WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

J

INTERNATIONAL MONETARY FUND

Press Release No. 1

October 6-7, 2009

Opening Address by the Chairman of the Board,
the Hon. **NGUYEN VAN GIAU,**
Governor of the Bank and the Fund for **VIETNAM,**
at the Joint Annual Discussion

Opening Address by the Chairman,
the Hon. NGUYEN Van Giau,
Governor of the Bank and the Fund for Vietnam,
at the Joint Annual Discussion

Mr. Zoellick, President of the World Bank Group, Mr. Strauss-Kahn, Managing Director of the IMF, Ladies and Gentlemen:

Introductory Remarks

I would like to welcome all of you to the 2009 Annual Meetings of the World Bank Group and the International Monetary Fund. We are very happy to meet in this beautiful city of Istanbul. It is indeed a great honor for my country, Vietnam, and for me personally, to chair these meetings.

The global economy faced unprecedented challenges this year as the financial market turmoil led to worldwide recession and wider economic and social spillovers affecting people in all countries. This called for coordinated international action, including a near-term response, and a longer-term embrace of collective responsibilities. We are grateful to Mr. Zoellick and Mr. Strauss-Kahn for their determined and pragmatic leadership. Governors also thank Mr. Carstens and Mr. Boutros-Ghali for ably chairing the Development Committee and the International Monetary and Financial Committee, respectively.

Let me also take this opportunity to offer condolences to the government and the family of His Excellency André-Philippe Futa, of the Democratic Republic of the Congo, and a former Chairman of the Board of Governors, who passed away while en route to these meetings. Many of the Governors present worked with him and appreciated his contribution to the work of our organizations.

Financial Market Turmoil/Global Recession: A Collaborative Response (Near-Term)

Fellow Governors,

The Bretton Woods Institutions were called upon to be at the forefront of the near-term collaborative response to the worst global financial and economic crisis since the 1930s, and they have risen to the challenge. The Fund has been at the center of the unprecedented coordinated policy response, and provided significantly expanded financing to countries across the globe. The Bank led collaborative efforts to mitigate the effects of the financial crisis and recession on the world's poorest, while supporting growth.

WBG: Vulnerability Framework

Indeed, the global financial crisis created a human crisis, and we applaud the World Bank Group's advocacy and initiatives to ensure that the poor are kept at the top of the agenda. The Bank proposed the Vulnerability Fund for developed countries to pledge 0.7 percent of their planned stimulus packages as additional aid through any existing mechanisms or agency. On the World Bank Group side, donor contributions to crisis related initiatives under the Bank's Vulnerability Framework have reached over $8 billion. Crisis-response projects have focused on: social protection; long-term infrastructure investment; trade finance; and private sector-led economic growth. The Global Food Crisis Response Program was scaled-up to continue to meet the costs of food imports and seeds to support the hungry—projects currently amount to $1.2 billion. A $2 billion IDA Fast Track Facility was launched to accelerate grants and loans to the poorest countries. The World Bank has also started a Rapid Social Response Program to finance immediate interventions to address social needs.

To provide a foundation for future growth via investments, we note that the Infrastructure Recovery and Assets Platform is providing $45 billion in lending over the next three years to secure job creation. In addition, the IFC established the Infrastructure Crisis Facility consisting of a debt component, an equity fund, and expanded advisory services. The debt-component will provide co-financing for long-term projects and has indicative commitments of over $2.3 billion.

A $3 billion IFC Capitalization Fund was formed to provide additional capital for banks to ensure continued lending to support economic recovery. The leveraged impact of the fund is expected to be as much as $75 billion. The Microfinance Enhancement Facility is supporting institutions that are facing financing difficulties. Investor commitments are expected to bring the facility to its target size of $500 million. We wish to take this opportunity to thank those countries who have contributed generously to these initiatives. These contributions have supplemented the Bank's record-setting commitments of $58.8 billion this past fiscal year.

IMF: Policy Advice and Financial Support

Over the past year, governments have thrown their energies into designing and implementing unprecedented policy responses to support recovery. The Fund has been at the center of this collective endeavor, leading calls for a global fiscal stimulus of 2 percent of GDP, monetary easing, and repair of financial sector balance sheets, while tailoring policy advice to country circumstances. With improving prospects in many regions, the Fund is working with members to design coordinated exit strategies from current policies, to be implemented once recovery is secured. As the recession has inflicted deep scars on economies that may not heal for decades, members must demonstrate strong resolve by implementing appropriate policies going forward.

However, suitable policies alone do not guarantee macroeconomic stability. Developments of the past year have forcefully underlined the need for rapid multilateral provision of financial support to help countries meet financing needs that often stem from factors beyond their control. We therefore welcome members' commitments to increase significantly the financial resources available to the Fund. We highlight the agreements to treble the Fund's lending capacity to $750 billion and to double concessional resources for low-income countries, as well as the $283 billion SDR allocation. Members that have signed borrowing agreements to increase Fund resources are to be commended. Since we met a year ago, the Fund has committed $167 billion to 25 countries, including under precautionary arrangements, and in the same period it has disbursed $41.5 billion to 20 countries.

We applaud the overhaul of the Fund's lending and conditionality framework to ensure that expanded resources are used to provide timely and tailored financial and policy support. We welcome establishment of the Flexible Credit Line for countries with very strong fundamentals and sound policies, and the increased flexibility of Stand-By Arrangements, including High Access Precautionary Arrangements. To combat the impact of the global recession on the poorest countries, the Fund is carrying out major reform of its concessional lending facilities. In addition to a doubling of access limits, we note the agreed $17 billion to support low-income countries through 2014, interest relief on outstanding concessional loans through end-2011, and the increased concessionality of new loans. We look forward to the benefits that low-income countries will derive from the three new lending windows in the new Poverty Reduction and Growth Trust. For all countries, we support modernization of conditionality to ensure greater focus on core objectives.

Regional Developments

Fellow Governors,

The deep-rooted integration of the Asia Pacific region in the world economy has posed challenges during the global financial crisis. With a focus on protecting the most vulnerable, strong financial and institutional reform measures have been taken and international cooperation has been strengthened to assist developing countries. Despite the challenges, it is possible to turn this crisis into an opportunity and restore the economic activity of the Asia-Pacific region through appropriate and timely economic stimulus measures and continued cooperation.

During the past few decades, ASEAN countries have achieved impressive growth and created an attractive business environment. The current crisis has impacted these economies through a substantial reduction in exports, capital flows, remittances, tourism and lack of access to capital in financial markets. However, thanks to strong macroeconomic fundamentals as the result of significant economic and financial reforms during the last decade, we believe in ASEAN's capability to cope with this crisis. In addition, the crisis provides an opportunity to accelerate reform efforts to ensure regional stability and sustainable development. Furthermore, we should look to intensify our global integration by furthering cooperation between ASEAN and its partners, including China, Japan, Korea, Australia, New Zealand, India, the EU and the United States. A recent noteworthy achievement in terms of cooperation is the agreement among ASEAN and the Plus Three Partners, namely China, Japan and Korea, under the Chiang Mai Initiative Multilateralization with a total of up to $120 billion in a regional pool of reserves to effectively confront future crisis. In that sense, ASEAN cooperation has paved a solid foundation in the region and contributed to development and the world economy as a whole.

As an active member of ASEAN, Vietnam is also integrating into the regional and global economy. With appropriate policies and under the motto "Further cooperation for a common wealth and development", for more than a decade, Vietnam has gained impressive socio-economic achievements such as an average GDP growth of 7.5%, a poverty rate reduction from 32% in 2000 down to 12.1% in 2008. In order to minimize the negative implications of the current crisis on the poor, the Vietnamese Government has implemented comprehensive policy measures to prevent an economic downturn, to stabilize the macroeconomy and secure social welfare. These timely measures, together with valuable support from the international community, especially the Bank and the Fund, have allowed Vietnam to record positive economic growth in 2008 and in the first half of 2009. The macroeconomic environment is stable and the Vietnamese Government is applying a wide range of long-term solutions to lay the foundation for sustainable development, notably economic reforms, further integration and delivery of international commitments.

However, the road ahead is challenging for Vietnam and other developing countries. Hence, we call on the Fund and the Bank to further strengthen reform initiatives in line with assistance needs of member countries, especially developing ones, in order to help them effectively respond to challenges in the future and preserve development achievements thus contributing to global economic stability.

Financial Market Turmoil/Global Recession: Collective Responsibilities (Long-Term)

Fellow Governors,

Recovery from financial market turmoil, global recession and wider economic and social spillovers is not the end of the story, since a return to status quo ante is not an option; there are collective responsibilities that have to be undertaken on a long-term basis. The Bretton Woods Institutions must support rebalanced and sustainable growth, and be at the center of efforts to reform the financial system.

WBG: Ensuring Rebalanced and Sustainable Growth

As global trade contracted during the past year, the World Bank Group has emphasized the need for open markets and we recognize this endeavor. The Bank has looked to ensure trade flows via the Global Trade Finance Program, which helps local banks in developing countries support smaller exporters and importers. The Global Trade Liquidity Program, endorsed at the G-20 Summit, has helped to reverse the decline in trade by supporting $50 billion in trade flows over the next three years. We fully support the Bank and Fund calls for members to refrain from protectionism in any form, and for an urgent conclusion of an ambitious and balanced Doha Development Round.

The World Bank Group has continued to address the development challenges of climate change through a Strategic Framework. It is helping countries move toward climate resilient development plans, sharing adaptation lessons, and facilitating global dialogue. The Climate Investment Funds have been established —with over $6 billion in pledges—to help poorer countries gain experience in areas such as forestation, energy efficiency, and technology. They also provide the opportunity to transform development planning by integrating climate change, and complement other funds such as the Global Environment Facility. We encourage the Bank to continue to be a source of innovation and a catalyst for action in this area.

IMF: Strengthening the International Financial System and Enhancing Surveillance

We appreciate the Fund's efforts in working with partners to analyze the lessons of the crisis. The IMF is making an important contribution to the multilateral effort to strengthen the international financial system by working with governments and international financial organizations to help enhance financial sector regulation, improve risk management, and strengthen economic cooperation.

Reform of the international financial architecture must be supported by effective surveillance. We commend the strengthening of the Fund's surveillance framework. To identify upcoming risks, the Fund has reinforced its partnership with the Financial Stability Board on the Early Warning Exercise. Analysis of international spillovers and systemic risk are being improved. We particularly welcome the greater integration of financial sector surveillance into Article IV surveillance, enhanced analysis of macro-financial linkages, and reshaping of FSAPs.

Modernizing the World Bank and the IMF

The Bretton Woods Institutions have resolved to modernize and ensure effective assistance to their members as new challenges arise. The impetus for governance reform reflects the rapid changes in the world economy, their associated challenges, and the enhancement of voice and participation of developing and transition countries. The World Bank Group is committed to advancing the reforms agreed in October 2008.

Increased voting power of these members will carry greater responsibility, while bringing broader acceptance for the Bank Group in these countries. The next phase of reforms is on track for agreement by the 2010 Spring Meetings. Work also continues on internal governance, including with the report of the High Level Commission on Modernization of World Bank Group Governance.

The effectiveness of the IMF as a multilateral institution depends, in large part, on its legitimacy among its membership. Continued quota and voice reform is necessary to increase the sense of ownership and encourage policy cooperation. We commend the recent initiation of a new general review of quotas, with an ambitious agreed timetable of January 2011. Since the 2008 quota and voice reform is not yet in place, we urge those members that have not yet done so to take the necessary domestic steps to make the 2008 reform effective as soon as possible. We look forward to further work to determine the appropriate modalities of a further quota reform and the size of a quota increase.

Lessons Learned

For all the commendable multilateral efforts to mitigate crisis, these achievements will be greatly diminished in the long run should we allow such a crisis to occur again. That is why we need to continue to work together to understand what has happened in the global financial system and economy, and apply lessons to avoid a return to what was in place before the financial market turmoil.

Closing Remarks

Fellow Governors,

It has been a challenging year, with financial and economic uncertainties spreading across the globe. Governments have navigated through uncharted waters, and many are now beginning to see recovery. But the global recession is not over, so we cannot relent in our efforts. We must press ahead with continued robust collective responses to the still-daunting challenges. We urge the Bank and the Fund to continue strong leadership of this unprecedented multilateral effort. With these remarks, I hereby declare open the 2009 Annual Meetings of the World Bank Group and the International Monetary Fund.