



## Viet Nam: Financial Sector Deepening Program, Subprogram 1

Project Name	Financial Sector Deepening Program, Subprogram 1	
Project Number	44251-013	
Country	Viet Nam	
Project Status	Closed	
Project Type / Modality of Assistance	Loan	
Source of Funding / Amount	<b>Loan 3081-VIE: Financial Sector Deepening Program, Subprogram 1</b> concessional ordinary capital resources lending / Asian Development Fund <span style="float: right;">US\$ 45.00 million</span>	
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Governance and capacity development	
Sector / Subsector	<b>Finance</b> - Finance sector development - Insurance and contractual savings - Money and capital markets	
Gender Equity and Mainstreaming	No gender elements	
Description	<p>Building on the Post Program Partnership Framework (P3F) of the previous financial sector program, the Financial Sector Deepening Program (FSDP) will support the Government's sector initiatives, to deepen the securities markets and develop related market infrastructure, to increase the role of non-bank financial sector in the financing of economic activity in Viet Nam. The proposed Subprogram 1 (SP1) of FSDP will focus on developing a well functioning money market, promoting a deeper and more liquid Government bond market, and building capacity within public institutions in accordance with the Government human resources development plan.</p>	
Project Rationale and Linkage to Country/Regional Strategy	<p>Past Engagement. For the last decade and a half, ADB has supported financial sector development in Viet Nam with three successive clusters of Financial Sector Program Loans (FSPL). FSPL I facilitated the introduction and adoption of basic concepts and systems integral to a market based financial system, established the foundations for a commercialized banking sector and key financial market infrastructure. FSPL II promoted the development of the non-bank financial sector by developing operational, regulatory and supervisory frameworks for capital markets and related infrastructure, promoting institutional investors, developing a legal framework for leasing, and introducing an anti-money laundering regime. FSPL III promoted a deeper financial sector by strengthening the operational, legal and regulatory environment for efficient and liquid capital markets. ADB programs and technical assistance have contributed to the emergence of a nascent yet fast growing financial sector capable of intermediating both domestic and foreign savings into productive activities.</p> <p>Need for continuous financial sector reforms. Viet Nam has made significant progress in socioeconomic development under Do Moi, (economic renovation programs) and is well on the way to become a more mature middle-income country. The reforms under Do Moi (Phase 1 and 2) have produced faster rates of economic growth, and helped Viet Nam reach (lower) middle income status with income per capita of US\$ 1200/person (2010). The country now aspires to reach a higher middle income status with income per capita of at least US\$3000/person, and significantly improve human development and reduce poverty by 2020. To achieve these goals, the Government's Socio-Economic Development Strategy (SEDS) 2020 has laid out an encompassing plan to transform Viet Nam into a modern, productive, and equitable economy.</p> <p>To support economic transformation envisaged under SEDS 2020, efficient and effective intermediation of savings from both domestic and foreign sources is crucial. Recognizing this, SEDS 2020 affirms that financial sector reforms are essential to support the country's progression towards a more productive and mature economy. Continuous financial sector reforms are also viewed as necessary for meeting the economic challenges of an increasingly open economy after accession to the World Trade Organization (WTO). Moreover, compared with low-income developing countries on the one hand, and high-income developed countries on the other, middle-income emerging market economies are the most vulnerable to financial crises and instability, the 2008 credit crisis in the United States notwithstanding. Hence, continuous financial sector reform becomes more critical as Viet Nam is migrating towards a higher middle income status. FSDP will support the Government of Viet Nam in undertaking further financial sector reforms in this new stage of economic development in Viet Nam.</p>	
Impact	Sustained financing of investment activities from domestic and foreign sources	

## Project Outcome

Description of Outcome	Expanded non-bank financing of investment activities.
Progress Toward Outcome	
<b>Implementation Progress</b>	
Description of Project Outputs	A Well Functioning Money Market A deepened and more liquid Government bond market Improved Capacity of Public Institutions in the Financial Sector
Status of Implementation Progress (Outputs, Activities, and Issues)	
Geographical Location	

## Safeguard Categories

Environment	C
Involuntary Resettlement	C
Indigenous Peoples	C

## Summary of Environmental and Social Aspects

Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
<b>Stakeholder Communication, Participation, and Consultation</b>	
During Project Design	Satisfactory
During Project Implementation	To be updated

## Responsible Staff

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Responsible ADB Division	Public Management, Financial Sector and Trade Division, SERD
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## Timetable

Concept Clearance	03 Oct 2012
Fact Finding	13 May 2013 to 17 May 2013
MRM	27 Sep 2013
Approval	06 Dec 2013
Last Review Mission	-
Last PDS Update	25 Oct 2011

## Loan 3081-VIE

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
06 Dec 2013	24 Jan 2014	23 May 2014	31 Mar 2014	31 Jul 2014	18 Aug 2014
Financing Plan			Loan Utilization		

	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	45.00	Cumulative Contract Awards			
ADB	45.00	06 Dec 2013	45.18	0.00	100%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	06 Dec 2013	45.18	0.00	100%

Project Page <https://www.adb.org/projects/44251-013/main>

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