

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. With three successive clusters of Financial Sector Program Loans, the Asian Development Bank (ADB) is one of the lead multilateral development partners contributing to financial sector reforms in Viet Nam. Building on this foundation and experience, the Financial Sector Deepening Program will support the government's initiatives to increase the role of the nonbank financial sector and further deepen financial markets. It will emphasize the development of a well-functioning money market, a deeper and more liquid capital market, and strengthened capacity within public institutions.

2. A related sector project being undertaken by another development partner in Viet Nam is the initial US Treasury assistance in setting up a repo market, covering prerequisites such as training, information sharing between regulatory agencies, and policy formulation. Support for capital market development has also been provided by a wide range of other donors, including the Deutsche Gesellschaft für Internationale Zusammenarbeit, the Government of Luxembourg, and the International Finance Corporation. The Viet Nam securities market development strategy (2011–2020) and Bond Market Development Road Map (2011–2020) are providing more focus and coherence to this capital market support. The diversity of training projects at the State Bank of Viet Nam (SBV) provides an indication of the usefulness of a long-term sustainable human resources development plan. Recently, an important initiative was launched by the Canadian International Development Agency to help the SBV improve the country's regulatory and supervisory banking framework, tools, and methods, in accordance with international standards. The table provides a summary of ongoing development projects.

Major Development Partners

Development Partner	Project Name	Duration	Amount
General			
IMF	Financial Sector Assessment Program	2012–2013	
WB	Financial Sector Soundness and Institutional Capacity Building (TA)	2011–2015	\$2 million
JICA	Viet Nam Bank Restructuring Support Project (TA)		
SECO	Banking Sector Strategy Development and Monitoring & Capacity Building	2013–2015 2010–2015	SwF1.3 million
Banking			
AFD	Mekong Housing Bank: Portfolio financing and TA for Institutional Capacity Building - IT and MIS—core banking - Human resource development - Training for internal auditing	2005–2010	\$25 million
IFC	Viet Nam's Bank Advisory Project (TA) - Providing advisory services to help expand access to finance for SMEs	2007–2013	\$1 million
Capital Market			
IFC	Capital market development (including assistance to Viet Nam Bond Market Association in building capacity and support market development)	2008–2013	\$1.3 million
Luxembourg	Development of capital markets in Viet Nam	2007–2013	€3 million
GIZ	Financial System Development (including risk management for banks and bond market development: bond swaps, new bond product development, CCP, cash settlement for securities via SBV)	2011–2014	€1.2 million
Finance			
WB	Second Payment System and Bank Modernization Project (loan)	2005–2010	\$105 million

Development Partner	Project Name	Duration	Amount
	Financial Sector Modernization and Information Management System Project (loan)	2009–2014	\$55 million
	Rural Finance III Project	2009–2014	\$185 million (credit line) \$15 million (TA)
SOE Reform			
ADB	Multitranches Financing Facility SOE Reform and Corporate Governance Facilitation Program	2009–2015	\$ 630 million
ADB	Strengthening Support for State-Owned Enterprise Reform and Corporate Governance Facilitation Program	2013–2014	\$ 0.8 million
Human Resource Development			
JICA	Mutual Cooperation for Human Resource Development of State Bank of Viet Nam (TA)	2012–2014	
USAID	STAR Plus Project on improved fiscal transparency, including support to SBV capacity building	2010–2013	\$10 million
SECO	Bank Director's Training Phase II	2013–2016	SwF2.33 million
	Bilateral Assistance and Capacity Building Program for Central Banks	2012–2016	SwF8.7 million (globally)
	Financial Programming	2013–2016	SwF3 million (globally)
Investment Fund			
AFD	TA for the Investment Funds for Urban Development of Ho Chi Minh City	2008–2014	€1.5 million
	Second credit line to the Investment Funds for Urban Development of Ho Chi Minh City	2011–2014	€20 million
	TA to Danang and Can Tho Investment Funds	2010–2015	€0.5 million
	Credit line to Danang and Can Tho Investment Funds for financing of projects	2010–2015	€20 million
Financial Inclusion & SME financing			
AFD	Financial support to development of PCFs network in poor regions and strengthening the network CCF-PCF (loan)	2009–2014	€20 million
	TA to the Cooperative Bank: Institutional Support to PCFs (including risk management)	2009–2014	€0.5 million
World Bank	Access to Financial services/Financial Inclusion (TA)	2011–2015	\$2 million
IFC/SECO	Microfinance Program (including policy and regulatory advisory, and support to MFI development)	2012–2016	\$4 million
SECO	Green Credit Trust Fund	2007–2017	\$5 million
JICA	SME Finance Project III (Loan)	2009–2013	¥17,379 million
ADB	Second Small and Medium-Sized Enterprises Development Program, Subprogram 2	2010–2013	\$ 50 million
ADB	Microfinance Development Program, Subprogram 2	2012–2014	\$ 50 million
Risk Management			
GIZ	Financial System Development (including risk management for banks, and bond market development: bond swaps, new bond product development, CCP, cash settlement for securities via SBV)	2011–2014	€1.2 million
IFC	Risk management	2007–2013	\$0.7 million
SECO	Environmental and Social Risk Management (Advisory support to SBV in developing respective guidelines/indicators)	2012–2017	\$1.5 million
Financial Infrastructure Development			
IFC/SECO	Secured Transactions Legal Framework	2008–2016	\$1 million
SECO	Financial Infrastructure Development (including credit bureau, and payment system)	2011–2016	\$1.35 million
Money Market Development			
US Treasury	Repo market development and monitoring liquidity	Since 2009	
Supervision Inspection			
CIDA	Banking regulation and supervision support	2013–2018	Can\$14 million

Development Partner	Project Name	Duration	Amount
Monetary/Exchange Rate Policies			
IMF	Guidance on monetary instruments and operations	Since 2004	
GIZ	Advice on monetary and exchange rate policies	Since 2005	
US Treasury	Using the liquidity table, setting objectives and targets of monetary policy	Since 2009	
Statistics and Database			
IMF	Monetary and financial statistics compilation	Since 2010	
	BOP statistics compilation and regulation	Since 2010	
	Financial Soundness Indicators	Since 2010	
Issuance and Vault Operation			
JICA	Project for Strengthening Functions of SBV focusing on issuance and vault operations	2010–2013	
Anti-Money Laundering			
IMF	Anti-money laundering	Since 2010	
SECO	Anti-money laundering and countering financing of terrorists	2011–2013	SwF0.99 million (regional)

AFD = Agence Française de Développement, BOP = balance of payments, BSA = Banking Supervisory Agency, CCF = Central People's Credit Fund, CCP = central counterparty, CIDA = Canadian International Development Agency, GIZ = Gesellschaft für Internationale Zusammenarbeit, IFC = International Finance Corporation, IMF = International Monetary Fund, IT = information technology, JICA = Japan International Cooperation Agency, MIS = management information system, MFI = microfinance financial institution, PCF = People's Credit Fund, SBV = State Bank of Vietnam, SECO = Swiss Economic Cooperation Organization, SME = small and medium-sized enterprise, SOE = State Owned Enterprise, TA = technical assistance, USAID = United States Agency for International Development.

Note: Given the number of active development partners in the financial sector, only a limited number of projects are included.

Sources: Asian Development Bank, Viet Nam Resident Mission.

B. Institutional Arrangements and Processes for Development Coordination

3. Broad-based support for the financial sector is demonstrated by the range of development partners active in this area. Development partners, including ADB, participate in meetings chaired by the World Bank to discuss issues of common interest and share information on donor support to financial sector reforms. Basic information on past, current, and future activities is included in a Financial Sector Assistance Matrix (FSAM). All donor agencies have committed to share information on their current and upcoming support programs.

C. Achievements and Issues

4. Implementation of the government's financial sector reform program continues with strong donor support, as evidenced by the number of related assistance projects and the amount of financial support provided. Clearly, in some areas multiple donors are providing similar support. Although the biannual donor meetings and FSAM updates have been quite helpful in furthering donor coordination, more could be done to enhance this process.

D. Summary and Recommendations

5. Better coordination would limit overlap, contribute to efficiency, and more effectively generate development outcomes. The comprehensive matrix covering the TA, program and other support provided by donors should be (i) better aligned with current developments and priority needs of the government, (ii) based on significantly improved information coverage and data quality, (iii) better structured, (iv) updated more frequently, and (iv) posted on the SBV and World Bank web pages. These views are shared by other donors, and progress is being made in better aligning donor support. For instance, ADB is actively participating in biannual financial sector partnership group forums and subgroup meetings for specific areas, such as financial inclusion.