*.

VIETNAM BUSINESS FORUM

Reporting on the outcomes of the Vietnam Business Forum (VBF), **Mr. Nguyen Van Lan, from the International Finance Corporation**, reminded participants that the business community remains committed to investing in Vietnam, but also expresses concern over the legal framework, which still lacks details and clarity. *“The business community,”* Mr. Lan added, *“requests to be better and more timely consulted in the drafting of legal framework governing the business climate in the future”*.

SOCIAL IMPACTS OF THE ECONOMIC SITUATION

Delegates positively noted the Government’s efforts to mitigate the social impacts of the economic slowdown, but also said that more was needed in the case of vulnerable groups. They also stressed the importance of reliable and timely data, for instance from regular labor force surveys, which would support better targeted policy responses.

The **United Nations Resident Coordinator, Mr. John Hendra** stressed the importance of data collection for policy making. *“One of the things that the economic crisis has already shown is the real need for enhanced data collection and information systems in Vietnam to better monitor the social impacts of the economic crisis, and how it is impacting specific groups, such as women, children, ethnic minority and migrant workers. This kind of data is essential to ensure that policy responses are evidence-based and appropriate.”*

Meanwhile, the **DFID Chief Representative to Vietnam, Ms Fiona Lappin**, welcomed the government's efforts towards a better targeted, more inclusive and more streamlined social protection system. However given the problems facing the poor, and migrant workers, she *"urged the Government to bring forward a long term social protection system backed up by regular, good quality data and analysis."*

ANTI-CORRUPTION

The Ambassador of Sweden, Mr. Rolf Bergman, said that the most important and efficient way to fight corruption is to promote transparency and accountability throughout Government processes. *"Transparency and access to information are most needed for an efficient use of resources and good results."*

The Ambassador also emphasized the need to translate a vision into practice. *"The question is how to bring the Anti-corruption Law and the Anti-corruption Strategy into the life of each government officials, civil servant and ordinary citizen still needs to be addressed,"* he said.

CLIMATE CHANGE

The government and development partners agreed that climate change will pose new threats to the well-being of the Vietnamese population, especially for people living in low-lying and coastal areas. *"We commend the government on the measures taken to ensure the implementation of the National Target Program to response to climate change,"* said **Mr. Peter Lysholt Hansen, Ambassador of Denmark**. He also urged the government to *"start 'climate proofing' of investments, to publicize the climate scenarios models and to develop a climate change mitigation plan"*, used by Government.

HARMONIZATION AND AID EFFECTIVENESS

Vietnam's development partners congratulated the Government on its continuing commitment to improving the effectiveness of aid.

The Australian Ambassador, Mr. Allstar Cox, the lead discussant on development aid effectiveness, said *"The global economic crisis brings into focus how important it is to effectively use available resources, including ODA."* Mr. Cox added that *"the development partners welcome the Government's preparedness to take the aid effectiveness agenda to a new level that is appropriate to Vietnam's imminent middle-income status and in the context of the next SEDP 2011-2015."*

In the concluding speech, **Minister of Planning and Investment, Mr. Vo Hong Phuc** expressed appreciation of the sincere, frank and open dialogue of the donor community towards issues practical to Vietnam's development, especially against the background of the negative impacts from the global financial slowdown and economic crisis, the challenges of climate change and Vietnam's transition toward middle income status, and how to improve the effectiveness of ODA projects. The Minister noted that *"the Government highly appreciates ODA resource, considering it a stimulus measure in the crisis. The government is committed to provide enough counter funding, as one Dong in counterpart funding attracts four Dong in ODA."*

The delegates to the Mid Year Consultative Group Meeting 2009 noted the efforts by the Dak Lak provincial authorities and people in contributing to the success of the meeting.

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