



Completion Report

Project Number: 47302-001
Technical Assistance Number: 8538
August 2015

Viet Nam: Enhancing Financial Stability (Scoping)

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TA Number, Country, and Name: TA 8538-VIE: Enhancing Financial Stability (Scoping)		Amount Approved: \$225,000.00	
		Revised Amount: N.A.	
Executing Agency: State Bank of Viet Nam	Source of Funding: TASF-V	Amount Undisbursed: \$40,630	Amount Utilized: \$184,370
TA Approval Date: 4 Dec. 2013	TA Signing Date: 13 Dec. 2013	Fielding of First Consultants: 15 May 2014	TA Completion Date Original: 31 Oct. 2014 Actual: 30 April 2015 Account Closing Date Original: 31 Oct. 2014 Actual: 31 July 2015
Description			
<p>Viet Nam has experienced rapid growth in lending over several years, followed by the squeeze on credit in 2011 and exacerbated by downturns in property and equities markets, have added to stresses for banks. This situation and the risk profile of some bank balance sheets raises questions about capital adequacy. Despite some progress in recent years, risks are compounded by a weak regulatory and supervisory framework and deficient financial infrastructure. The SBV, therefore, requested the IMF and the World Bank to conduct a Financial Sector Assessment Program (FSAP) to give recommendations on financial sector restructuring. To achieve greater financial stability, the State Bank of Viet Nam (SBV) has requested technical assistance (TA) from the Asian Development Bank (ADB) to setup an institutional framework for macro-prudential policy. This is a key recommendation of the Financial Sector Assessment Program. This S-PATA is designed to scope options for establishing a macro-prudential framework and build capacity of the Financial Stability Department (FSD).</p>			
Expected Impact, Outcome and Outputs			
<p>The impact of the S-PATA is a stronger interagency and intra-agency coordination on financial stability. The expected outcome of the S-PATA is for the SBV to have a clear roadmap on developing a well-functioning institutional framework for macro-prudential policy and capacity development needs. Stronger inter-agency and intra-agency coordination will help the SBV to monitor financial soundness and strengthen safeguards against financial instability so as to support restructuring efforts and to develop the banking sector as a solid foundation for macroeconomic and financial developments.</p> <p>The key outputs of this S-PATA include a set of reports and recommendations to scope: (i) various framework options for macro-prudential policy and mechanisms for intra-agency and inter-agency coordination and information exchange, (ii) various design options for macro-prudential policy and its instruments that best suit Viet Nam's circumstances and current stage of financial sector development, and (iii) development of medium-term capacity building and training program for the proposed FSD.</p>			
Delivery of Inputs and Conduct of Activities			
<p>The TA was formulated in close coordination with the executing/implementing agency (State Bank of Viet Nam). The project team reviewed all other past and current financial stability TAs being provided by the ADB. These included TA support to the Peoples Republic of China, Mongolia, and some small South Asian countries. ADB only has one financial stability expert that works in EARD. DG, EARD approved the inclusion of this specialist as a team member. This TA, therefore, represents a good example of interdepartmental coordination. The project team also closely consulted with OREI during project design as there were some synergies with an OREI TA supporting early warning systems. The performance of ADB project team is considered satisfactory.</p> <p>The TA outputs and outcomes remained unchanged but the required inputs were adjusted several times during TA implementation. The changes were required because of: (i) difficulties in identifying consultants with relevant experience, (ii) delays in recruiting regional consultants because of difficulties in securing approval of leave without pay from current employers, and (iii) policy advisory nature of TA meant that project team and consultants needed to be flexible to the political economy of the reform process and need to build consensus amongst local stakeholders.</p> <p>Financial stability is a very specialized and relatively new area so there is a very limited pool of international consultants that could meet TOR requirements. This pool of consultants was in high demand as many central banks around the world are currently adopting policies to enhance financial stability. The SBV also wanted an international consultant with regional expertise which further limit options. Most regional financial stability experts were practitioners with full-time jobs at regional central banks. Many were interested in this assignment but not available. Those that applied could not secure approval from current employers at late stage of CMS processing. Given limited options, the project team decided to recruit two international consultants—a former IMF economist with many years of policy dialogue experience in the Asia-Pacific region</p>			

and a regional international consultant that could work part-time on the assignment. The TORs were revised accordingly to ensure good coordination between the two consultants. The performance of one of the international consultant was sub-optimal so he was released half way through TA implementation. The TOR and contract of the regional international consultant was extended to cover the remaining tasks under the original team task leader. All these factors considerably delayed TA implementation. The performance of the consultants was mixed—two were highly satisfactory, one was satisfactory, and one was less than satisfactory. Overall the performance of the consultants is deemed satisfactory. No review missions were required as the TA was implemented by the Viet Nam resident mission. There was, therefore, close engagement with counterparts throughout TA implementation. This is important for a flexible policy advisory TA of this nature.

The SBV were engaged and proactive throughout TA implementation. There was a strong sense of ownership which ensured high-level engagement (Deputy Governor level) and timely inputs from recipients. The performance of the SBV as the executing agency is deemed satisfactory.

Evaluation of Outputs and Achievement of Outcome

The SBV were satisfied with the TA reports and the capacity-building activities under the TA. The final outputs were reviewed and endorsed by the IMF and the World Bank. Several key recommendations are being taken up by the SBV including a new financial stability decree, setting up of an inter-ministerial financial stability committee, and other formal/informal mechanisms to improve interagency coordination. The workshops organized under the TA supported consensus-building between government ministries/agencies responsible for financial stability, as well as between SBV departments.

The SBV and other government agencies benefited from knowledge exchange/interaction with international experts and policy practitioners at the central banks of Korea, Indonesia, Malaysia and Singapore. Training/workshops assessment surveys confirmed that attendees found the training to be very useful and relevant to their work.

All original outputs were achieved albeit with a slight delay. It is too early to tell whether outcome indicators will be achieved.

Overall Assessment and Rating

Overall, the TA is assessed as successful.

Major Lessons

For TAs such as this one, the project team needed to take a one ADB approach by working with staff with expertise from other regional and non-operational departments.

The pool of available consultants is very small for this type of TA so the project team should have started identifying potential experts at a very early stage, even straight after formal request from the Government. ADB acceptance of the TA request should have been conditional on identification of suitable consultants. Networks with other regional central banks also need to be leveraged through other resident missions and non-operational departments such as OREI.

Recommendations and Follow-Up Actions

ADB is processing a financial sector policy-based loan. Going forward, ADB could consider including financial stability related policy actions under future policy-based loan program.