

**POST-CRISIS GROWTH AND POVERTY REDUCTION  
IN LOW-INCOME ASIA**

---

**STRUCTURAL REFORMS AS THE MEANS  
TO VIETNAM'S DEVELOPMENT AND  
POVERTY REDUCTION**

Vu Thanh Tu Anh  
Fulbright Economics Teaching Program  
Hanoi, March 22, 2010

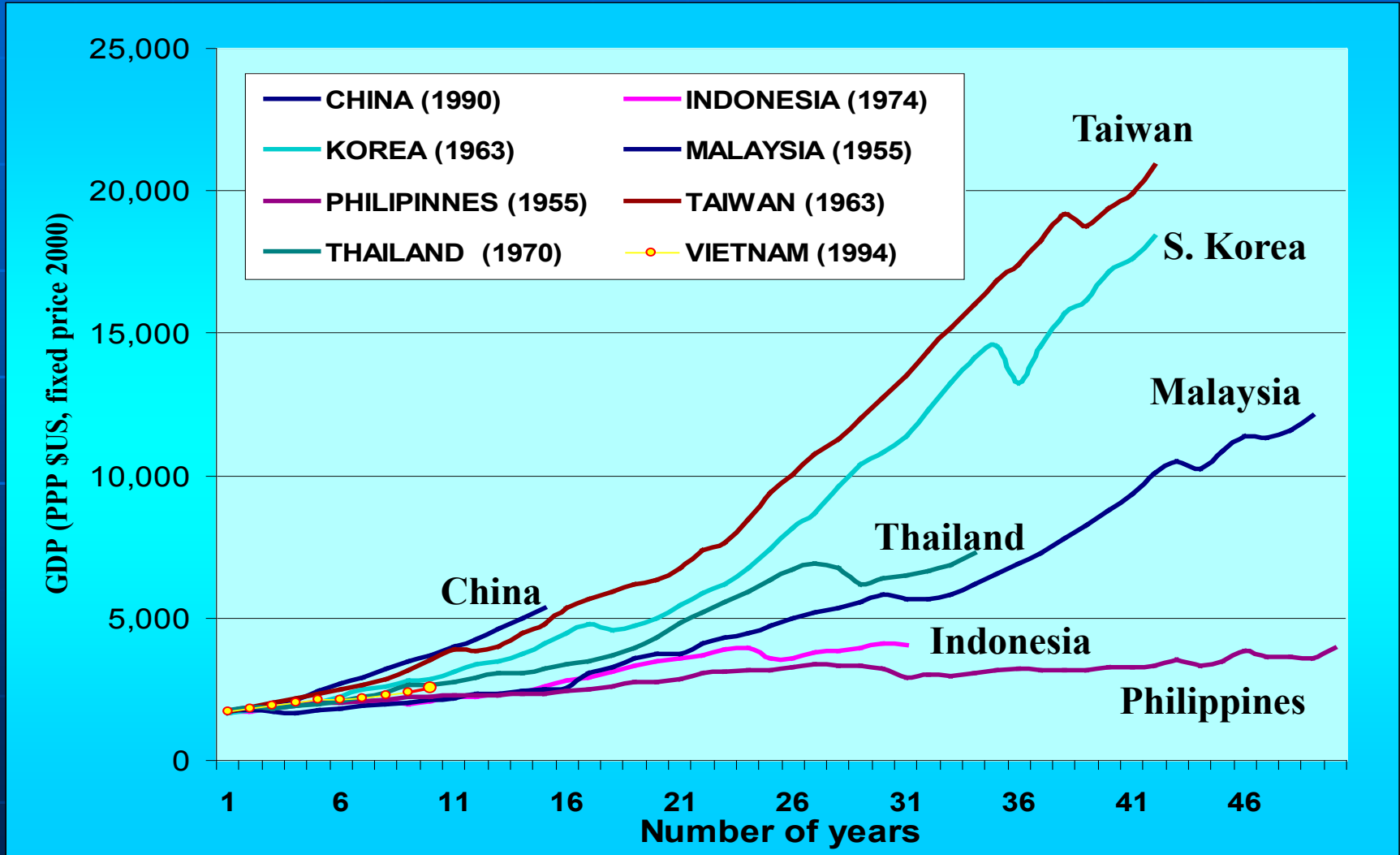
# Structure of the presentation

---

- Vietnam: Still early days
- Structural issues:
  - Investment and growth
  - Macroeconomy
  - Fiscal space
  - Financial liberalization and regulation
- State effectiveness
- Policy implications

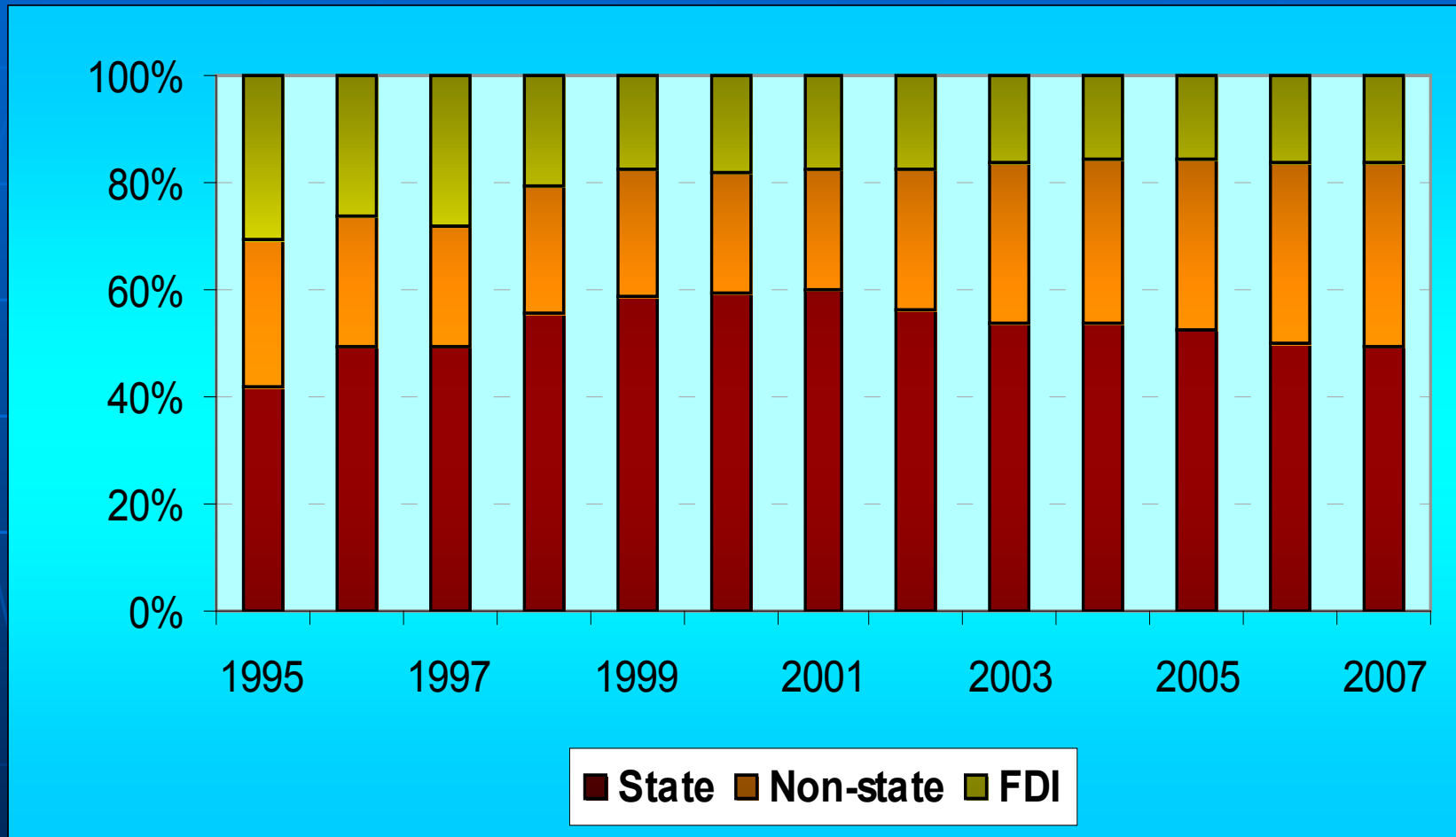


# Vietnam: East Asia or Southeast Asia?



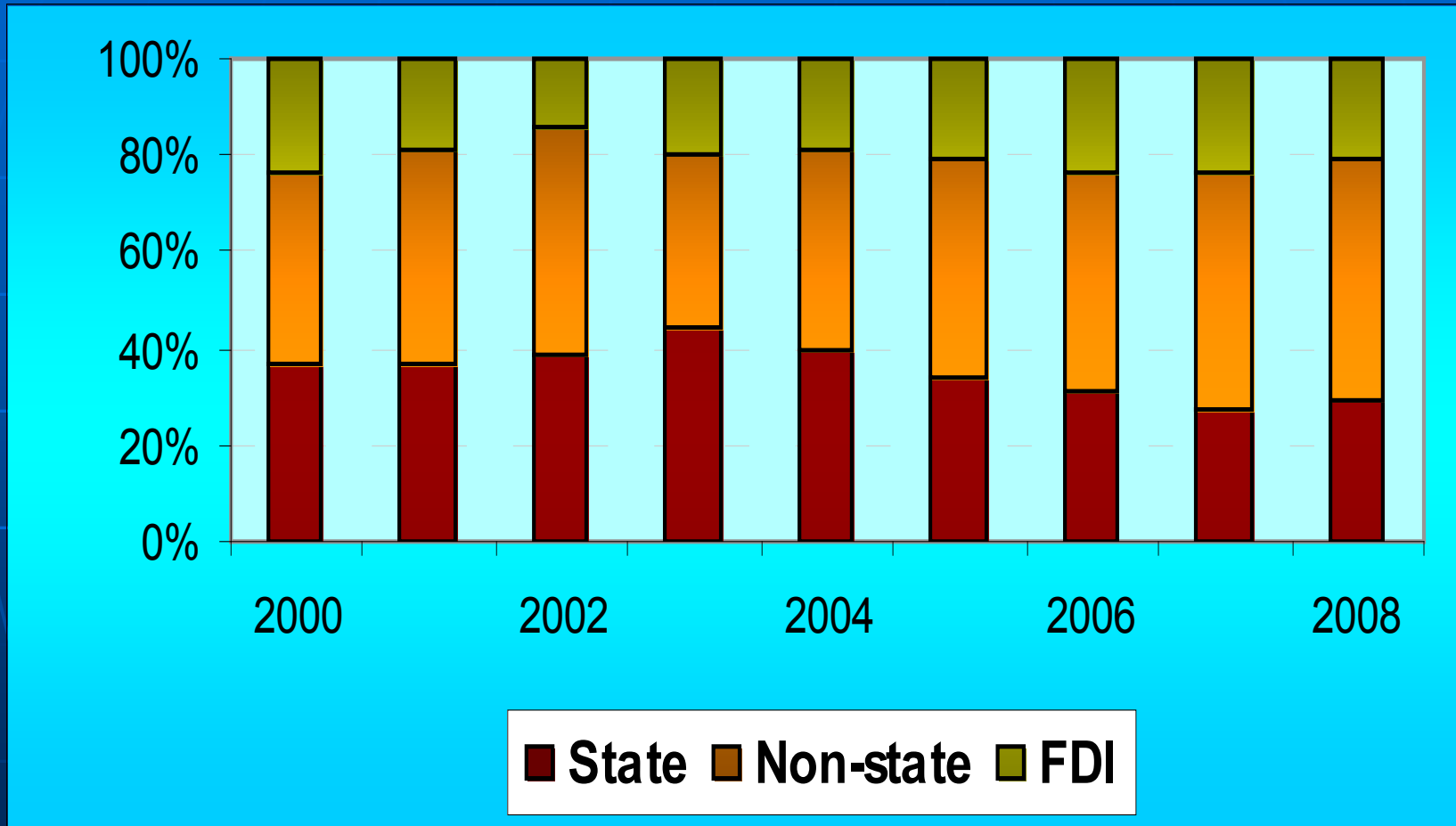


# Investment growing, but still state led



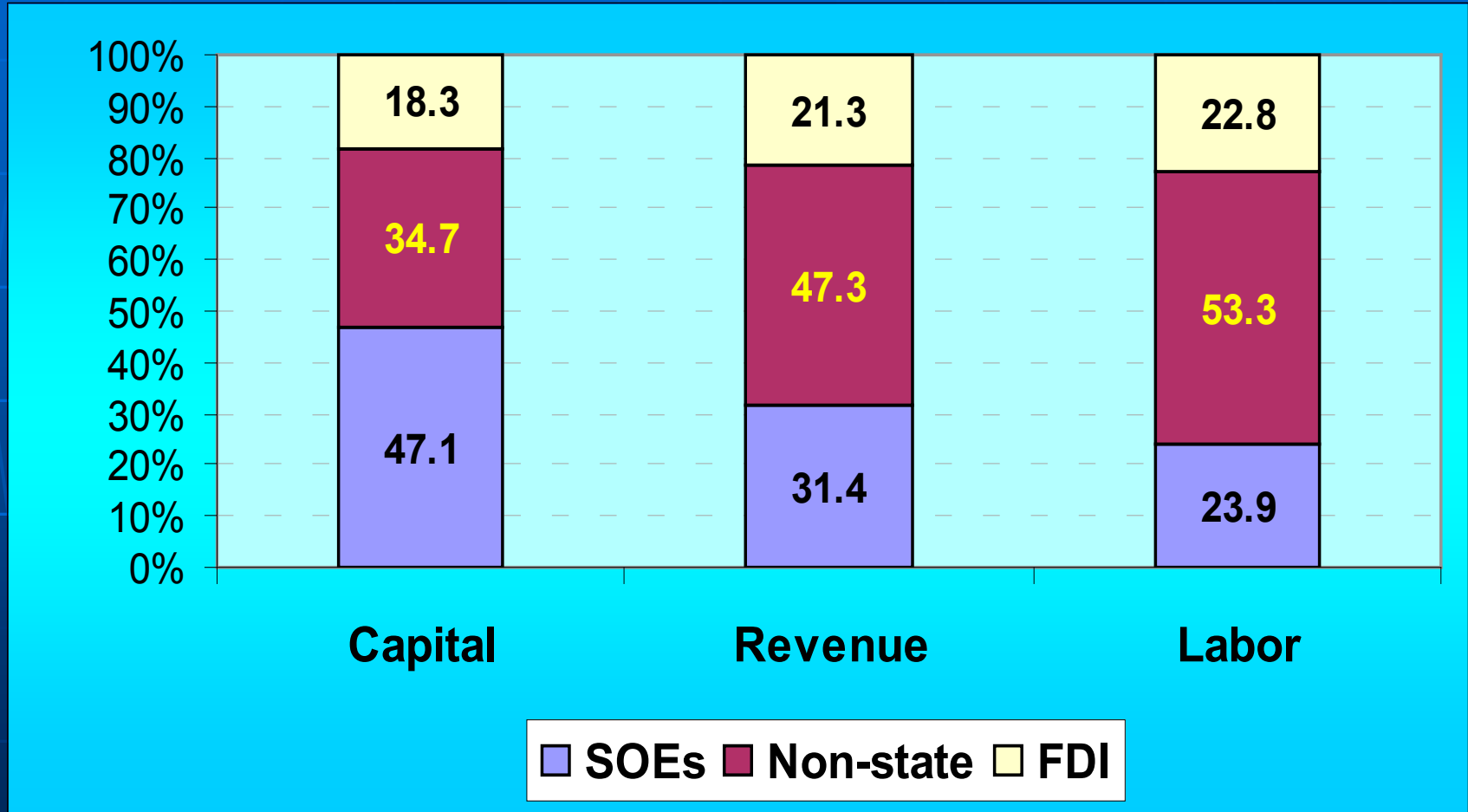
Source: Vietnam's General Statistical Office and CIEM

# But growth driven by the private sector



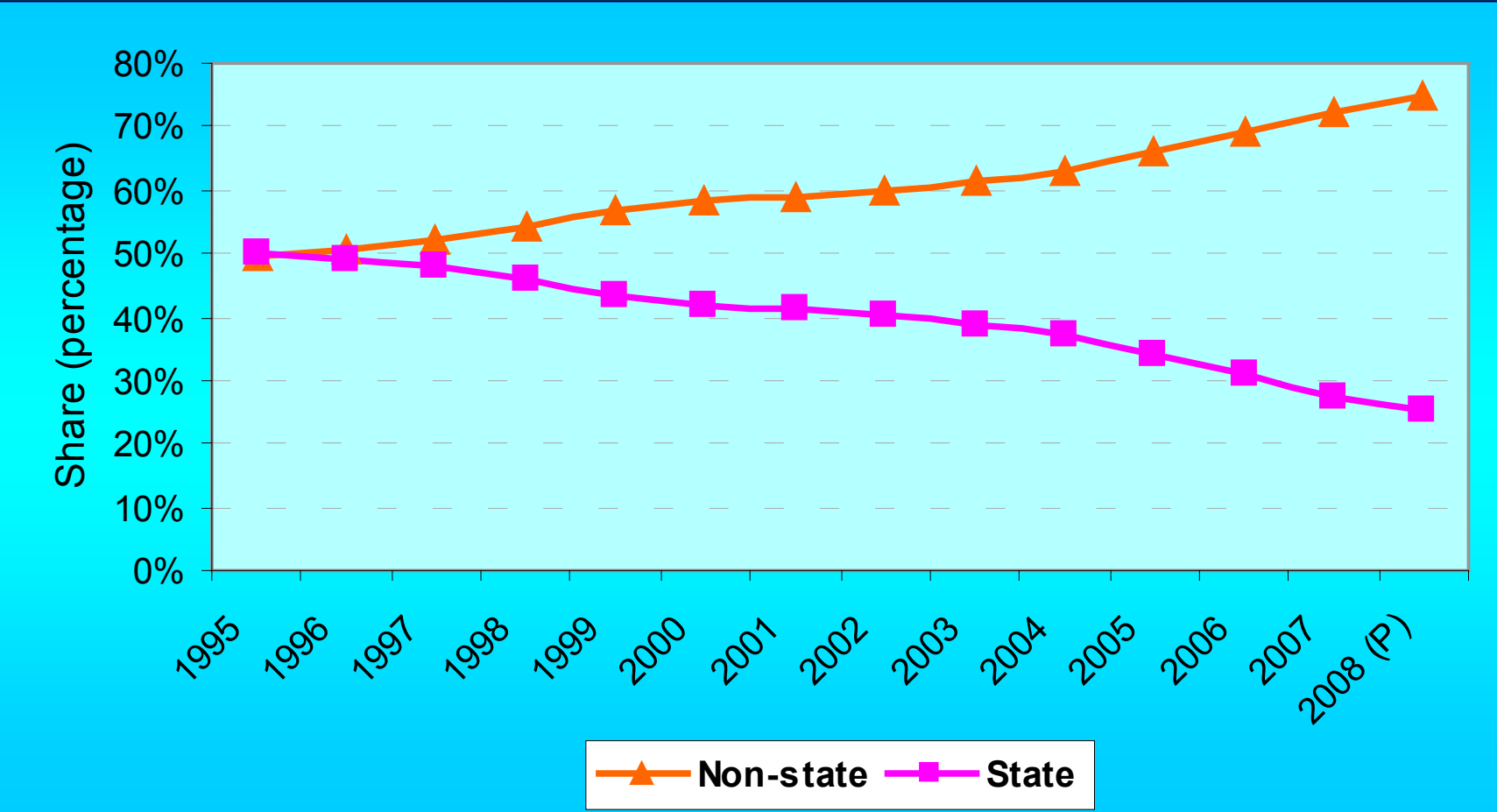
Source: Vietnam's General Statistical Office and CIEM

# Most jobs created by private sector



Source: Economic Committee of Vietnam's National Assembly (2009)

# Private industry outperforms state industry (1996 - 2008)



Source: Vietnam's General Statistics Office

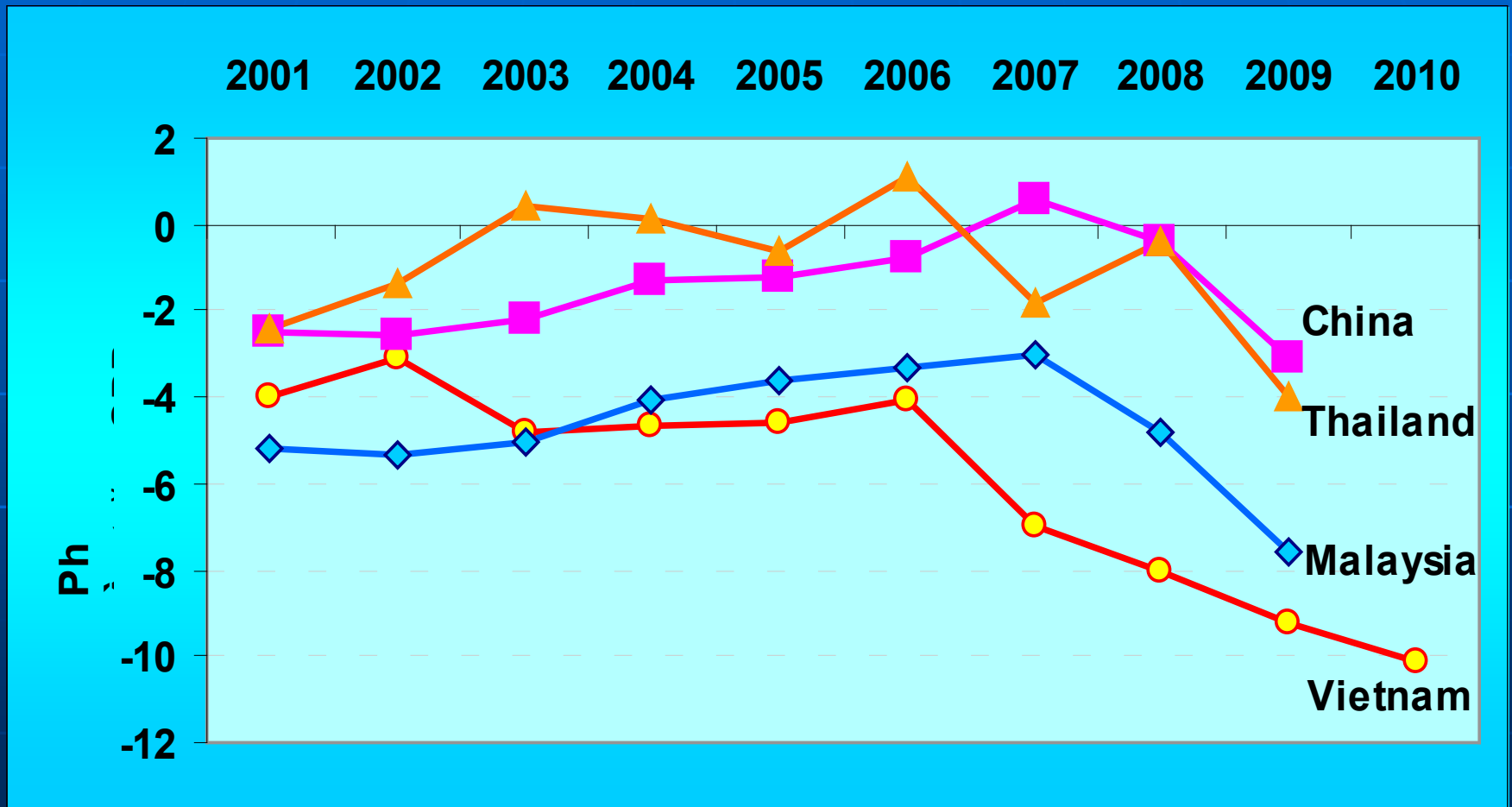
# Comparison of ICOR

	<b>Period</b>	<b>GDP Growth (%/year)</b>	<b>Gross Investment/ GDP (%/year)</b>	<b>ICOR</b>
<b>S. Korea</b>	<b>1961-80</b>	<b>7.9</b>	<b>23.3</b>	<b>3.0</b>
<b>Taiwan</b>	<b>1961-80</b>	<b>9.7</b>	<b>26.2</b>	<b>2.7</b>
<b>Indonesia</b>	<b>1981-95</b>	<b>6.9</b>	<b>25.7</b>	<b>3.7</b>
<b>Malaysia</b>	<b>1981-95</b>	<b>7.2</b>	<b>32.9</b>	<b>4.6</b>
<b>Thailand</b>	<b>1981-95</b>	<b>8.1</b>	<b>33.3</b>	<b>4.1</b>
<b>China</b>	<b>2001-06</b>	<b>9.7</b>	<b>38.8</b>	<b>4.0</b>
<b>Vietnam</b>	<b>2001-06</b>	<b>7.6</b>	<b>33.5</b>	<b>4.4</b>

# Costs of infrastructure development

	Hanoi - HCMC	Beijing - Shanghai	Gomuld - Lhasa
Length (km)	1,570	1,318	1,142
Speed (kph)	300	300-350	100-120
Travel time (h)	5.5	5.0	14.0
Cost (bil US\$)	55.85	22.60	3.68
Unit cost (mil US\$/km)	35.6	17.1	3.22

# Fiscal space has been narrowed



Source: ADB

(Budget deficit includes off-budget spending)

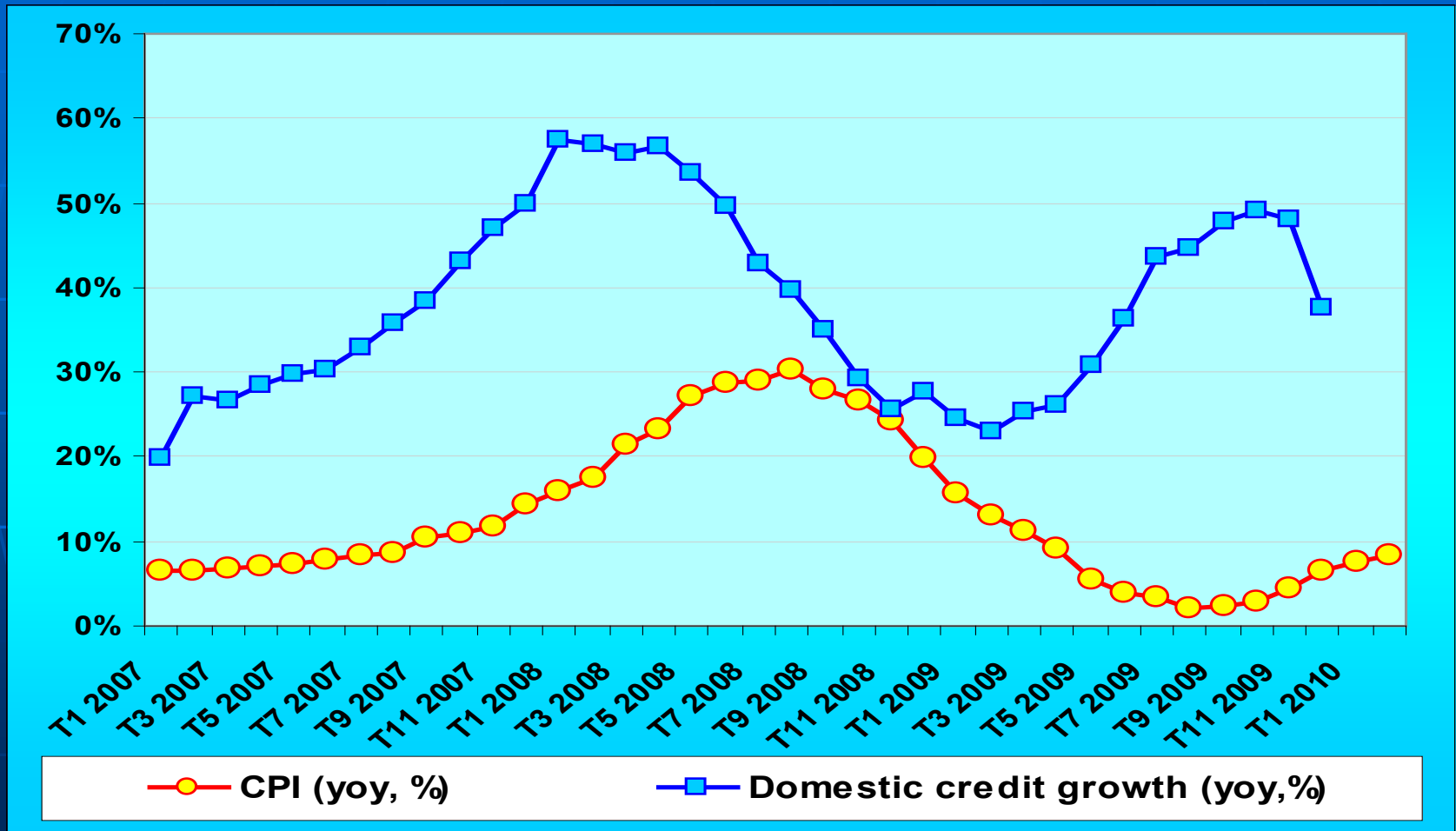
# Monetary policy, GDP and CPI (2004 – 2008)

	China	Indonesia	Malaysia	Thailand	Vietnam
M2 growth (%)	16.5	14.5	16.0	7.1	31.5
Domestic credit growth (%)	11.8	11.0	-3.2	3.3	32.2
GDP growth (%)	10.2	4.4	3.6	3.8	6.4
CPI (%)	3.6	9.1	3.1	3.9	11.3

Source: ADB, Key Indicators for Asia and the Pacific 2009



# Macroeconomy has been unstable



Source: GSO and International Financial Statistics

# Financial sector liberalization...

---

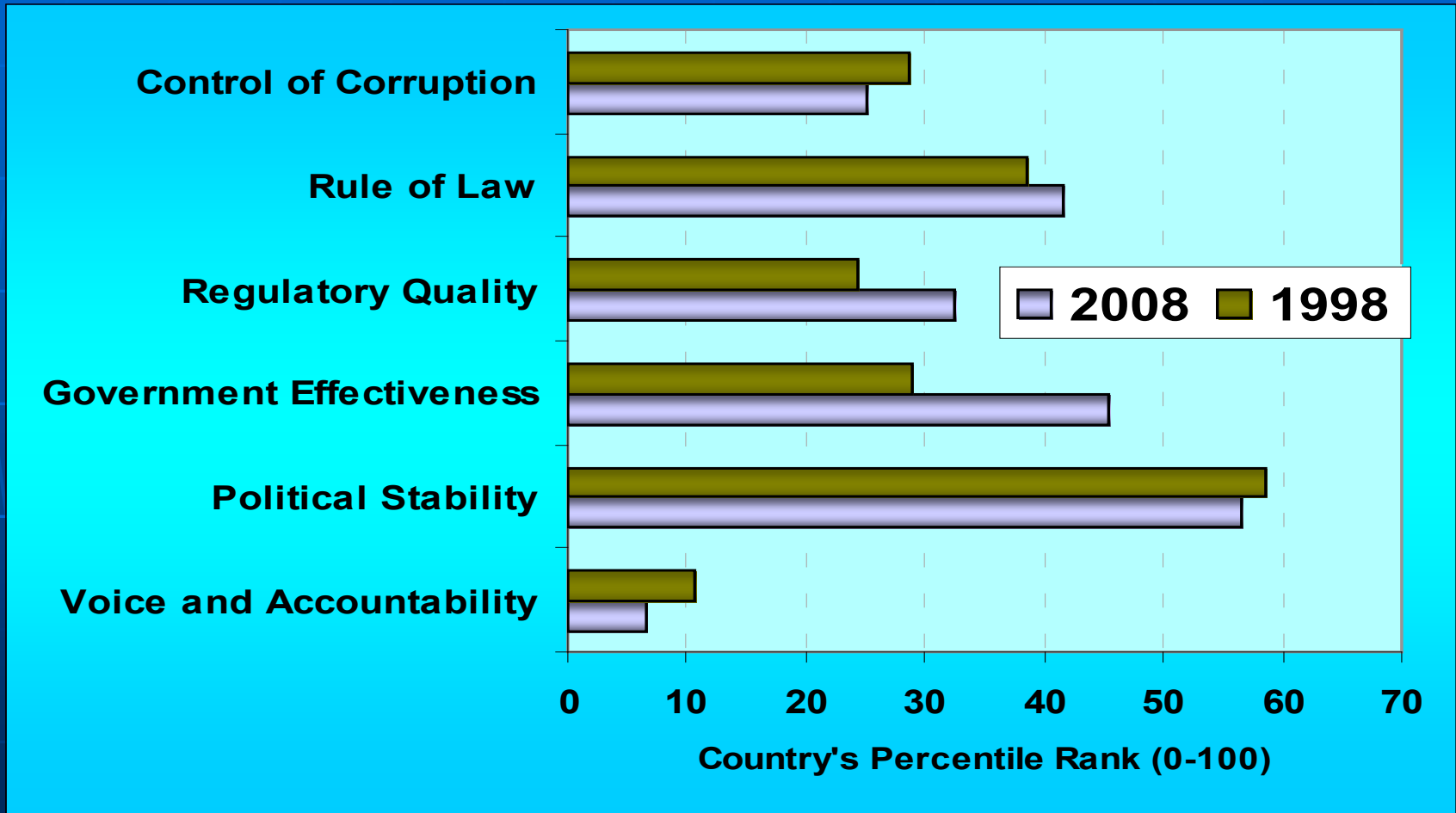
- From closed to more competitive financial system
  - Gradual reduction of administrative and legal barriers to entry, expansion, and diversification of new FIs
  - Competition increases dramatically, but there seem too many banks: 4 in 1991 to 51 in 1997 and more than 90 now
  - By 2009, SOCBs (including VCB) still dominate in terms of market share, total deposits and outstanding credit
  - State conglomerates open, acquire, and cross-share banks and non-bank FIs

# But regulation and risk management are weak

---

- Weak regulatory and supervisory system
  - Lack of credible and timely information
  - Fragmented supervision (e.g., SBV and SSC)
- Vietnam's quick liberalization and deregulation is risky in the absence of:
  - Macroeconomic stability
  - Effectiveness financial sector supervision
  - Transparent regulation and credible enforcement.
  - Poor risk management and accounting standards

# Vietnam's governance indicators (1998 vs. 2008)



Source: World Bank (Kaufmann, Kraay, Mastruzzi)

# Policy Implications

---

- Stabilizing the macroeconomy:
  - High growth vs. macro stabilization
  - Liberalization vs. prudential regulation
- Improving the fiscal space:
  - Transparency in public investment and SOEs
  - Stabilizing budget deficit
- Development policy:
  - Improving the social safety net
  - Poverty reduction policies: education and training, infrastructure, private businesses development
- The need for structural reforms

# Thank you for your attention!

---

Vũ Thành Tự Anh

Fulbright Economics Teaching Program  
232/6 Vo Thi Sau St, HCMC, Vietnam

Web: <http://www.fetp.edu.vn>

E-Mail: [anhvt@fetp.vnn.vn](mailto:anhvt@fetp.vnn.vn)