

## **DISCUSSION PAPER**

**by**

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Mr. Chairman,  
Participants of the Forum,

First of all, on behalf of the Government of Vietnam, we would like to extend our best wishes to you all.

In the discussion today, we'll be discussing how to make policies be aligned with and support development objectives. Related to this, we are very please to share with you about the management of policies by Government of Vietnam in implementing the 5 year socio-economic development plan (SEDP) for the past five years as well as the key results achieved in meeting the millennium development objectives.

The 2006-2010 5-year SEDP of Vietnam is implemented in the context of unstable international and domestic economic situation with a lot of complicated developments.

The objectives set from the beginning of the period are: to accelerate the economic growth rate to achieve an average annual growth rate of 7.5%-8%; to strive so that the GDP per capita reaches US\$1,050-1,100 in 2010 in order to bring Vietnam out of the status of an underdeveloped country.

In the first two years of plan implementation (2006-2007), there was smooth economic development, with a fairly high economic (GDP) growth rate (GDP 2006: 8.23%, GDP 2007: 8.46%).

However, since the beginning of 2007, there have been complicated developments in the international economy, which has been unstable, leading to heavy impacts on all aspects of the socio-economic life of Vietnam; especially, in the early months of 2008, prices were rising fast, leading to a risk of high inflation. In this situation, the Government of Vietnam has been

flexible in managing financial and monetary policies under each specific condition and has been mobilising, to the farthest extent possible, domestic and overseas resources to support the implementation of development objectives, as well as harmonizing policies on stabilizing the macro-economy with policies on ensuring social support and security. The Government of Vietnam has set groups of broad solutions for controlling inflation and stabilizing the macro-economy, for maintaining sustainable growth and striving to achieve reasonable growth target, and for strengthening social order. We have been implementing policies on cutting or reducing public expenditures, managing tightened monetary policies, reforming public administration and preventing and combating corruption, as well as implementing various policies on supporting the poor and marginalized groups in order to reduce the impacts of price increase and high inflation. Thanks to that, the economic growth rate of 2008 was 6.3%, the increase in the retail price index was kept at 19.9%, and people's life was quite stable. The solutions and policies adopted by Vietnam in this period have been highly appreciated by the international community.

At the end of 2008, when the world was sinking into a global financial crisis and economic recession, the Government of Vietnam was aware of and able to forecast the trend and promptly put forward urgent policies and solutions in order to prevent the decline and to maintain macro-economic stability, proactively prevented the return of high inflation and thus able to ensure social security. In 2009, the Government of Vietnam implemented packages of economic development stimulus through policies on subsidization of credit interest, tax exemption and reduction, encouragement of support as well as policies on boosting demand for investment and consumption; at the same time, the GoV continued to implement policies on ensuring social security, employment generation, and poverty reduction. Thanks to this, the economic growth rate was still above 5.3%, and the retail price index only increased by 6.5% despite the difficult conditions.

In 2010, the Government of Vietnam has continued to work out solutions to recover the high economic growth rate so that it is higher than 2009 (it is expected that the GDP (economic) growth rate will reach 6.5-6.8%), to enhance macro-economic stability, to improve the quality of growth and to continue to prevent the return of high inflation.

Besides the ad-hoc policies and solutions for each circumstance, in the 2006-2010 period, Vietnam has been undertaking various systematic solutions and policies for boosting growth, with a great emphasis on global partnerships, and thus has established international partnerships for development, as well as been implementing policies of open and extensive diplomatic relations, diversification and multilateralisation. Thanks to that, in the 2006-2010 period, the Government of Vietnam has attracted considerable external resources, of which ODA and FDI must be mentioned; especially in 2008-2009, in the context of financial crisis and global economic recession, Vietnam was still able to attract quite considerable ODA and FDI resources. To be specific:

In terms of ODA resources: The total ODA amount committed by donors in the 2006-2009 period was over US\$ 23.9 billion. The amount committed increased year by year, and reached a record level of nearly US\$ 8.1 billion at the 2009 Consultative Group Meeting (in 2006: US\$ 4.4 billion; in 2007: US\$ 5.4 billion; in 2008: US\$ 5.9 billion). This shows the agreement and strong political support of the international community to the reform and the right development policies of Vietnam. In the 2006-2009 period, the ODA amount signed in specific International treaties reached US\$ 17.3 billion, accounting for over 72% of the total ODA amount committed for this period. The total ODA amount disbursed was US\$ 10.3 billion, equivalent to over 43% of the total ODA amount committed and to 59.7% of the total ODA amount signed for this period. Disbursement of ODA capital has been on a positive trend, with the amount disbursed increased year by year (in 2006: US\$ 1.8 billion; 2007: US\$ 2.2 billion; 2008: US\$ 2.3 billion; and 2009: US\$ 4.1 billion, which is the highest disbursement figure so far). The grant ODA, through technical assistance, has helped the Government of Vietnam to develop and improve the institutions in many aspects of socio-economic management (Laws, Government's Decrees, legal documents of Ministries and agencies); advanced technology and management experience have been transferred, and the capacity of managers at different levels has been improved. Most ODA loans have been utilized in such areas as energy and industry, transportation, communication, post and telecommunication, urban development and sanitation, health, education and environment and natural resources. In general, the ODA resources have been serving as an important

contribution to the implementation of directions for socio-economic development set by Vietnam in the 2006-2010 period.

In terms of FDI, in the 2006-2010 period (or 5 years), the total amount of newly registered and additional FDI is estimated at US\$ 150 billion, 7 times higher compared with the 2001-2005 period; the amount of FDI capital in 2007 was 1.7 times higher than that of 2006, and in 2008, the figure was 3.4 times higher than that of 2007 (US\$ 71.7 billion). In the 5 years, the total FDI amount disbursed has reached nearly US\$ 45 billion, which is 77% above the target.

With the adoption of systematic policy solutions as mentioned above, Vietnam has been able to overcome difficulties and challenges brought about by the financial crisis and economic recession. The results achieved in the 5 years of the 2006-2010 period have been quite impressive. By maintaining a fairly high average annual economic growth rate of about 6.9%, and a GDP per capita of about US\$ 1,200 in 2010, Vietnam has moved out of the status of an underdeveloped country to the status of a mid-low income country. There have been good development rate in all sectors. The macro balances of the economy have been ensured: State budget revenue has been fairly high, and there have been continuous surpluses in foreign currency balances and national balances of payment. The indices about Government's debts and national foreign debts are still in the permissible or safe limits. Vietnam has been able to mobilize various sources of capital to support development investment under very difficult conditions, and on average, the total investment capital mobilized for the past five years accounts for 42.9% of the GDP. Fairly good results have been achieved in terms of meeting social and environmental targets.

Especially, in meeting the Millennium Development Goals by 2010, Vietnam has achieved the majority of MDGs that the country has committed with the international community. Especially in poverty reduction, by the end of 2002, Vietnam had already achieved the target of "halving the poverty rate (from 58.1% in 1993 to 28.9% in 2002, and to 14.5% in 2008). In education and training, Vietnam has completed the objective of universalisation of primary education, illiteracy eradication, increasing the number of children going to junior secondary schools at the right age, and Vietnam also has specific targets for the implementation of the objective of senior secondary

education universalisation; the country has achieved fairly high targets in terms of gender equality: gender differences in education have been removed, women have gained greater equality in nominating themselves and being nominated to be National Assembly Deputies, People's Council's Deputies, leaders of socio-political and professional organizations; Vietnam has also achieved a lot of targets in maternity care and child care; sustainable development and environment protection have also been emphasized.

Currently, we are formulating the 10-year development strategy for the 2011-2020 period and the 5-year SEDP for the 2011-2015 period, with the principle of building on the results achieved to the furthest extent possible and seizing development opportunities as well as overcoming difficulties and challenges such as low level of development, low competitiveness, poor infrastructure, and lack of high-quality human resource, which are now obstacles to development.

We believe that it is critical to explore and recommend suitable policies and mechanism to support the achievement of development objectives. At this Forum, we would also like to receive the comments of participants on the policies that we have been implementing, as well as to listen to other participants share the good experiences/practices of their countries so that we can learn and come up with new policies for the implementation of our socio-economic development objectives for the next 10 years. At the same time, we would also like to continue to receive the support of the international community and the UN agencies so that we can successfully implement the 10-year socio-economic development strategy and the 5-year SEDP in the next period as well as to achieve all the MDGs.

Thank you very much for your attention./.