Statement by Eugene Miagkov  
Date of Meeting: May 30, 2000

**VIETNAM: Country Assistance Strategy - Progress Report**

Our chair welcomes the CAS Progress Report for the Socialist Republic of Vietnam. We commend the Staff and Management for this well prepared update of the 1998 Country Assistance Strategy of the World Bank Group. We are also pleased to note that the strategy laid out in the last full CAS still remains valid.

At the time of the CAS discussion in September 1998 there was serious concern about Vietnam’s ability to withstand the effects of East Asia crisis and about its narrowing development options in the context of regional recession. The good news now is that Vietnam has thus far avoided a balance of payments, fiscal and banking crisis. However the concern remains about the slowing momentum of growth and the eroding quality and sustainability of development.

The country’s future critically depends on the rapid progress in creating an economic environment that fosters a more efficient use of resources and generates employment opportunities for a growing labor force. The CAS Progress Report leaves the impression that significant preparatory work has been undertaken in that regard and there is a hope that decisive and substantial actions will follow soon.

Over the last decade Vietnam has made significant progress in reducing poverty. However it is still one of the poorest countries. While poverty is widespread, it remains most high and deep in rural areas, in the northern and central mountains and for ethnic minorities. We welcome a new Bank approach to Vietnam’s poverty agenda which is based on close cooperation with different partners including the central government, provincial authorities, local communities, donors and NGOs. As a result, a major report "Vietnam: Attacking Poverty" has been produced jointly. We look forward to the translation of a much deeper and broader understanding of the nature and causes of poverty presented in the report into a comprehensive poverty reduction strategy that will in turn contribute to the preparation of an Interim Poverty Reduction Strategy Paper (I-PRSP) for Vietnam.
The report concludes that Vietnam is, overall, performing according to the base case triggers. I agree with that. At the same time IDA has been lending at a low case level. The explanation for IDA’s lagging behind sounds reasonable (para. 35), and I can accept that. But assuming that there is the same kind of country performance over the remaining CAS period, should we not expect a somewhat higher than the base case level of lending?

As an agreement between the Government and the IMF/World Bank on a PRGF/SAC program has not yet been reached, we appreciate the Report’s insightful update on this topic and on the position of the Vietnamese authorities in particular. We understand that in the near future the Government could make substantial advancement in reform while not being able to undersign a detailed policy change program. We agree that in response it would be appropriate to consider providing adjustment lending support through alternative means to traditional SAC.

Let me conclude with a comment on the proposed four issues for the next CAS. I find all of them warrant to be incorporated in the future Bank Group assistance strategy for Vietnam. I would particularly welcome increased attention to the issue of small and medium enterprise development because at this stage poverty reduction in Vietnam is critically dependent on the growth of the SME sector. Also, in the context of transition to a market economy the importance of addressing very seriously the issue of corporate governance should be underscored. Fostering good corporate governance is critical for the success of SOE reform and private sector development in Vietnam and elsewhere.