



# Completion Report

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Project Numbers: 44251-013 and 44251-034  
Loan Numbers: 3081 and 3335  
June 2017

## Viet Nam: Financial Sector Deepening Program

This document is being disclosed to the public in accordance with ADB's Public Communication Policy 2011.

**Asian Development Bank**

## CURRENCY EQUIVALENTS

Currency Unit	–	dong (D)
Subprogram 1		<b>At Appraisal</b> 16 July 2013
		<b>At Program Completion</b> 18 August 2014
D1.00	=	\$0.00004716
\$1.00	=	D21,202
Subprogram 2		<b>At Appraisal</b> 17 Aug 2015
		<b>At Program Completion</b> 31 March 2016
D1.00	=	\$0.00004524
\$1.00	=	D22,103

## ABBREVIATIONS

ADB	–	Asian Development Bank
CPS	–	country partnership strategy
FSDP	–	Financial Sector Deepening Program
GDP	–	gross domestic product
HNX	–	Ha Noi Stock Exchange
IFRS	–	international financial reporting standards
MMWG	–	Money Market Working Group
MOF	–	Ministry of Finance
NPL	–	nonperforming loan
PFM	–	public financial management
SBV	–	State Bank of Vietnam
SDR	–	special drawing right
SEDS	–	Socio-Economic Development Strategy 2011–2020
SSC	–	State Securities Commission
TA	–	technical assistance
VAMC	–	Viet Nam Asset Management Company
VAS	–	Viet Nam accounting standards

## GLOSSARY

Association of Southeast Asian Nations	–	A political and economic organization comprised of 10 Southeast Asian countries: Brunei Darussalam, Cambodia, Indonesia, the Lao People’s Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam. It was formed on 8 August 1967.
benchmark issue	–	A highly liquid bond that provides a price standard against which the performance of bonds of other maturities or credit quality are measured. Government bonds are almost always used as benchmark bonds, and in turn form the basis of a yield curve.
fragmentation	–	A situation wherein an excessive number of financial instruments spread trading activity across each instrument, such that trading levels in any one instrument are diminished.
money market	–	A subsection of the fixed-income market that specializes in

very short-term debt securities (debt that matures in less than 1 year). Money market securities are essentially unsecured obligations to pay issued by governments, financial institutions, and large corporations.

- nonperforming loan – A sum of borrowed money upon which the debtor has not made his or her scheduled payments for at least 90 days. A nonperforming loan is either in default or close to being in default. Once a loan is nonperforming, the odds that it will be repaid in full are considered to be substantially lower. This definition is almost universally recognized by bank regulators.
- yield curve – A yield curve plots the interest rates, at a given point in time, of bonds with equal credit quality but differing maturity dates. The widely reported United States Treasury yield curve includes securities of various maturities (e.g., 3 months and 2, 5, 10, and 30 years. Yield curves are used as a benchmark for pricing other debts, such as mortgage or bank lending rates, and to predict changes in economic output and growth.

### NOTES

- (i) The fiscal year (FY) of the government and its agencies ends on 31 December. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2016 ends on 31 December 2016.
- (ii) In this report, "\$" refers to US dollars.

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## BASIC DATA

### A. Loan Identification

1.	Country	Viet Nam
2.	Loan Number	3081
3.	Program Title	Financial Sector Deepening Program, Subprogram 1
4.	Borrower	The Socialist Republic of Viet Nam
5.	Executing Agency	State Bank of Viet Nam
6.	Amount of Loan	SDR29,238,000 (\$45 million)
7.	Program Completion Report Number	1620

### B. Loan Data

1.	Appraisal	
	– Date Started	16 July 2013
	– Date Completed	19 July 2013
2.	Loan Negotiations	
	– Date Started	7 October 2013
	– Date Completed	8 October 2013
3.	Date of Board Approval	6 December 2013
4.	Date of Loan Agreement	24 January 2014
5.	Date of Loan Effectiveness	
	– In Loan Agreement	24 April 2014
	– Actual	23 May 2014
	– Number of Extensions	1
6.	Closing Date	
	– In Loan Agreement	31 March 2014
	– Actual	18 August 2014
	– Number of Extensions	1
7.	Terms of Loan	
	– Interest Rate	2% per annum during the grace period and thereafter
	– Maturity (number of years)	25 years
	– Grace Period (number of years)	5
8.	Terms of Relending (if any)	not applicable
	– Interest Rate	
	– Maturity (number of years)	
	– Grace Period (number of years)	
	– Second-Step Borrower	

## 9. Disbursements

## a. Dates

Initial Disbursement	Final Disbursement	Time Interval
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15 July 2014	15 July 2014	0
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Effective Date (Extended Date)	Original Closing Date	Time Interval
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23 May 2014	31 March 2014	-1.74 months
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## b. Amount (\$ million)

Category or Subloan	Original Allocation	Last Revised Allocation	Amount Canceled	Net Amount Available	Amount Disbursed	Undisbursed Balance
1	45.000	None	0	45.000	45.180	0
<b>Total</b>	45.000		0	45.000	45.180	0

The loan was denominated in special drawing rights (SDR). Actual disbursements exceed the original allocation because of differences in the SDR-dollar exchange rate at appraisal and actual disbursement.

## 10. Local Costs (Financed)

- Amount (\$)	None
- Percent of Local Costs	None
- Percent of Total Cost	None

## C. Program Data

## 1. Program Cost (\$million)

Cost	Appraisal Estimate	Actual
Foreign Exchange Cost	45.000	45.180
<b>Total</b>		

## 2. Financing Plan (\$ million)

Cost	Appraisal Estimate	Actual
Implementation Costs		
ADB Financed	45.000	45.180
<b>Total</b>	45.000	45.180

ADB = Asian Development Bank, SDR = special drawing rights.

## 3. Cost Breakdown by Program Component (\$ million)

Component	Appraisal Estimate	Actual
ADB Financed		
Single Tranche	45.000	45.180
<b>Total</b>	45.000	45.180

ADB = Asian Development Bank

## 4. Program Schedule

Item	Appraisal Estimate	Actual
Other Milestones		
Single Tranche	45.000	45.180

## 5. Program Performance Report Ratings

Implementation Period	Ratings	
	Development Objectives	Implementation Progress
	Not Applicable.	

## D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members <sup>a</sup>
Reconnaissance Mission 1 <sup>b</sup>	14–18 Nov 2011	5	25	a, b, c, g, h
Reconnaissance Mission 2 <sup>b</sup>	7–10 May 2012	4	16	b, d, g, h
Reconnaissance Mission 3 <sup>b</sup>	16–24 July 2012	4	28	b, d, g, h
Reconnaissance Mission 4 <sup>b</sup>	11–14 March 2013	3	12	b, g, h
Fact-finding Mission <sup>b</sup>	13–17 May 2013	4	20	b, d, g, h
Appraisal Mission <sup>b</sup>	16–19 July 2013	3	12	b, g, h
Loan Negotiations <sup>b</sup>	7–8 October 2013	4	8	b, e, f, g
Program Completion Review	13–17 February 2017	3	15	b, c, g

<sup>a</sup> a = sector director; b = principal financial sector specialist; c = financial sector economist; d = financial sector specialist; e = counsel; f = results management specialist; g = senior financial sector officer; h = consultant

<sup>b</sup> Including Viet Nam Resident Mission staff assisting in the mission.

## BASIC DATA

### A. Loan Identification

1.	Country	Viet Nam
2.	Loan Number	3335
3.	Program Title	Financial Sector Deepening Program, Subprogram 2
4.	Borrower	The Socialist Republic of Viet Nam
5.	Executing Agency	State Bank of Vietnam
6.	Amount of Loan	SDR71,413,000 (\$100 million)
7.	Program Completion Report Number	1620

### B. Loan Data

1.	Appraisal	
	– Date Started	17 August 2015
	– Date Completed	21 August 2015
2.	Loan Negotiations	
	– Date Started	5 October 2015
	– Date Completed	6 October 2015
3.	Date of Board Approval	26 November 2015
4.	Date of Loan Agreement	30 Dec 2015
5.	Date of Loan Effectiveness	
	– In Loan Agreement	29 Mar 2016
	– Actual	21 Mar 2016
	– Number of Extensions	0
6.	Closing Date	
	– In Loan Agreement	31 March 2016
	– Actual	31 March 2016
	– Number of Extensions	0
7.	Terms of Loan	
	– Interest Rate	2% per annum during the grace period and thereafter
	– Maturity (number of years)	25 years
	– Grace Period (number of years)	5
8.	Terms of Relending (if any)	not applicable
	– Interest Rate	
	– Maturity (number of years)	
	– Grace Period (number of years)	
	– Second-Step Borrower	

## 9. Disbursements

## a. Dates

<b>Initial Disbursement</b>	<b>Final Disbursement</b>	<b>Time Interval</b>
23 March 2016	23 March 2016	0
<b>Effective Date</b>	<b>Original Closing Date</b>	<b>Time Interval</b>
21 March 2016	31 March 2016	0.33 months

## b. Amount (\$ million)

<b>Category or Subloan</b>	<b>Original Allocation</b>	<b>Last Revised Allocation</b>	<b>Amount Canceled</b>	<b>Net Amount Available</b>	<b>Amount Disbursed</b>	<b>Undisbursed Balance</b>
1	100.000	None	0	100.000	100.417	0
<b>Total</b>	100.000		0	100.000	100.417	0

The loan was denominated in special drawing rights (SDR). Actual disbursements exceed the original allocation because of differences in the SDR-dollar exchange rate at appraisal and actual disbursement.

## 10. Local Costs (Financed)

- Amount (\$)	None
- Percent of Local Costs	None
- Percent of Total Cost	None

**C. Program Data**

## 1. Program Cost (\$million)

<b>Cost</b>	<b>Appraisal Estimate</b>	<b>Actual</b>
Foreign Exchange Cost	100.000	100.417
<b>Total</b>		

## 2. Financing Plan (\$ million)

<b>Cost</b>	<b>Appraisal Estimate</b>	<b>Actual</b>
Implementation Costs		
ADB Financed	100.000	100.417
<b>Total</b>	100.000	100.417

ADB = Asian Development Bank.

## 3. Cost Breakdown by Program Component (\$ million)

Component	Appraisal Estimate	Actual
ADB Financed		
Single Tranche	100.000	100.417
<b>Total</b>	100.000	100.417

ADB = Asian Development Bank.

## 4. Program Schedule

Item	Appraisal Estimate	Actual
Other Milestones		
Single Tranche	100.000	100.417

## 5. Program Performance Report Ratings

Implementation Period	Ratings	
	Development Objectives	Implementation Progress
	Not Applicable.	

## D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members <sup>a</sup>
<b>Reconnaissance Mission 1<sup>b</sup></b>	31 Mar –4 April 2014	3	15	a, c, e
<b>Reconnaissance Mission 2<sup>b</sup></b>	10–17 July 2014	3	18	a, c, e
<b>Reconnaissance Mission 3<sup>b</sup></b>	3–10 Oct 2014	3	18	a, c, e
<b>Reconnaissance Mission 4<sup>b</sup></b>	19–22 January 2015	3	12	a, c, e
<b>Fact-finding Mission<sup>b</sup></b>	8–10 April 2015	5	15	a, b, d, e, f
<b>Appraisal Mission<sup>b</sup></b>	17–21 August 2015	3	15	b, g, h
<b>Loan Negotiations<sup>b</sup></b>	5–6 October 2015	3	6	a, b, e
<b>Program Completion Review</b>	13–17 February 2017	3	15	b, c, g

<sup>a</sup> a = principal financial sector specialist; b = senior financial sector specialist; c = financial sector specialist; d = counsel; e = senior financial sector officer; f = operations assistant.

<sup>b</sup> Including Viet Nam resident Mission staff assisting in the mission.

## I. PROGRAM DESCRIPTION

1. The Financial Sector Deepening Program (FSDP) used a programmatic approach, with two subprograms and associated program preparatory technical assistance (TA).<sup>1</sup> The concept paper and the attached TA were approved on 23 August 2011.

2. Asian Development Bank (ADB) engagement in financial sector development in Viet Nam began in 1993. ADB supported reforms that helped to develop Viet Nam's market-based financial system and economy through three program loan projects.<sup>2</sup> A legal framework for negotiable instruments and secured transactions was developed, and support was provided to the banking sector, including the state-owned commercial banks, to strengthen credit risk management and mobilize deposits. ADB also encouraged competition in the banking sector and accelerated efforts to develop the non-banking sector (e.g. leasing, money markets, insurance, and capital markets) as an alternative source of intermediation.<sup>3</sup> The third program loan focused on closing the gaps between national and international best practices.<sup>4</sup> Reforms increased transparency in the securities market, while consumer protection and financial stability were enhanced by instituting administrative offences under the new Securities Law.

3. The FSDP built on this engagement, and the lessons derived from the prior experience.<sup>5</sup> The FSDP introduced a more focused and structured delivery, which recognized that the process of financial sector development needs to be properly sequenced over the medium to long term.<sup>6</sup> The FSDP sought to address key development constraints, including: (i) the development of a money market, which is the cornerstone of wider capital market development; (ii) actions to deepen and improve liquidity of the government debt market; and (iii) efforts to strengthen both the institutions and overall capacity of the nonbank financial sector. In particular, The FSDP was designed to establish an active money market to provide a short-term benchmark interest rate. Such a rate, when market-determined and reflective of the actual supply of and demand for money, provides for more effective implementation of monetary policy, and serves as a pricing benchmark for other financial transactions, including basic hedging instruments. The FSDP also focused on establishing a deeper and diversified government debt market to provide a more reliable term structure of interest rates (e.g. yield curve), and provided an enabling environment for the issuance of corporate debt. Finally, the FSDP incorporated reforms to increase capacity and provide appropriate infrastructure to support capital market development. For example, the FSDP encouraged a more structured approach to training and provided a catalyst to ensure the eventual introduction of international financial reporting standards (IFRS).

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<sup>1</sup> ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan to the Socialist Republic of Viet Nam for Subprogram 1 of the Financial Sector Deepening Program*. Manila; and ADB. 2015. *Report and Recommendation of the President to the Board of Directors: Proposed Program Loan to the Socialist Republic of Viet Nam for Subprogram 2 of the Financial Sector Deepening Program*. Manila.

<sup>2</sup> ADB. 1996. *Report and Recommendation of the President to the Board of Directors: Proposed Program Loan to the Socialist Republic of Viet Nam for the Financial Sector Program*. Manila.

<sup>3</sup> ADB. 2002. *Report and Recommendation of the President to the Board of Directors: Proposed Program Loan Cluster to the Socialist Republic of Viet Nam for the Second Financial Sector Program*. Manila; and ADB. 2004. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Socialist Republic of Viet Nam for Subprogram 2 of the Second Financial Sector Program*. Manila.

<sup>4</sup> ADB. 2007. *Report and Recommendation of the President to the Board of Directors: Proposed Program Cluster and Loan to the Socialist Republic of Viet Nam for Subprogram 1 of the Third Financial Sector Program*. Manila; and ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Socialist Republic of Viet Nam for Subprogram 2 of the Third Financial Sector Program*. Manila.

<sup>5</sup> ADB. 2014. *Completion Report: Third Financial Sector Program in Viet Nam*. Manila.

<sup>6</sup> International Monetary Fund. 2003. *Managing Risks in Financial Market Development: The Role of Sequencing*. Washington DC.

## II. EVALUATION OF DESIGN AND IMPLEMENTATION

### A. Relevance of Design and Formulation

4. The design of FSDP was relevant for several reasons. It was aligned with the government's Socio-Economic Development Strategy (SEDS), 2011–2020, which seeks to achieve higher middle-income status for Viet Nam by 2020, with per capita income of at least \$3,000, with significant improvements in human development and poverty reduction.<sup>7</sup> To reach this objective, SEDS 2011–2020 calls for a variety of actions, including structural reforms and macroeconomic stability. The government adopted specific action plans to help achieve these objectives, including one to deepen the financial markets in Viet Nam to increase the level and efficiency of intermediation. This orientation was also reflected in the ADB country partnership strategy (CPS) for 2012–2015, which focused on supporting structural and policy reforms including governance and public finance to provide a business-enabling environment.<sup>8</sup> The CPS 2012–2015 noted that importance to the government of economic restructuring (particularly of the finance sector, public investment, and state-owned enterprises) in the context of long-term development. The CPS 2012–2015 continued ADB's support for the government's goal of deepening the finance sector to help mobilize resources and increase allocation efficiency.

5. Second, the modified design of FSDP reflected the experience and moderate progress that had been made. The country assistance program evaluation for Viet Nam rated financial sector assistance program as borderline successful,<sup>9</sup> while noting that some reform areas of the Second Financial Sector Program loan (footnote 3) were expected to take longer and require additional reforms, reflecting the technical challenges of developing a capital market, and extended time that is required. An assessment at the end of 2009 found that Viet Nam's debt markets remained small, representing only 13% of gross domestic product (GDP), well below the overall average of 58% for emerging East Asia. While the number of listed companies was comparatively high, overall market capitalization was low and only a few stocks were actively traded. There were no hedging instruments available.

6. Third, program design was informed by the specific lessons identified in the (then draft) program completion report for the Third Financial Sector Program (footnote 5). Specifically, the focus of the program was reoriented to building a foundation for financial sector development, with specific emphasis on essential reforms (e.g. a money market and a yield curve). ADB's experience indicated that the effectiveness such reforms should be fully demonstrated before introducing more complex reforms. Technical policy actions were discarded in favor of the introduction of progressively higher impact actions that could be expected to produce measurable results.<sup>10</sup> Problems with coordination that had impeded reform progress were addressed through the creation of formal coordination mechanisms, while more challenging actions—such as the adoption of mark-to-market accounting—were incorporated within the context of adoption of IFRS, and properly sequenced. Measurable performance targets were obtained in large part from the government's own market development plans, thereby increasing accountability and enabling quantifiable assessment of progress. Finally, the pace and timing of reforms was slowed in recognition that financial sector development is complex, has a lengthy gestation period, and requires proper sequencing that uses a step-by-step approach.

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<sup>7</sup> Government of the Philippines. 2017. Socio-Economic Development Strategy 2011–2020. Manila.

<sup>8</sup> ADB. 2012. *Country Partnership Strategy: Viet Nam, 2012–2015*. Manila.

<sup>9</sup> Independent Evaluation Department. 2009. *Country Assistance Program Evaluation: Socialist Republic of Viet Nam*. Manila: ADB.

<sup>10</sup> Subprogram 1 contained only 33 policy actions, 7 of which were triggers; subprogram 2 originally contained 40 policy actions, including 7 triggers.

## B. Program Outputs

7. FSDP contained three outputs: (1) a well-functioning money market, (2) a deepened and more liquid government bond market, and (3) improved capacity of public institutions in the financial sector.<sup>11</sup> These outputs were designed as part of a sustained effort to develop a capital market.

8. Under output 1, the first set of reforms (subprogram 1) enhanced coordination and information exchange between the State Bank of Viet Nam (SBV) and Ministry of Finance (MOF) to support money market development and supervision. Under this cooperative framework, SBV and MOF agreed to coordinate the issuance of short-term debt to eliminate overlapping maturities. Regulations were issued to establish an enabling environment for short-term loans secured by chattel property, including securities. The code of conduct for the foreign exchange interbank market was strengthened and regulations covering brokerage activities were improved. Preparations to introduce a formal repo market were begun. The second set of reforms (subprogram 2) expanded the cooperation between SBV and MOF into an inter-ministerial coordination group. SBV encouraged greater activity in the short-term money market through its liquidity management operations by regularly issuing SBV bills with tenors of 28, 56, 91, and 182 days. This activity has provided provisional short-term benchmark rates at 30, 60, 90, and 180 days. SBV strengthened bank prudential liquidity standards and increased transparency in the foreign exchange interbank market by introducing real-time trade monitoring and post-trade reporting.

9. Overall, the implementation of output 1 is considered satisfactory. The larger number of available tenors (with 28, 56, 91, and 182-day tenors in place of the former 182 and 364-day tenors in 2010) provides a deeper and more reliable short-term yield curve. In addition, aggregate quarterly turnover in the interbank market increased from D1.2 trillion in 2010 to D1,443 trillion in 2015. However, the Global Master Repurchase Agreement was not launched, which reflects the technical challenges of capital market development. There are significant gaps in the legal and operational frameworks that constrain use of the document, but stakeholder awareness was raised, and a draft master repurchase agreement, consistent with international standards, was completed and circulated to stakeholders. The applicable lessons will be applied in continuing this reform into the next programmatic approach, given that repurchase agreements represent a critical component of capital market development.<sup>12</sup>

10. Under output 2, the first set of reforms (subprogram 1) finalized and adopted the bond market development road map, which provided comprehensive direction and measurable performance targets. MOF (i) strengthened the legal framework governing the issuance and management of public debt; (ii) continued its program of large-lot issuance and used switch auctions to reduce the number of outstanding issues to increase liquidity in the government bond market;<sup>13</sup> (iii) implemented reforms to encourage the development of the corporate bond market by rationalizing issuance guidelines, streamlining administrative procedures, increasing transparency, and clarifying the responsibilities of potential issuers; and (iv) as part of Viet Nam's first-ever Financial Sector Assessment Program, completed self-assessments of compliance with international standards in the securities and insurance sectors to strengthen the underlying

<sup>11</sup> ADB. 2011. Concept Paper; *Financial Sector Deepening Program*. Manila.

<sup>12</sup> Without a repo market, primary auction members cannot continuously offer two-way price quotes (e.g. make markets); market liquidity, along with bid-ask spreads and trade sizes, will thus remain small.

<sup>13</sup> In addition, MOF has taken measures to (i) increase liquidity and trading volumes in the secondary market; (ii) better protect investors by setting guidelines for trading accounts; and (iii) prescribe standards and prohibitions for margin, inter-day, and insider trading.

financial market infrastructure.<sup>14</sup> The Law on Independent Audit was strengthened and operational risk in the securities settlement process was reduced by reducing securities settlement times by 1 day.

11. The second set of reforms (subprogram 2) introduced new measures to reduce systemic risk and increase investor confidence. A formal monitoring group, which later became the Monetary and Financial Stability Department of the SBV, was established to ensure the implementation of priority recommendations arising from the recently completed Financial Sector Assessment Program. To accelerate the resolution of non-performing loans (NPLs), the government increased the Viet Nam Asset Management Company's capital to \$100 million equivalent, and strengthened the entity's ability to resolve nonperforming loans. In parallel, the SBV increased capital in the banking system, improved the identification of NPLs, and implemented an enhanced problem bank resolution framework. MOF identified specific government bonds to serve as benchmark securities and launched a primary dealer system with basic rights and obligations. To increase transparency and price discovery, the Hanoi Stock Exchange (HNX) began publishing quarterly and annual debt auction schedules on its website, and used indicative prices to build a government bond yield curve. The State Securities Commission (SSC) became a signatory to the International Organization of Securities Commissions' Annex A.

12. Overall, the implementation of output 2 is considered satisfactory. Outstanding government bonds held by the contractual savings industry increased from the baseline of 11% in 2010 to 19.5% in 2015 against a target of 16%. The average maturity of the government securities portfolio was extended to 5.98 years in 2015 from 3.80 years in 2010, exceeding the target of 4–6 years, due to the continuing issuance of longer tenors.<sup>15</sup> The combined stock market capitalization of HNX and the Ho Chi Minh Stock Exchange increased to 56% of GDP as of 2015, from 19% of GDP in 2010, exceeding the target of 35%. The government bond market turnover increased from less than 1.0x in 2010 to 2.5x in 2014 (the latest available), while the aggregate value traded across HNX and Ho Chi Minh Stock Exchange increased from D180 trillion in 2010 to D2,402 trillion in 2015, well exceeding the target of a 25% increase.

13. Under output 3, the first set of reforms (subprogram 1) provided a human resources development plan for the SBV covering 2011–2020. This plan recognized the need to strengthen supervision and began by focusing on SBV's core operations by organizing groups of 40–60 staff members for intensive training. Concurrently, the SSC completed a medium-term plan for human resources development covering 2011–2020. This plan initially focused on improving the quality of its professionals, followed by efforts to strengthen the structure, functions, duties, and powers of the organization. As a prelude to amending the Law on Accounting, MOF completed a comprehensive assessment of gaps between Viet Nam Accounting Standards (VAS) and IFRS. Likewise, the MOF evaluated the amended Law on Insurance Business to identify gaps from international practice as a prelude to the eventual implementation of risk-based capital.

14. Under the second set of reforms (subprogram 2), MOF completed a draft Law on Accounting for presentation to the National Assembly. The eventual passage of this law will trigger a progressive alignment of VAS with IFRS. A steering committee and working group was established to reduce systemic risk in the securities settlement process. To bolster investor confidence, the MOF Insurance Supervisory Agency established, funded, and staffed a

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<sup>14</sup> World Bank. 2014. *Viet Nam; Financial Sector Assessment Program*. Washington DC.

<sup>15</sup> The number of auctions of 10- and 15-year government bonds has more than doubled since 2013; the aggregate face amount of 10-year notes rose from D8 billion to D33 billion, and 15-year notes from D4 billion to D15 billion.

policyholder protection fund and instituted a supporting governance framework. The SBV implemented its human resource development plan and provided 4,789 participants with a structured regime of soft skills, general professional skills, and select advanced technical skills.

15. Nevertheless, implementation of output 3 is considered less than satisfactory. While the Law on Accounting was not amended until 2016, work commenced to align individual VAS standards with those of IFRS. Unfortunately, the degree of alignment achieved cannot be determined and doubts exist regarding the robustness of any purported alignment. The comprehensive skills gap assessment was completed and SBV had cycled approximately 128% of its staff target through the focused training program, while more than 50% of the Insurance Supervisory Agency's staff members were trained on examination and inspection. However, both SBV and MOF have failed to establish a structured training program, and the training that is offered is not linked to personnel administration. Rather, training is mostly ad hoc and dependent on development partner support.

### **C. Program Costs**

16. The programmatic approach and subprogram 1 for SDR29,238,000 were approved on 6 December 2013 and the loan became effective on 23 May 2014. Subprogram 2, which continued and completed reforms initiated under subprogram 1, was approved on 26 November 2015 for SDR 71,413,000 and became effective on 21 March 2016.

17. In general, the size of the program reflects the government's financing needs, the strength of the reform program, and, secondarily, the costs of implementation.<sup>16</sup> For subprogram 1, the size of the loan primarily reflected the government financing needs. With a deficit of approximately 5% of GDP in 2013, the government borrowed \$3.7 billion through official development assistance to close the budget gap. A program impact assessment was not prepared. For subprogram 2, the government needed to borrow an estimated \$3.8 billion through official development assistance to close a budget gap of approximately 4% of GDP. A program impact assessment was prepared,<sup>17</sup> and quantified the net benefits associated with subprogram 2 at \$246 million; the total quantified benefits were assessed to be \$1,900 million, most of which arose through a 20 basis-point reduction in the cost of the government's debt, while the costs of subprogram 2 were estimated at \$1,654 million. These costs included increased expenses associated with issuing longer-term debt, the capital injection provided to the Viet Nam Asset Management Company, and the increased administrative costs to government agencies associated with adopting the Basel II standard.

### **D. Disbursements**

18. Both subprograms were disbursed in single tranches. Subprogram 1 became effective on 23 May 2014, after one extension and approximately 1 month after the expected date of effectiveness. Disbursement followed on 15 July 2014. Subprogram 2 became effective on 21 March 2016. Disbursement followed on 23 March 2016.

### **E. Program Schedule**

19. The program period covered July 2010 to June 2015. Subprogram 1 covered July 2010 to July 2013. Loan appraisal was completed on 19 July 2013 with loan negotiations conducted on

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<sup>16</sup> ADB. 2013. *Policy-Based Lending. Operations Manual. OM D4/BP*. Manila (para. 32).

<sup>17</sup> <https://www.adb.org/sites/default/files/linked-documents/44251-034-sd02.pdf>

7–8 October 2013. The loan was approved by the ADB Executive Board on 6 December 2013. The loan was closed on 18 August 2014 as compared to the expected closing date of 31 March 2014, necessitating one extension to allow time for the government to obtain a legal opinion. Subprogram 2 covered September 2013 to June 2015. Loan appraisal was completed on 21 August 2015 with loan negotiations conducted 5–6 October 2015. The loan was approved by the ADB Executive Board on 26 November 2015. The loan was closed on 31 March 2016 as planned. The program also contained a post-program partnership framework covering July 2015 to June 2017, and served as a bridge to the next programmatic approach.

## **F. Implementation Arrangements**

20. The executing agency for FSDP was the SBV, while implementing agencies comprised MOF, SSC, HNX, and SBV. The Money Market Working Group (MMWG) acted as a coordination mechanism for the implementation of the Money Market Development Master Plan. The MMWG met biannually and provided a ready mechanism through which the government brought various stakeholders together to implement reforms, which will become increasingly more challenging. In addition, subprogram 2 contained measures to broaden coordination of capital market development between SBV and MOF, and across other government agencies. Overall, the SBV has proven to be an effective administrator whose inputs have been instrumental in organizing missions, ensuring prompt follow up, and completing agreed reforms.

## **G. Conditions and Covenants**

21. At inception (footnote 10), the program's impact was sustained financing of investment activities from domestic and foreign sources. The program's outcome was expanded nonbank financing of investment activities. There were three outputs: (i) a well-functioning money market, (ii) deepened and more liquid government bond market, and (iii) improved capacity of public institutions in the financial sector. During implementation of subprogram 1, the impact statement was changed to "an expanded level of nonbank financing" and the outcome statement was changed to "strengthened investor confidence" to reflect the government's concerns over the program encouraging overinvestment. Output 1 was changed to "a deepened and more liquid capital market" to more accurately reflect the scope of the reforms. Similarly, output 3 was changed to "capacity of public and private institutions in the nonbank financial sector improved" reflecting the more selective nature of the program. During implementation of subprogram 2, the impact statement was dropped consistent with the amended instructions for the design and monitoring framework.<sup>18</sup> The program maintained these revised outcome and output statements throughout the program period.

22. Subprogram 1 contained 33 policy actions, of which 7 represented policy triggers. All were completed. At the same time, the government agreed to 45 indicative policy actions as a basis for subprogram 2. During implementation of subprogram 2, ADB confirmed that 38 of these indicative actions were accomplished. To sharpen the focus of this and future programs, the 38 completed reforms were combined into a streamlined presentation of 22 high-impact policy actions, while 3 new policy actions were added to recognize the government's efforts to strengthen the banking sector and thereby reduce systemic risks. The addition of these policy actions also provided an entryway for ADB to increase its support to the resolution of NPLs in the banking sector, a problem that arguably has the most significant detrimental effect on the government's efforts to develop a

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<sup>18</sup> ADB. 2016. *Guidelines for Preparing a Design and Monitoring Framework*. Manila.

domestic capital market. Four completed actions were dropped from the program to narrow ADB's engagement and recognize the end of discrete reform channels.

23. The programmatic approach included a number of affirmative covenants attached to the loan agreements. The use of affirmative covenants encourages the borrower to perform specific functions in both actual and possible situations. As a result, the degree of compliance cannot always be determined. For example, the mission cannot assess if the borrower made all books and records available for audit unless an audit has been requested. Nevertheless, evidence indicates compliance with all covenants. All policy actions adopted under the program, as set forth in the Policy Letter and the Policy Matrix, remained in effect for the duration of the program. The borrower has informed the ADB regarding policy discussions with other multilateral and bilateral aid agencies and has consistently exchanged views on sector issues, policy reforms and additional reforms arising during the implementation of the program. No evidence of corrupt, fraudulent, collusive or coercive practices has been noted and as such, no audits or investigations have been launched. The government is actively supporting the conduct of the program completion report.

#### **H. Related Technical Assistance**

24. FSDP was supported by program preparatory TA in the amount of \$600,000 financed by the ADB Technical Assistance Special Fund IV. The scope of the TA mirrored that of FSDP and was structured around three primary activities as reflected in the concept paper (footnote 10): (i) a well-functioning money market, (ii) a deepened and more liquid government bond market, and (iii) improved capacity of public institutions in the financial sector. The TA was designed to foster the development of the money market by strengthening the legal, regulatory and the operational framework. To support the development of the government bond market, the TA included initiatives to improve price discovery, information disclosure and transparency. In addition, the TA was expected to improve the supervisory and regulatory environment, and to strengthen financial system stability. Finally, the TA included measures to improve the institutional capacity of SBV and MOF.

25. The original TA budget provided 4-person months for an international money market expert to build capacity, an output-based contract for an international legal expert to complete a diagnostic for the repo market, and 1.5 person-months for a monetary policy expert to strengthen operations. To support capital market development, the TA proposed 3 person-months for an international expert to support the development of a master plan, and 3 person-months for an international securities expert to help conduct an International Organization of Securities Commissions principles self-assessment. In addition, 1.5 person-months were allocated for an international insurance expert to review the Law on Insurance. To strengthen financial sector infrastructure, 2 person-months were allocated for an international accounting expert to support the adoption of IFRS, and 1.5 person-months were provided for an international securities settlement expert to assess settlement risk. In addition, 8 person-months were set aside for a national coordinator with a capital markets background.

#### **I. Consultant Recruitment and Procurement**

26. The program preparatory TA was approved on 21 October 2011, and signed on 18 November 2011. The TA was closed on 31 December 2015, 36 months after the original completion date. The TA provided 22 person-months of consulting services, comprising 16 person-months of international and 6 person-months of national consultant inputs. This is

consistent with the original budget, which contemplated 24.5 person-months of services (16.5 person-months of international and 8 person-months of national consulting services).

27. The TA was implemented in a manner largely consistent with its original focus, through the following inputs (i) an international expert (4 person-months), who provided onsite assistance to support the development of the money market; (ii) an international expert (1 person-month), who provided inputs to develop the local currency bond market and to develop a short-term benchmark interest rate; (iii) an international expert (1 person-month), who provided inputs to establish guidelines for sub-national governments to raise capital to self-fund capital expenditures; (iv) an international law firm (4 person-months), which was paired with a domestic legal expert (1.5 person-months) to conduct a suitability survey to determine if the Global Master Repurchase Agreement could be introduced to Viet Nam; (v) an international accounting expert (2 person-months), who completed a gap assessment between VAS and IFRS, delivered capacity development, and built stakeholder consensus; (vi) an international insurance expert (2 person-months), who performed a diagnostic of the non-life insurance sector and assessed the Law on Insurance for consistency with international standards, to support eventual migration toward Solvency 1; and (vii) a national capital markets expert (4 person-months), who provided a host of ancillary support services including completing and disseminating a money market survey and diagnostic, compiling research and surveys to identify opportunities to improve Viet Nam Interbank Offered Rate, coordinating training activities, and supporting ADB missions.

#### **J. Performance of Consultants, Contractors, and Suppliers**

28. The consulting services were recruited individually and through a firm in accordance with ADB's Guidelines on the Use of Consultants (2010, as amended from time to time). All consultants were rated excellent or satisfactory. Consultant performance was characterized by high levels of technical expertise, tailored delivery and knowledge transfer, efficiency, and high-quality deliverables.

#### **K. Performance of the Borrower and the Executing Agency**

29. The borrower is the Socialist Republic of Viet Nam, as represented by SBV, which is also the executing agency. Overall, the performance of the borrower and executing agency is considered satisfactory. SBV provided consistent and effective guidance to manage the transition from the previous activity-based programmatic approach to one that emphasized tangible results. This required extensive stakeholder engagement as a number of implementing agencies had grown accustomed to presenting previously completed, low-impact tasks as reforms, with little accountability for measurable results. In addition, SBV worked closely with implementing agencies to ensure the necessary prerequisites were completed to provide a solid base from which to launch the program. SBV also coordinated TA activities across multiple donors to minimize duplication and overlap, and to ensure that scarce TA resources were used to support program implementation.

30. However, the performance of the borrower is challenged with respect to the complexity of processes and time required to approve processing milestones and TA grants. In particular, it now takes 90 days or longer for the government to authorize loan negotiations. Delays result largely from a multi-layer approval process that requires approval by ministries which may not be directly involved in the reform program. While not yet critical to ADB processing, these delays are increasing overall processing times.

31. More importantly, the time required to gain approval of a TA grant has extended to approximately 14 months;<sup>19</sup> when combined with ADB's internal processing requirements, TA grants typically become effective approximately 2 years from the original concept design, rendering them largely obsolete. To synchronize TA delivery and program implementation, a cycle has developed wherein current and open TA grants are reconfigured to meet current requests for assistance, which are also being included in TA concept papers for delivery in 2 years. This leads to sub-optimal use of resources, because of the time required to process a large number of changes during implementation. While loan processing milestones remain workable, the government is urged to initiate steps to reduce TA processing time to better align TA requests with approval of the relevant TA grant.

## L. Performance of the Asian Development Bank

32. The performance of ADB is likewise considered satisfactory. ADB fully embraced lessons from the Third Financial Sector Program (footnote 5) and developed a more effective program that directly addressed the fundamental development constraints. The programmatic approach incorporates a sequenced process that recognizes the hierarchical nature of financial sector development. The programs and selected performance targets were tightly aligned with the government's reform agenda. A smaller number of high-impact policy actions were used in direct consultation with the government. After an initial delay to complete several reform prerequisites, the program adhered to the projected processing schedule, and no unusual delays were encountered in achieving effectiveness. Comprehensive missions were fielded on a regular basis and consultant recruitment proceeded without delay.

## III. EVALUATION OF PERFORMANCE

### A. Relevance

33. The FSDP is rated *highly relevant*, both at the time of approval and at the time of evaluation based on the three criteria<sup>20</sup> provided in the Organisation for Economic Co-operation and Development Guidelines.<sup>21</sup> First, the FSDP was entirely consistent with the government's priorities. SEDS 2011–2020 set out a goal of transitioning Viet Nam to upper middle-income status. It focuses on three issues: (i) promoting human resources and/or skills development, and in particular skills for jobs in modern industry and technological innovation; (ii) improving market institutions; and (iii) developing infrastructure. At the time of program development, the first supporting Socio-Economic Development Plan (2011–2015) called for improving socialist-oriented market economy institutions, quickly developing high-quality human resources, and gradually constructing comprehensive infrastructure systems with modern facilities.<sup>22</sup> In addition, the government established economic restructuring—particularly of the finance sector, public investment, and state-owned enterprises—as key to long-term development (footnote 7). The FSDP was specifically designed to accelerate the development of Viet Nam's financial sector to provide increased, diversified and more efficient intermediation to increase economic growth, embrace market principles, and provide a foundation to restructure state-owned enterprises using

<sup>19</sup> Viet Nam is the only country in Southeast Asia that requires an explicit government approval process for TA grants.

<sup>20</sup> The three criteria are: (i) the extent to which the proposed outcome of the project is consistent with the country's development priorities and ADB's country and sector strategies, both at appraisal and at evaluation; (ii) the extent to which the work used to justify project intervention was satisfactory and based on a sound problem tree analysis, including consideration of the main constraints to the achievement of results; and (iii) the extent to which the design and the financing instrument selected were an appropriate response to the identified development problem.

<sup>21</sup> Organisation for Economic Co-operation and Development. 2009. Guidelines for Project and Programme Evaluations. Vienna.

<sup>22</sup> Ministry of Investment and Planning. 2011. *Socio-Economic Development Plan, 2011–2015*. Ha Noi.

private sector capital.<sup>23</sup> These objectives were also consistent with the ADB CPS for 2012–2015, which focused on three areas, including enhancing economic efficiency by supporting the government’s efforts to deepen the financial sector (footnote 7).

34. Second, the design of the FSDP was based on a sound understanding of the overall impact of financial sector development and the specific development constraints. In general, empirical research produces a remarkably consistent narrative—financial sector development exerts a first-order impact on long-run economic growth. Research has indicated Viet Nam’s growth rate could have been even faster if supported by a more efficient allocation of capital.<sup>24</sup> The cost has been quantified using panel data from 47 countries from 1976 through 1993,<sup>25</sup> which showed stock market liquidity and banking development both positively predict economic growth. When combined these provide a larger boost to real GDP per capita. Research has also indicated that higher levels of insurance penetration, coupled with increased levels of bank credit and stock market liquidity, produced an even larger increase in real GDP,<sup>26</sup> and has predicted that development of the financial sector would increase the impact of foreign direct investment on economic growth.<sup>27</sup> The specific development program and binding constraints were identified by a detailed diagnostic that was performed during program implementation and subsequently published in July 2014.<sup>28</sup>

35. Third, the assessment of the development constraints noted above and the associated lessons informed the program’s specific design and sequencing. The completion report for the Third Financial Sector Program noted that financial sector reforms are complex, have a medium- to long-term gestation period, and more importantly, require proper sequencing that follows a step-by-step approach (footnote 5). In addition, the completion report noted that financial sector reforms must be supported by sufficient TA resources. These findings underscore the suitability of using a programmatic approach to support financial sector development. In effect, support needs to be provided over the medium to long term and must address complex issues. The programmatic approach combines a 3- to 4-year program period with budget support, TA resources and extensive policy dialogue. In addition, the programmatic approach provides much needed flexibility to adapt to changing circumstances and priorities.

36. The specific design of the program also benefited from the recommendations contained in the completion report. To increase the pace of development, and to improve program effectiveness, the FSDP refocused the reform priorities on unfinished foundation reforms. Specifically, the FSDP prioritized the development of a short-term money market and initiatives that would, over time, lead to the formation of a market-determined short-term benchmark interest rate. This was the focus of output 1, and will serve as the foundation for all subsequent reforms to support financial sector development. In addition, the program placed a renewed emphasis on the development of the government bond market to provide the basis for a term structure of interest rates, or yield curve, over time; the curve can then anchor the pricing of private sector intermediation such as corporate bonds. The FSDP also incorporated recommendations that quantitative indicators and tangible results should be used to judge program success rather than

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<sup>23</sup> International Monetary Fund. 2013. *Local Currency Bond Markets – A Diagnostic Framework*. Washington DC.

<sup>24</sup> J. Rosengard and H. Du. 2009. Funding Economic Development: A Comparative Study of Financial Sector Reform in Viet Nam and China. *United Nations Development Programme–Harvard Policy Dialogue Papers*.

<sup>25</sup> R. Levine and S. Zervos. 1998. Stock Markets, Banks, and Economic Growth. *The American Economic Review*.

<sup>26</sup> M. Arena. 2008. Does Insurance Market Activity Promote Economic Growth? A Cross-Country Study for Industrialized and Developing Countries. *The Journal of Risk and Insurance*. 75 (4). pp. 921–946.

<sup>27</sup> S. Anwar and L. P. Nguyen. 2011. Financial Development and Economic Growth in Vietnam. *Journal of Economics and Finance*. 35 (3). pp. 348–360.

<sup>28</sup> ADB. 2014. *Viet Nam Financial Sector Assessment, Strategy and Roadmap*. Manila.

the simple completion of policy actions. The FSDP was designed to use a smaller number of higher impact policy actions in a few selected areas, and thereby generate more effective and sustainable results.

## **B. Effectiveness in Achieving Outcome**

37. The program is deemed effective in achieving its outcome although data limitations have reduced the robustness of the evaluation. Specifically, the data source used to evaluate the related performance indicator—the World Economic Forum’s Financial Development Report—has been discontinued. The successor document (compiled by the World Bank) is not comparable and does not contain an alternative data stream.<sup>29</sup> The data that are available indicate a strong positive trajectory. The original design and monitoring framework called for the rank and score of pillar 6 (financial markets) to improve by 2015, relative to a baseline of 50/1.4 in 2010. As of 2012, the last year the World Economic Forum published the Financial Development Report, the rank and score of pillar 6, financial markets had improved to 37/2.0.<sup>30</sup>

## **C. Efficiency in Achieving Outcome and Outputs**

38. The program is deemed *efficient*. A concept paper was approved in 2011 and projected that subprogram 1 would be presented to ADB’s Executive Board in September 2012. However, subprogram 1 was not approved by ADB’s Executive Board until December 2013, 15 months later than the original projections. This delay was due exclusively to the government’s recognition and embrace of the changes necessary to effectively implement the proposed program, and the challenges of doing so.

39. Specifically, a Money Market Development Master Plan was launched in 2010 covering activities during 2010–2020. The master plan includes an assessment of money market development across several comparable nations, and the strengths and weaknesses of each. The master plan also establishes a hybrid decentralized model as the most appropriate for Viet Nam, and includes a time-bound schedule of activities to develop the money market. Discrete activities include milestones such as building an enabling regulatory environment, standardizing instruments, collecting better data, and capacity development. Responsibility was directly assigned and included several departments within SBV, the MOF, and the Credit Information Centre.

40. However, previous attempts at intra-departmental coordination in SBV, as well as more challenging cross-ministry coordination, had been attempted in form only. In addition, a number of critical prerequisites were not in place, such as accounting standards that recognize market value and encourage active risk management. Therefore, the government needed to accomplish a number of major, sequenced milestones before the FSDP could be launched. First, SBV established the MMWG (in June 2012) to authorize the cross-departmental cooperation and coordination necessary to implement the master plan.<sup>31</sup> Next MOF completed the Bond Market Development Road Map in February 2013, which synchronized development efforts across the bond and money markets. Finally, the Prime Minister issued a Decision in March 2013 that provided a basis for the eventual adoption of IFRS, triggering the completion of subprogram 1.

<sup>29</sup> World Bank. Global Financial Development Report 2015-2016 : Long-Term Finance  
<http://www.worldbank.org/en/publication/gfdr/report>.

<sup>30</sup> World Economic Forum. The Financial Development Report 2012. <https://www.weforum.org/reports/financial-development-report-2012>.

<sup>31</sup> This cooperation was further expanded in subprogram 2 to enable coordination and cooperation across government ministries.

#### D. Preliminary Assessment of Sustainability

41. The project is considered *most likely sustainable*. The refocused program targeted outstanding key development constraints (e.g. the money market, government debt market, and infrastructure such as accounting standards), while the sequenced approach to program design explicitly recognizes the hierarchical nature of capital market development. The program timing has been adjusted to ensure foundation reforms are completed before moving on to more complex reforms. For example, the program proceeded only after the necessary broad coordination across relevant stakeholders was assured. The completion of subprogram 1 was also keyed, in part, to the adoption of an irreversible work stream supporting the eventual adoption of IFRS. Accounting standards that recognize market value are critical to financial sector development. Under VAS, which do not recognize market value, no incentive has been provided to trade securities, enhance technical skills or actively manage risk.

42. In addition, relative to prior programs, the program achieved significant progress against measurable and relevant performance targets. The bond and equity markets have increased in size and liquidity. A review of government debt issuance in 2015 and 2016 disclosed that new bonds were almost exclusively issued into one of the identified benchmark tenors. This has lengthened the average maturity of the government debt stock, and has contributing to a rising volume of debt in key maturities along the yield curve. In addition, activity in the money market has increased, transparency has improved, and the legal framework has been strengthened. With the support of ADB, coordination has been institutionalized and development efforts are frequently guided by formal, time-bound action plans.

#### E. Impact

43. The program is deemed *effective* in achieving its impact, although policy changes by ADB have rendered impact statements obsolete (footnote 17). Nevertheless, it is useful to evaluate the extent to which the performance targets of the original impact statement were attained. Market capitalization of the combined stock exchanges was to increase to 35% of GDP by 2018 as compared to the 2010 baseline of 19%. In addition, total local currency bonds outstanding were to increase to 25% of GDP by 2018 to meet a government target of 38% in 2020, all relative to the 2010 baseline of 16%. During implementation, the combined capitalization of the two stock exchanges reached 56% of GDP by the end of 2015, easily surpassing the target, and local currency bonds had increased to 22.1% of GDP by the end of 2016.

### IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

#### A. Overall Assessment

44. The program is rated *successful*.<sup>32</sup> The program was *highly relevant* as it was fully aligned with the government's development priorities, incorporated a sound understanding of the overall impact of financial sector development and the specific development constraints, and reflected the key lessons (footnote 5). In particular, the program was structured to address outstanding fundamental development constraints and recognized the hierarchical nature of financial sector development. The program was also *effective* and *efficient*. This sequenced approach, matched with higher-impact policy actions and measurable development targets, produced a clear momentum towards the government's development goals. The equity and bond markets were deepened and more importantly, became more liquid as measured by turn-over. While data

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<sup>32</sup> These findings were confirmed by the government through a questionnaire (Appendix 5).

limitations prevented an updated comparison against high-level performance targets, the reforms also led to an increase in the ratings assigned by external evaluators of Viet Nam's financial sector.

45. Overall, outputs one and two achieved their performance targets. The money market exhibits increased trading volumes through a wider range and tenor of instruments. Likewise, the government bond market exhibits a nascent term structure for interest rates (up to 15 year terms). The foundation for a primary dealer system has been completed and steps have been taken to integrate Viet Nam's bond market into the Association of Southeast Asian Nations. Outputs that were not fully completed, such as the introduction of a repurchase agreement, provided valuable information that is being used in the subsequent Financial Sector Development and Inclusion Program.<sup>33</sup> While a rating of *less than satisfactory* was assigned to output 3, most of the performance targets were actually achieved. Notably, and most importantly, steps have been taken to implement long-overdue upgrades to financial infrastructure. Technically, performance targets for capacity development were also achieved. However, the evaluation must also consider the need to continue capacity development in a structured and sustained manner to assure government institutions have the skills to supervise a more developed financial sector.

## B. Lessons

46. The program incorporated a number of key lessons from the FSDP that contributed to its success (footnote 5). Program implementation has produced a number of new lessons that should inform future programs:

- (i) ADB engagement with the SBV monetary policy department should be deepened. Monetary policy and central bank operations have a pronounced impact on the development of a local currency bond market. For example, excessive liquidity is not conducive to the development of a debt market. Interest rate ceilings, which have been frequently used in Viet Nam, distort markets. Volatile interest rates and monetary policy that is not predictable preclude planning and typically drive creditors to increase their risk premium. Moreover, monetary policy that is not market based will negate private sectors efforts to identify and use a short-term market determined benchmark interest rate.
- (ii) Financial sector stability, NPL resolution and financial sector development must be seen as complementary and reinforcing reforms to increase investor confidence and participation. At the outset the banking sector typically plays a key role in financial sector development by purchasing government securities for its own account and for the accounts of others. However, the banking sector in Viet Nam remains pressured by inadequate capitalization and a large NPL overhead. In a weakened state, especially when accompanied with a lack of transparency, banks assume less risk, trade less with one another, invest less in technology upgrades, and typically divert resources towards NPL resolution. International investors typically avoid poorly rated debt securities and do not readily invest in countries known to have high levels of systemic risk. Therefore, while foundation reforms have proceeded smoothly, efforts to further develop the local currency debt markets will depend more heavily on addressing sources of potential systemic risk.
- (iii) Future programs should encourage the formation of a professional and diversified investor base. On a micro level, a diversified investor base provides for a variety of trading strategies and reduces the likelihood of a one-way market, such as when all participants practice a buy-and-hold strategy. Risk management strategies, and the use of derivatives, cannot flourish without a variety of market participants

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<sup>33</sup> ADB. 2016. *Concept Paper for the Financial Sector Development and Inclusion Program*. Manila.

- holding varied views about future market direction. More importantly, institutional investors and contractual savings institutions (e.g. pension funds and life insurance companies) represent a natural market for long-tenor assets such as long-term government bonds, corporate and project bonds, and asset-backed securities. Moreover, the participation of contractual savings, and in particular insurance companies, in a domestic capital market produces an outsized boost to growth in real GDP (footnote 25). Finally, the participation of foreign investors (from the Association of Southeast Asian Nations, or global) can further deepen market liquidity, improve governance and provide much-needed access to technical skills.
- (iv) Efforts to encourage coordination and cooperation across stakeholders must continue. Beginning with the Financial Sector Deepening Program (footnote 1), ADB has strongly encouraged inter-departmental and intra-ministry coordination as necessary to support financial sector development. For example, the development of the money market requires close coordination between the SBV and MOF. However, experience has reinforced earlier lessons that widespread coordination in the Vietnamese context is difficult to achieve. However, as the complexity of government-mandated reforms increases, coordination within and between ministries will need to strengthen. For example, the introduction of commodity derivatives will necessitate coordination across SBV and MOF, as well as HNX, Vietnam Securities Depository (VSD) and other ministries (e.g., Commerce and Agriculture).
  - (v) There is an overwhelming need for comprehensive capacity development. A skills gap assessment was completed during the program implementation period that identified key skills gaps. The assessment noted that training was not linked to job responsibilities or advancement, with job descriptions for managers identical to those of subordinate staff. The government has responded but capacity development has been largely limited to ad hoc workshops, training sessions, and study tours funded by development partners. Over time, these efforts will not be sufficient to prepare staff to implement complex reforms.

## C. Recommendations

### 1. Program Related

47. **Future monitoring.** To maintain reform momentum, monitoring should focus on two discrete areas. First, the development of an observable, market-determined short-term benchmark interest rate will require close monitoring, coordination across ministries, and sustained stakeholder consensus building. In effect, SBV will need to adopt a more market-based monetary policy and at the same time cede responsibility for the rate-setting function to the banking sector through a self-regulatory organization. Delays in achieving this objective may delay development efforts and the achievement of the government's development goals. Second, global interest rates are expected to rise. As rates rise, debt managers typically shorten issuance maturities to reduce borrowing costs. Viet Nam can, within reason, be expected to do the same. However, given the low volume of benchmark issues, and the nascent state of the government yield curve, the government should be encouraged to continue issuance of longer-dated benchmarks.

48. **Covenants.** Aside from fielding reconnaissance and review missions to monitor progress in adopting the agreed reforms, no additional monitoring is required.

49. **Further action or follow-up.** This completion report will be published after the approval of the concept paper for the next programmatic approach (footnote 33). Nevertheless, if possible the lessons and recommendations should inform program implementation. Otherwise, given the overall improvement in program implementation, no further action is recommended at this time.

50. **Additional assistance.** TA is instrumental in ensuring the government achieves its development goals and that program implementation is timely and effective. Although past offers have been declined, continued offers should be made to the government regarding support for development of a permanent, structured training program for staff of the various ministries involved in financial sector development. This support could take the form of a sector development loan and could cover other key areas such as IT upgrades and the delivery of financial services through technology (Fintec).

51. **Timing of the program performance evaluation report.** TA projects are usually extended beyond their completion dates because of long delays in securing government approval of new TA grants (footnote 5 and paras. 30 and 31). This often delays the timing of completion reports until after the TA grant has closed, and can result in the development of a new programmatic approach before lessons are derived from the previous programmatic approach. Until the government accelerates its approvals of TA grants, consideration should be given to separating TA completion reports from program completion reports.

### DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Achievements
<p><b>Impact</b> An expanded level of nonbank financing</p>	<p>Market capitalization of the combined stock exchanges increases to 35% of GDP by 2018. (Baseline = 19% in 2010)</p> <p>Total local currency bonds outstanding increases to 25% of GDP by 2018 to meet target of 38% in 2020.<sup>a</sup> (Baseline = 16% in 2010)</p>	<p>SSC</p> <p>MOF</p>	<p>Impact statements have been discontinued. The combined capitalization of both stock exchanges had reached 56% by the end of 2015. Total local currency bonds increased to 22.1% of GDP in 2016.</p>
<p><b>Outcome</b> Strengthened investor confidence</p>	<p>Rank and score of Pillar 6, Financial Markets, improves by 2015.<sup>b</sup> (Baseline = 50/1.4 in 2010)</p>	<p>World Economic Forum Financial Development Report</p>	<p>Achieved. The rank and score of pillar 6, financial markets improved to 37/2.0 by 2012, the last year of the Financial Development Report. The report has been superseded by the World Bank's Financial Development report, which does not produce comparable data.</p>
<p><b>Output 1</b> A well-functioning money market</p>	<p>Increase in available tenors of treasury bills, SBV bills and/or repurchase agreements by 2015. (Baseline = 182 days and 364 days in 2010)</p> <p>Global Master Repurchase Agreement adopted and launched by 2015. (Baseline = 0)</p> <p>Aggregate quarterly turnover in the interbank market increased by 2015. (Baseline = D1,244 trillion in the third quarter of 2010)</p>	<p>SBV website Market surveys</p> <p>SBV website Consultant reports</p> <p>SBV website Reuters Market Surveys</p>	<p>Achieved. The SBV is issuing a larger number of available tenors, including 28 days, 56 days, 91 days, and 182.</p> <p>Partly achieved. A Global Master Repurchase Agreement was not launched. However, surveys and diagnostics identified significant gaps in the legal and operational frameworks that will be addressed in subsequent programs.</p> <p>Achieved. The aggregate quarterly turnover in the interbank market increased from the 2010 baseline of D1.2 trillion to D1,443 trillion in 2015.</p>
<p><b>Output 2</b> A deeper and more liquid capital market</p>	<p>Volume of government bonds held by contractual savings sector increases to 16% by 2015.<sup>a</sup> (Baseline = 11% in 2010)</p>	<p>MOF</p>	<p>Achieved. Outstanding government bonds held by the contractual savings industry increased from the baseline of 11% in 2010 to 19.5% in 2015.</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Achievements
	<p>Average tenor of government bonds (excluding treasury bills) increases to 4–6 years by 2015.<sup>a</sup> (Baseline = 3.8 years in 2010)</p> <p>Increase in bond trading volume to 0.25% of outstanding listed bonds by 2015.<sup>a</sup> (Baseline = 0.2% in 2010)</p> <p>Aggregate value of stock traded on HNX and HOSE increases by 15% by 2015. (Baseline = D180 trillion in 2010)</p>	<p>MOF website AsianBondsOnline</p> <p>MOF website AsianBondsOnline</p> <p>HOSE and HNX website</p>	<p>Achieved. The average maturity of the government securities portfolio was extended to 5.98 years 2015 from 3.80 years in 2010.</p> <p>Achieved. Government bond market turnover increased from less than 1.0x in 2010 to 2.5x in 2014 (latest available).</p> <p>Achieved. The aggregate value traded across the HNX and Ho Chi Minh Stock Exchanges increased from D180 trillion in 2010 to D2,402 trillion in 2015, well exceeding the target of a 25% increase.</p>
<p><b>Output 3</b> Capacity of public and private institutions in the nonbank financial sector improved</p>	<p>VAS more than 50% aligned to IAS by 2015. (Baseline = 0)</p> <p>At least 50% of the ISA supervision staff trained on examination and inspection by 2015.</p> <p>Comprehensive skills gap assessment completed by 2015.</p> <p>Capacity development under the medium-term training plan 50% completed by 2015.</p>	<p>Consultant reports MOF website</p> <p>Consultant reports MOF website</p> <p>SBV Human Resources Department</p> <p>SBV Human Resources Department</p>	<p>Partially achieved. While the Law on Accounting was not amended until 2016, work commenced to align individual VAS with the IFRS. Unfortunately, no information is available as to the degree of alignment achieved.</p> <p>Achieved. More than 50% of the Insurance Supervisory Agency's staff were trained on examination and inspection.</p> <p>Achieved. The comprehensive skills gap was completed and SBV had cycled approximately 128% of its staff target through the focused training program all by 2015.</p>

ADB = Asian Development Bank, GDP = gross domestic product, HNX = Hanoi Stock Exchange, HOSE = Ho Chi Minh City Stock Exchange, IAS = International Accounting Standards, ISA = Insurance Supervisory Authority, IFRS = International Financial Reporting Standards, MOF = Ministry of Finance, SBV = State Bank of Vietnam, SSC = State Securities Commission, VAS = Vietnamese Accounting Standards.

<sup>a</sup> These performance targets were extrapolated midpoints from MOF's targets, which cover the period 2011–2020. The source is ADB. MOF's bond market development targets represent performance goals but were not considered firm commitments of the government.

<sup>b</sup> This pillar captures foreign exchange and derivatives markets, as well as and equity and bond market development. Source: Asian Development Bank.

**Status of Compliance with Policy Measures:  
Subprogram 1**

Component	Policy Action <sup>a</sup>	Performance
<b>Output 1 - A Well-functioning Money Market.</b>		
1.1 <i>Coordinated execution of the money market development master plan achieved.</i>	1. MOF and SBV to enhance coordination and cooperation, among others in the development and supervision of the money market through a formal agreement on working cooperation and information exchange.	<p><b>Accomplished</b></p> <p>The governor of the SBV and the Minister of Finance agreed to cooperate in an effort to develop the money market. This agreement provided subordinates in both organizations with the authorization needed to coordinate across ministries and to share information.</p>
	<p>2. SBV to establish a MMWG, supported by comprehensive TOR, headed by a deputy governor, and comprising senior officials from Monetary Policy Department, Credit Department, Foreign Exchange Department, Central Banking Department, Legal Department and Ministry of Finance.</p> <p>MMWG to implement the tasks specified in article 3 of the TOR.</p>	<p><b>Accomplished</b></p> <p>The governor of the SBV issued a decision establishing the MMWG, including the specific members of the group, and provided TOR that clarified the roles and responsibilities of each member.</p> <p>This work group was supported by a formal money market development master plan.</p>
	<p>3. MMWG to complete implementation of initial activities under the money market development master plan as follows:</p> <p>MMWG, through SBV to review regulations governing the foreign exchange market to supplement the code of conduct for the foreign exchange interbank market.</p> <p>SBV, through MMWG, reduces risk in the interbank market and provide a framework for the negotiation of valuable papers, including repurchase contracts, between credit institutions.</p> <p>MMWG to review regulations on brokerage activities to replace Decision 351/2004/QD-NHNN.</p>	<p><b>Accomplished</b></p> <p>This review identified the need to implement basic principles of risk management over foreign exchange operations and to develop a code of conduct for market participants.</p> <p>This reform tightened the conditions under which interbank lending could be undertaken. In particular, the reform sought to restrict the use of interbank lending to support long-term lending. The reform also recognized repurchase transactions as an allowable transaction between banks.</p> <p>This reform strengthened the regulatory framework for brokerage activities and clearly defined abusive practices that are not permitted.</p>

Component	Policy Action <sup>a</sup>	Performance
	<p>SBV and MOF coordinate to deepen the short-term yield curve;</p> <p>(i) SBV and MOF coordinate issuance of short term debt, and</p> <p>(ii) MOF requires short-term government debt with maturity of 1 year or less to be traded on HNX.</p> <p>SBV to collate accurate information on domestic currency interbank transactions and enhance dissemination of information on its external website.</p> <p>MMWG, through SBV, issues regulations through the governor on loans secured by the mortgage of valuable papers, discount and rediscount by the SBV, to increase liquidity and stimulate the development of the interbank market.</p>	<p>This reform established a coordination mechanism to prevent overlap between the short-term issuance program of SBV and MOF. In addition, by requiring the bills to list on HNX, transparency was increased. Subject to trading volumes, short-term rates would now be readily observable.</p> <p>As with the above reform, the SBV began publishing inter-bank transactions (average rates and volumes) to provide observable market prices for market participants.</p> <p>This reform effectively curtailed discount window lending by adopting international norms and standards. The effect of this reform was to push private financial institutions to trade more with each other.</p>
<p>1.2 <i>Legal and operational framework for the money market strengthened.</i></p>	<p>4. SBV to improve transparency by issuing a regulation on publishing the SBV's direction on monetary and banking operations.</p>	<p><b>Accomplished</b></p> <p>The SBV provided an expanded list of required disclosures to increase transparency and to provide information with which market participants could take a view on the direction of future interest rates.</p>
	<p>5. SBV to issue legal documents to implement the SBV Law and the Law on Credit institutions.</p>	<p><b>Accomplished</b></p> <p>This reform essential validated and telegraphed the SBV's intent to further refine the implementation of the cited laws.</p>
<p><b>Output 2 - A Deeper and More Liquid Capital Market</b></p>		
<p>2.1 <i>Enabling environment established.</i></p>	<p>6. Government to establish and strengthen the legal framework governing the issuance and management of public debt, including guidelines for reporting and disclosure of outstanding public debt, and the allowable uses and levels of sovereign guarantees.</p>	<p><b>Accomplished</b></p> <p>This reform established a basic public debt management law that enabled MOF to establish debt management strategies and actively manage the government's debt stock. Additional regulations were issued to cover the use of government guarantees, on-lending, and the issuance of debt by sub-national entities.</p>

Component	Policy Action <sup>a</sup>	Performance
	7. MOF finalizes the bond market development road map.	<p><b>Accomplished</b></p> <p>This reform created a long-term vision for the development of the domestic bond market covering 2012–2020 and included both quantitative and qualitative targets.</p>
	8. MOF to encourage the issuance of corporate debt by rationalizing the regulations on issuance of corporate bond and guidelines on authority approving bond issuance plans in order to streamline the administrative procedures, increase autonomy, and establish self-responsibility rights of corporate entities.	<p><b>Accomplished</b></p> <p>This reform provided guidance to potential issuers of corporate bonds (both domestic and international) by establishing conditions for issuance and the requirements for approval by the MOF and SSC.</p>
	9. MOF tightens the information disclosure regime, including the reporting requirements before and after the issuance of corporate bonds to protect the interests of the investors in the market.	<p><b>Accomplished</b></p> <p>This reform increased transparency through reporting and required prompt disclosure of material events.</p>
	10. MOF to increase liquidity and trading volumes by prescribing guidelines and conventions for trading accounts, and by authorizing and prescribing standards and provisions for margin and inter-day trading.	<p><b>Accomplished</b></p> <p>This reform provided clarity to market participants by defining and authorizing a number of trading related activities such as margin accounts, trading halts, prohibited trading and intraday trading.</p>
2.2 <i>Development of a risk-free yield curve.</i>	11. MOF to provide a mechanism to issue government bonds including auction timing and announcements, mechanisms for issuing government bonds and establishing a primary dealer system.	<p><b>Accomplished</b></p> <p>This reform established an operational framework for the issuance of government bonds. It established the benchmark tenors, authorized switch auctions, specified auction methods, and provided for a basic primary dealer system.</p>
	12. MOF to continue large-lot size issuance to facilitate liquidity in the bond market.  MOF to issue circular on switch auctions of government bonds to facilitate consolidation of outstanding issues.	<p><b>Accomplished</b></p> <p>This reform basically announced MOF's intent to concentrate issuance into identified benchmarks and to use switch auctions to build benchmark size.</p>

Component	Policy Action <sup>a</sup>	Performance
2.3 <i>Information disclosure and transparency increased.</i>	13. MOF to strengthen the standards for information disclosure to maintain transparency in the securities market.	<p><b>Accomplished</b></p> <p>This reform established disclosure standards for public companies, including the timing of recurrent disclosures and a definition and requirements for extraordinary disclosures.</p>
	<p>14. <b>MOF, through SSC, strengthens corporate governance standards of publicly listed companies by;</b></p> <p><b>Issuing regulations on corporate governance, applicable to public companies, which reflect OECD standards including the introduction of independent directors and enhanced disclosures to address conflict of interests.</b></p> <p><b>Organizing a public dissemination for publicly listed companies to introduce the Association of Southeast Asian Nations Corporate Governance scorecard.</b></p>	<p><b>Accomplished</b></p> <p>This activity essentially reflects the government's intent to bring corporate governance standards into alignment with international standards and to improve the overall level of compliance with those standards by publically listed companies.</p>
	15. SSC to launch a disclosure and outreach protocol for web-based disclosure of publicly listed companies.	<p><b>Accomplished</b></p> <p>This is a follow-on to the reforms that increase transparency of public companies. In this reform, SSC required public companies to provide disclosures through its public website.</p>
2.4 <i>Legal, supervisory, and regulatory environment improved</i>	<p>16. MOF to implement the LIA by drafting decrees to strengthen the accounting and auditing industry by providing guidelines covering the creation and organization of auditing enterprises, the provision of cross-border auditing services, the necessity of audits, report content and audit files.</p> <p>Upon approval, MOF to implement the decree's by issuing appropriate circulars.</p>	<p><b>Accomplished</b></p> <p>This reform established standards of practice for audit firms. A definition of "independent" and standards of ethical behavior were provided. In addition, parallel reforms established certification and continuing education requirements for accounting and audit professionals.</p>
	17. <b>HNX initiates efforts to strengthen internal corporate governance by issuing and implementing a code of conduct for staff.</b>	<p><b>Accomplished</b></p> <p>This reform strengthened the governance of the exchange by establishing a code of conduct for staff which, for example, restricted their ability to trade or act on inside information.</p>

Component	Policy Action <sup>a</sup>	Performance
	18. <b>SSC undertakes a self-assessment of the implementation of IOSCO principles.</b>	<b>Accomplished</b> This reform supported the country's first ever FSAP, and provided a baseline for a priority reform agenda over the next several years.
	19. SSC to strengthen its enforcement capacity by drafting decrees to implement the revised Securities Law, including provisions for sanctions;	<b>Accomplished</b> This reform essentially implemented the revised Law on Securities and established guidelines for public offers of both debt and equity securities and identified prohibited activities. In addition, a sanctions regime was established for violations of the Securities Law.
2.5 <i>Financial system stability and efficiency strengthened.</i>	20. SSC and VSD to revise existing regulations to improve customer service and to reduce operational risk in the securities settlement process by reducing settlement times.	<b>Accomplished</b> This reform strengthen the operations of the securities depository in line with international standards, established rules for member transactions, and reduced processing times by 1 day.
	21. <b>To strengthen the supervisory framework, MOF, through ISA, completes a self-assessment of compliance with the IAIS Core Principles.</b>	<b>Accomplished</b> This reform supported the country's first ever FSAP, and provided a baseline for a priority reform agenda over the next several years.
	22. MOF, through ISA, to establish a comprehensive roadmap to develop the insurance market in Vietnam by enhancing risk management, diversifying products and distribution channels, and promoting international cooperation and integration.	<b>Accomplished</b> This reform created a long-term vision for the development of the domestic insurance market covering 2012–2020, and provided both quantitative and qualitative targets.
	23. <b>MOF, through ISA, to implement Articles 28 and 37 which provide for a fund for the protection of insured persons under decree 123/2011/ND-CP.</b>  <b>MOF to provide guidance and management to establish the fund for protection of insured persons.</b>	<b>Accomplished</b> This reform increased confidence in the insurance sector and encouraged participation by authorizing the establishment of a policy-holder protection fund.

Component	Policy Action <sup>a</sup>	Performance
<b>Output 3 - Capacity of Public and Private Institutions in the Non-Bank Financial Sector Improved</b>		
	<b>MOF to begin to develop capacity leading to the initiation of an in-house debt sustainability analysis.</b>	<b>Accomplished</b> This reform established a basic ability within the MOF to prepare a debt sustainability analysis as part of its responsibility for debt management.
	MOF, through ISA to review the amended Law on Insurance Business to identify gaps from international sound practice.	<b>Accomplished</b> This activity provided a base to begin the next revision of the Law on Insurance such that international standards such as solvency can be adopted.
	To strengthen public disclosures in line with international practices, MOF will adopt an accounting and auditing strategy and roadmap to strengthen the legal framework, revise and adopt appropriate accounting and auditing standards, improve the quality of the local industry and self-regulatory organizations, and foster greater international cooperation.	<b>Accomplished</b> This activity, supported by a Prime Minister's Decision, represented the first step in adopting a non-reversible process to adopt IFRS.
	<b>SSC to develop a plan for human resources development over the medium-term period of 3–5 years.</b>	<b>Accomplished</b> This activity rested on a diagnostic that evaluated the SSC's organization structure, staffing plan and skills sets. The diagnostic also provided a master plan for capacity development.
	SBV to develop SBV's banking human resources development (training) plan for the period 2011–2020.	<b>Accomplished</b> Building on the proposed medium-term training program, SBV established a set of training modules to provide highly intensive and focused training to a small group of selected high performing staff.

FSAP = Financial Sector Assessment Program, HNX = Hanoi Stock Exchange, IAIS = International Association of Insurance Supervisors, IOSCO = International Organization of Securities Commissions, LIA = Law on Independent Audit, MOF = Ministry of Finance, MMWG = Money Market Working Group, OECD = Organisation for Economic Co-operation and Development, SBV = State Bank of Vietnam, SSC = State Securities Commission, TOR = terms of reference, VSD = Viet Nam Securities Depository.

<sup>a</sup> Policy actions in bold represent required prior actions, or “triggers”.

Source: Asian Development Bank.

**Status of Compliance with Policy Measures:  
Subprogram 2**

Component	Policy Action <sup>a</sup>	Performance
<b>Output 1 - A Well-functioning Money Market.</b>		
1.1 <i>Development coordination mechanisms strengthened.</i>	1. SBV and MOF joined and are participating in a formal Inter-ministerial coordination mechanism which has improved the implementation of the money market development master plan.	<b>Accomplished</b> This reform expanded the coordination mechanism developed in subprogram 1 to encompass other ministries including MPI and the Ministry of Industry and Trade with the intent of coordinating efforts to cover the entire spectrum of capital market development.
	2. To improve development of money market, SBV has restructured the activities and responsibilities of the Money Market Development Working Group. The Central Banking Department is now the secretariat and membership has been focused on key stakeholders including the Monetary Policy Department, Information Technology Department, the Credit Info Centre, and the Legal Department.	<b>Accomplished</b> This reform restructured the Money Market Development Working Group to align stakeholder interests and to expand the group to include all relevant parties such as the IT and legal departments. This change was driven by a need to improve the group's operation and efficiency.
1.2 <i>Short-term money market transactions promoted.</i>	3. SBV is issuing SBV bills with tenors of 28 days, 56 days, 91 days, and 182 days thereby providing provisional short-term benchmark rates at 30, 60, 90 and 180 days which will support the introduction of derivatives such as foreign-exchange cross-currency swaps.	<b>Accomplished</b> This reform carried forward subprogram 1 and provided more tenors of issuance under 1 year, thereby providing a more reliable short-term yield curve.
	4. SBV identified impediments to developing a repo market by completing a legal survey which quantified the risk of re-characterization of repo transactions and identified areas where the legal system should be strengthened.	<b>Accomplished</b> This activity was performed by an international and national legal counsel and provided insights as to whether the international standardized repurchase agreement contract (GMRA) could be introduced to Viet Nam.
	5. The government authorized the introduction of derivatives based on listed stocks, stock indices, and government bonds.	<b>Accomplished</b> As part of the bond market development road map, the SEC authorized the introduction of derivatives and a time-bound action plan to launch equity index derivatives.
	6. To improve the transparency of financial transactions in the money market, SBV is	<b>Accomplished</b>

Component	Policy Action <sup>a</sup>	Performance
1.3 <i>Enabling environment established.</i>	publishing domestic interbank rates and volumes on its website, along with historical data, and has established a working group to launch real time trade monitoring and post-trade reporting for domestic interbank transactions utilizing a Reuters platform.	This accomplishment is part of an effort, starting with the foreign exchange market, to increase efficiency and transparency in the inter-bank market. Prior to the installation of the Reuters platform, SBV published average transaction volumes and rates as a prelude to providing enhanced disclosures.
	<b>7. SBV significantly strengthened transparency in the money market by establishing real-time trade monitoring and post-trade electronic reporting for interbank foreign exchange transactions by requiring participants to utilize the standard trading platform for foreign exchange provided by Thomson Reuters Dealing.</b>	<b>Accomplished</b> This reform represents the initial step toward increasing transparency in the inter-bank foreign exchange market. Utilizing a Reuters platform, all trading participants report their trades which allows the publication of market data. Participants are then able to assess market conditions and likely future direction of interest rates.
	8. SBV implements required stronger prudential liquidity management in banks, modeled on Basel III, which includes a dynamic short-term cover ratio, a static structural ratio, and requirements for risk management, and provides for increased penalties for non-compliance with liquidity requirements.	<b>Accomplished</b> To carry forward reforms from subprogram 1, SBV continued to strengthen the supervisory and regulatory framework to reduce the use of short-term debt to fund long-term assets.
<b><i>Output 2 - A Deeper and More Liquid Capital Market.</i></b>		
2.1 <i>Systemic risks addressed and financial stability enhanced.</i>	9. The government launched specific action plans to; (i) establish a framework for financial stability (e.g macro-prudential supervision, systemically important financial institutions and groups, and shadow banking); (ii) strengthen supervision and surveillance of the banking sector (e.g. strengthening definitions of “control” and related interests, coordinating offsite and onsite supervision, and anti-money laundering); and (iii) strengthen the financial infrastructure (e.g. payment system).	<b>Accomplished</b> This action began the transformation of the FSAP support group into the Monetary and Financial Stability Department with an ultimate mandate of performing macro-prudential surveillance and maintaining financial stability
	<b>10. The SBV increased capitalization and strengthened risk management in the banking</b>	<b>Accomplished</b>

Component	Policy Action <sup>a</sup>	Performance
	<p><b>sector through the adoption of the standardized approach of Basel II for large domestic banks by end 2015, improved the identification and reporting of NPLs, and implemented an enhanced problem bank resolution regime backed by the revised bankruptcy law.</b></p>	<p>To reduce systemic risk, and strengthen the overall condition of the banking sector, the SBV began a sequenced implementation of Basel II with an adjustment period.</p>
	<p><b>11. The government increased VAMC's capital by a factor of 4 to D2,000 billion (\$100 million) from D500 billion, authorized the entity to issue its own debt to purchase NPLs at market value and sell assets to non-residents, and strengthened its NPL resolution powers to allow asset sales without the owner's consent.</b></p>	<p><b>Accomplished</b> To accelerate NPL resolution, the government increased VAMC's capital base and approved new and expanded powers.</p>
<p><i>2.2 Framework for bond market development established.</i></p>	<p><b>12. The government prepared a revised framework to deepen the size and liquidity of the bond market by identifying government bonds to serve as short-term and long-term benchmarks, guiding the issuance of municipal bonds and government-guaranteed bonds, and introducing market standards. Within this framework, the government continued to issue identified benchmark securities, and extended the average maturity of the government debt portfolio to 3.6 years by continuing issuance of 10- and 15-year tenors.</b></p>	<p><b>Accomplished</b> The government further refined earlier efforts to develop the government and municipal bond markets by establishing relevant guidelines. These guidelines, for government bonds, included methods of issuance and schedules.</p>
	<p><b>13. The government prepared a complementary framework to introduce a primary dealer system composed of "bidding members", identified their basic rights and obligations, and established an annual review and ranking of the participants.</b></p>	<p><b>Accomplished</b> To establish a primary dealer system, the government proscribed operational guidelines for auction members, or primary dealers, and launched annual performance reviews.</p>

Component	Policy Action <sup>a</sup>	Performance
	14. HNX uses indicative prices to build a government bond yield curve and publishes quarterly and annual debt auction schedules on its website as released by Treasury.	<b>Accomplished</b> To support the government bond market, and to increase transparency, HNX began publishing government bond market data, including auction schedules and an indicative yield curve based on offer prices.
2.3 <i>Supervisory oversight, disclosure and market transparency</i>	15. MOF/SSC strengthened reporting and information disclosure by public companies and shortened reporting timelines under Circular 52 by implementing e-reporting through the Information Disclosure System.	<b>Accomplished</b> The SSC built on reforms under subprogram 1 by further increasing transparency and requiring more prompt financial disclosures by public companies.
	<b>16. To enhance and deepen international linkages and cooperation, SSC become a signatory to IOSCO Annex A and strengthened its enforcement capacity under the revised Securities Law, including provisions for sanctions on administrative violations in the securities market, and transparency related to firms sanctioned and the fines levied.</b>	<b>Accomplished</b> This reform allows Viet Nam to exchange information with other securities supervisors and paves the way for deeper integration with ASEAN securities markets.
	17. MOF adopted a system of penalties and sanctions for violations of the Law on Accounting and the Law on Independent Audit.	<b>Accomplished</b> This reform improved investor confidence by strengthening the sanctions regime for violations of the Law on Securities.
	18. The government authorized the formation of credit rating agencies, foreign or domestic, and provided implementation guidelines and governance standards.	<b>Accomplished</b> To encourage wider participation in the securities markets, the MOF authorized the establishment of credit rating agencies, including international rating agencies.
<b>Output 3 - Capacity of Public and Private Institutions in the Non-Bank Financial Sector Improved</b>		
3.1 <i>Structural and operational framework strengthened</i>	<b>19. To improve investor confidence, MOF under the accounting and auditing strategy and roadmap, has drafted an amended Law on Accounting to progressively base VAS on IFRS, including the concept of market or “fair” value.</b>	<b>Accomplished</b> In a continuation from subprogram 1, the government drafted a revised Law on Accounting which will enable an alignment of VAS with IFRS.
	20. To increase trading volumes and efficiencies, SSC completed an action plan for merging HNX and HOSE, and submitted the plan to MOF and	<b>Accomplished</b>

Component	Policy Action <sup>a</sup>	Performance
	the Prime Minister as mandated in the Securities Market Strategy 2011–2020.	To increase trading activity, one must increase market size and efficiency, and reduce costs. To accomplish this, the government developed a plan to merge the two stock exchanges.
	21. To reduce systemic risk in the securities settlement process, MOF (through SSC, VSD, and SBV) established a steering committee and working group and developed an action plan to transfer the cash settlement leg of government bond transactions from a commercial bank to SBV and to develop a limited-purpose CCP to support the introduction of derivatives trading.	<b>Accomplished</b> Settlement risk in Viet Nam is high. To address this risk, and to eventually reduce it, the government organized a plan to transfer the cash leg of government securities transactions to SBV. This will eliminate credit risk from the settlement process.
	22. MOF, through SSC publishes corporate governance rankings of publicly listed companies by group using the ASEAN Corporate Governance Scorecard and completes a draft plan to establish an Institute of Directors to advocate and support reforms to corporate governance.	<b>Accomplished</b> This reform carries forward reforms begun under subprogram 1 and continues to strengthen corporate governance standards.
	23. <b>To increase stakeholder confidence, MOF, through ISA, implemented Circular 101 and established, funded and staffed a policy holder protection fund and instituted a governance framework.</b>	<b>Accomplished</b> This activity carries forward a reform begun under subprogram 1 and established a functional policy holder protection plan with a separate entity, organization structure, staff complement and funding.
3.2 <i>Institutional Capacity strengthened.</i>	24. MOF increased capacity to independently complete debt sustainability assessments.	<b>Accomplished</b> This activity carries forward a reform begun under subprogram 1 and completes Viet Nam's first independent debt sustainability assessment.
	25. SBV implements its human resource development (training) with a total of 4,789 participants completing a structured regime of soft skills, leadership skills, general professional skills and select advanced technical skills.	<b>Accomplished</b> This activity completes a reform begun under subprogram 1. SBV implemented its training and development program and strengthened the capacity of almost 5,000 of its staff.

ASEAN = Association of Southeast Asian Nations, CCP = Central Counterparty, FSAP = Financial Sector Assessment Program, HNX = Hanoi Stock Exchange, HOSE = Ho Chi Minh Stock Exchange, IFRS = International Financial Reporting Standards, IOSCO = International Organization of Securities Commissions, ISA = International Supervisory Authority, MOF = Ministry of Finance, MPI = Ministry of Planning and Investment, NPL = non-performing loan, SBV = State Bank of Vietnam, SEC = Securities and Exchange Commission, SSC = State Securities Commission, VAS = Viet Nam Accounting Standards, VMAC = Vietnam Asset Management Company.

<sup>a</sup> Policy actions in bold represent required prior actions, or "triggers".

Source: Asian Development Bank .

**STATUS OF COMPLIANCE WITH LOAN COVENANTS<sup>a</sup>**

<b>Covenant</b>	<b>Reference in Loan Agreement</b>	<b>Status of Compliance</b>
<p>Subprogram 1</p> <p>In the carrying out of the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement.</p> <p>The State Bank of Vietnam as the Program Executing Agency shall be responsible for the overall implementation of the Programmatic Approach. The Borrower's interagency Money Market Working Group shall coordinate implementation of the Money Market Development Master Plan.</p> <p>The Borrower shall ensure that all policy actions adopted under the Program, as set forth in the Policy Letter and the Policy Matrix, continue to be in effect for the duration of the Programmatic Approach.</p> <p>The Borrower shall keep the Asian Development Bank (ADB) informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Program and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower shall take into account ADB's views before finalizing and implementing any such proposal.</p> <p>The Borrower shall keep ADB informed of, and the Borrower and ADB shall from time to time exchange views on, sector issues, policy reforms and additional reforms arising during the implementation of the Programmatic Approach, that may be considered necessary or desirable, including the progress made in carrying out policies and actions set out in the Policy Letter and the Policy Matrix.</p> <p>The Borrower shall promptly discuss with ADB problems and constraints encountered during implementation of the Programmatic Approach, and appropriate measures to overcome or mitigate such problems and constraints.</p>	<p>Article 4, Section 4.01</p> <p>Schedule 4, number 1</p> <p>Schedule 4, number 2.</p> <p>Schedule 4, number 3.</p> <p>Schedule 4, number 4.</p> <p>Schedule 4, number 5.</p>	<p>See below.</p> <p>Complied with.</p> <p>Complied with, as validated by ADB missions.</p> <p>This is an affirmative covenant, and has been complied with as validated through the donor coordination mechanism. The government has not needed to hold such discussions.</p> <p>This is an affirmative covenant, and has been complied with, as validated by ADB missions in support of the next programmatic approach.</p> <p>This is an affirmative covenant. Known issues have been discussed. The ADB mission has indicated compliance.</p>

<b>Covenant</b>	<b>Reference in Loan Agreement</b>	<b>Status of Compliance</b>
<p>The Borrower shall ensure that the Counterpart Funds are used to finance local currency costs consistent with the objectives of the Program and shall, in particular, provide relevant budget appropriations to finance the costs relating to implementation of the Program.</p>	<p>Schedule 4, number 6</p>	<p>This is an affirmative covenant. Available evidence indicates compliance.</p>
<p>The Borrower, the State Bank of Vietnam and the implementing agencies shall: (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Program; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.</p>	<p>Schedule 4, number 7</p>	<p>This is an affirmative covenant. No evidence of corrupt, fraudulent, collusive or coercive practices has been noted and as such, no investigation has been launched.</p>
<p>The Borrower shall ensure that reporting on impact of the Program following the Program Completion is made by the Program Executing Agency to ADB. The Program Executing Agency shall, as needed, hold consultative meetings with stakeholders and the development partner community to solicit their feedback on emerging regulations and the impact of the Programmatic Approach.</p>	<p>Schedule 4, number 8</p>	<p>The borrower engages in frequent dialogue with the ADB and other donors through a formal consultative process. No adverse events or contradictory regulatory measures have been noted during the program period, indicating compliance.</p>
<p>The Borrower and ADB shall jointly assess the impact and evaluate the benefits of the Program within 12 months of the Effective Date, in accordance with ADB's Performance Management System. The Borrower and ADB may use the findings of such assessment and evaluation in refining the Programmatic Approach.</p>	<p>Schedule 4, number 9</p>	<p>Complied with. The government is actively supporting the conduct of the program completion report.</p>
<p>The Borrower shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Loan and to record the progress of the Program.</p>	<p>Article 4, Section 4.02. (a)</p>	<p>This covenant is an affirmative covenant. While compliance is noted, no audit has been called or completed.</p>
<p>The Borrower shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) of this Section.</p>	<p>Article 4, Section 4.02. (b)</p>	<p>This covenant is an affirmative covenant. While no such request has been noted, borrower has not indicated</p>

Covenant	Reference in Loan Agreement	Status of Compliance
<p>As part of the reports and information referred to in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (i) the Counterpart Funds and the use thereof and (ii) the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.</p>	Section 4.03.	<p>any resistance to such an audit.</p> <p>This covenant is an affirmative covenant. While no such request has been noted, borrower has not indicated any resistance to such an audit.</p>
<p>Subprogram 2</p> <p>In the carrying out of the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement.</p>	Article 4, Section 4.01.	See below.
<p>The State Bank of Vietnam as the Program Executing Agency shall be responsible for the overall implementation of the Programmatic Approach. The Borrower's interagency Money Market Working Group (MMWG) shall coordinate implementation of the Money Market Development Master Plan.</p>	Schedule 4, number 1.	Complied with.
<p>The Borrower shall ensure that all policy actions adopted under the Program, as set forth in the Policy Letter and the Policy Matrix, continue to be in effect for the duration of the Programmatic Approach.</p>	Schedule 4, number 2.	Complied with, as validated by ADB missions.
<p>The Borrower shall keep ADB informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Program and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower shall take into account ADB's views before finalizing and implementing any such proposal.</p>	Schedule 4, number 3.	<p>This covenant is an affirmative covenant. Complied with as validated through the donor coordination mechanism. The government has not needed to hold any such discussions.</p>
<p>The Borrower shall keep ADB informed of, and the Borrower and ADB shall from time to time exchange views on, sector issues, policy reforms and additional reforms arising during the implementation of the Programmatic Approach,</p>	Schedule 4, number 4.	<p>This covenant is an affirmative covenant. Complied with as validated by ADB missions in support of</p>

<b>Covenant</b>	<b>Reference in Loan Agreement</b>	<b>Status of Compliance</b>
that may be considered necessary or desirable, including the progress made in carrying out policies and actions set out in the Policy Letter and the Policy Matrix.		the next programmatic approach.
The Borrower shall promptly discuss with ADB problems and constraints encountered during implementation of the Programmatic Approach, and appropriate measures to overcome or mitigate such problems and constraints.	Schedule 4, number 5.	This covenant is an affirmative covenant. Known issues have been discussed with the ADB mission indicating compliance.
The Borrower shall ensure that the Counterpart Funds are used to finance local currency costs consistent with the objectives of the Program and shall, in particular, provide relevant budget appropriations to finance the costs relating to implementation of the Program.	Schedule 4, number 6.	This is an affirmative covenant. Available evidence indicates compliance.
The Borrower, the Program Executing Agency and the implementing agencies shall: (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Program; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.	Schedule 4, number 7.	This is an affirmative covenant. No evidence of corrupt, fraudulent, collusive or coercive practices has been noted and as such, no investigation has been launched.
The Borrower shall ensure that reporting on impact of the Program following the Program completion is made by the Program Executing Agency to ADB. The Program Executing Agency shall, as needed, hold consultative meetings with stakeholders and the development partner community to solicit their feedback on emerging regulations and the impact of the Programmatic Approach.	Schedule 4, number 8.	The borrower engages in frequent dialogue with the ADB and other donors through a formal consultative process. No adverse events or contradictory regulatory measures have been noted during the program period, indicating compliance.
The Borrower and ADB shall jointly assess the impact and evaluate the benefits of the Program within 12 months of the Effective Date, in accordance with ADB's performance management system. The Borrower and ADB may use the findings of such assessment and	Schedule 4, number 9.	Complied with. The government is actively supporting the conduct of the program completion report.

<b>Covenant</b>	<b>Reference in Loan Agreement</b>	<b>Status of Compliance</b>
<p>evaluation in refining the Programmatic Approach.</p> <p>The Borrower shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Loan and to record the progress of the Program.</p> <p>The Borrower shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) of this Section.</p> <p>As part of the reports and information referred to in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (a) the Counterpart Funds and the use thereof and (b) the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.</p>	<p>Article 4, Section 4.02. (a).</p> <p>Article 4, Section 4.02. (b).</p> <p>Article 4, Section 4.03.</p>	<p>This covenant is an affirmative covenant. While compliance is noted, no audit has been called or completed.</p> <p>This covenant is an affirmative covenant. While no such request has been noted, borrower has not indicated any resistance to such an audit.</p> <p>This covenant is an affirmative covenant. While no such request has been noted, borrower has not indicated any resistance to such an audit.</p>

ADB = Asian Development Bank.

<sup>a</sup> Within loan agreements, the Asian Development Bank (ADB) makes use of affirmative covenants that compel the borrower to perform or support specified activities both current and possible. However, it is difficult to confirm compliance with ongoing affirmative covenants, especially if some of the covered activities have not occurred. For example, the government will not have complied with an affirmative covenant to support an ADB audit until ADB has requested an audit. Thus, the determination of compliance is based on the information available.

**QUESTIONNAIRE**  
**Loans VIE: 3081 / 3335**  
**Financial Sector Deepening Program (FSDP), Subprograms 1 & 2**  
**Preparation of Program Completion Report (PCR)**

**(A) We would like to know your views on the RELEVANCE of FSDP to the Government's Economic Priorities. Subprograms 1 & 2 of FSDP were implemented from July 2010 to June 2015.**

For each of the questions below relevant to your agency, please rank them in terms of their **relevance** in supporting the economic priorities of the Government of Viet Nam and your efforts to increase and deepen the capital markets both at the time of formulating FSDP in 2010 and its completion in 2015 (with 1 being not relevant at all and 5 being highly relevant).

**(1)      (2)      (3)      (4)      (5)**

***At the time of formulating the Program in 2007 (Please refer to Subprogram 1)***

***Component 1: A well-functioning money market***

1.1. Coordinated execution of the money market development master plan achieved.

- MOF and SBV to enhance coordination and cooperation, among others in the development and supervision of the money market through a formal agreement on working cooperation and information exchange.
- SBV to establish a Money Market Working Group (MMWG), supported by a comprehensive Terms of Reference (TOR), headed by a Deputy Governor, and comprising senior officials from Monetary Policy Department, Credit Department, FX Department, Central Banking Department, Legal Department and Ministry of Finance.
- MMWG to implement the tasks specified in article number 3 of the TOR.

1.2. Legal and operational framework for the money market strengthened.

- SBV to improve transparency by issuing a regulation on publishing the SBV's direction on monetary and banking operations.
- SBV to issue legal documents to implement the SBV Law and the Law on Credit institutions.

***Component 2: A Deeper and More Liquid Capital Market***

2.1. Enabling environment established.

- Government to establish and strengthen the legal framework governing the issuance and management of public debt, including guidelines for reporting and disclosure of outstanding public debt, and the allowable uses and levels of sovereign guarantees.
- MOF finalizes the bond market development road map.
- MOF to encourage the issuance of corporate debt by rationalizing the regulations on issuance of corporate bond and guidelines on authority approving bond issuance plans in order to streamline the administrative procedures, increase autonomy, establish self-responsibility rights of corporates.
- MOF tightens the information disclosure regime, including the reporting requirements before and after the issuance of corporate bonds to protect the interests of the investors in the market.
- MOF to increase liquidity and trading volumes by prescribing guidelines and conventions for trading accounts, and by authorizing and prescribing standards and provisions for margin and inter-day trading.

2.2. Development of a risk-free yield curve.

- MOF to provide a mechanism to issue government bonds including auction timing and announcements, mechanisms for issuing government bonds and establishing a primary dealer system.
- MOF to continue large-lot size issuance to facilitate liquidity in the bond market.
- MOF to issue circular on switch auctions of Government bonds to facilitate consolidation of outstanding issues.

2.3. Information disclosure and transparency increased.

- MOF to strengthen the standards for information disclosure to maintain transparency in the securities market.
- MOF, through SSC strengthens corporate governance standards of publicly listed companies by: i) issuing regulations on corporate governance, applicable for public companies, which reflect OECD standards including the introduction of independent directors and enhanced disclosures to address conflict of interests, and ii) organizing a public dissemination for publicly listed companies to introduce the ASEAN Corporate Governance scorecard.
- SSC to launch a disclosure and outreach protocol for web-based disclosure of publicly listed companies.

2.4. Legal, supervisory, and regulatory environment improved

<ul style="list-style-type: none"> <li>MOF to implement the Law on Independent Audit (LIA) by drafting decrees to strengthen the accounting and auditing industry by providing guidelines covering the creation and organization of auditing enterprises, the provision of cross-border auditing services, the necessity of audits, report content and audit files.</li> <li>Upon approval, MOF to implement the decree's by issuing appropriate circulars.</li> <li>HNX initiates efforts to strengthen internal corporate governance by issuing and implementing a code of conduct for staff.</li> <li>SSC undertakes a self-assessment of the implementation of IOSCO principles.</li> <li>SSC to strengthen its enforcement capacity by drafting decrees to implement the revised Securities Law, including provisions for sanctions.</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>2.5. Financial system stability and efficiency strengthened.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>SSC and VSD to revise existing regulations to improve customer service and to reduce operational risk in the securities settlement process by reducing settlement times.</li> <li>To strengthen the supervisory framework, MOF, through ISA, completes a self-assessment of compliance with the Association of Insurance Supervisors (IAIS) Core Principles.</li> <li>MOF, through ISA, to establish a comprehensive roadmap to develop the insurance market in Vietnam by enhancing risk management, diversifying products and distribution channels, and promoting international cooperation and integration.</li> <li>MOF, through ISA, to implement Articles 28 and 37 which provide for a fund for the protection of insured persons under decree 123/2011/ND-CP.</li> <li>MOF to provide guidance and management to establish the fund for protection of insured persons.</li> </ul>					
<b>Component 3: Capacity of Public and Private Institutions in the Non-Bank Financial Sector Improved</b>					
<ul style="list-style-type: none"> <li>MOF to begin to develop capacity leading to the initiation of an in-house debt sustainability analysis by (DSA).</li> <li>MOF, through ISA to review the amended Law on Insurance Business to identify gaps from international sound practice.</li> <li>To strengthen public disclosures in line with international practices, MOF will adopt an accounting and auditing strategy and roadmap to strengthen the legal framework, revise and adopt appropriate accounting and auditing standards, improve the quality of the local industry and self-regulatory organizations, and foster greater international cooperation.</li> <li>SSC to develop a plan for human resources development over the medium-term period of 3-5 years.</li> <li>SBV to develop SBV's banking human resources development (training) plan for the period 2011–2020.</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>At the completion of the Program in 2015 (Please refer to Subprogram 1)</b>					
<b>Component 1: A well-functioning money market</b>					
<b>1.1. Development coordination mechanisms strengthened.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>State Bank of Viet Nam (SBV) and the Ministry of Finance (MOF) joined and are participating in a formal Inter-ministerial coordination mechanism which has improved the implementation of the money market development master plan.</li> <li>To improve development of money market, the SBV has restructured the activities and responsibilities of the Money Market Development Working Group (MMD-WG). The Central Banking Department is now the secretariat and membership has been focused on key stakeholders including the Monetary Policy Department, Information Technology Department, the Credit Info Centre, and the Legal Department.</li> </ul>					
<b>1.2. Short-term money market transactions promoted.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>SBV is issuing SBV bills with tenors of 28 days, 56 days, 91 days, and 182 days thereby providing provisional short-term benchmark rates at 30, 60, 90 and 180 days which will support the introduction of derivatives such as foreign-exchange (FX) cross-currency swaps.</li> <li>SBV identified impediments to developing a repo market by completing a legal survey which quantified the risk of recharacterization of repo transactions and identified areas where the legal system should be strengthened.</li> <li>The Government authorized the introduction of derivatives based on listed stocks, stock indices, and government bonds.</li> </ul>					
<b>1.3. Short-term money market transactions promoted.</b>	<input type="checkbox"/>				
<ul style="list-style-type: none"> <li>To improve the transparency of financial transactions in the money market, SBV is publishing domestic interbank rates and volumes on its website, along with historical data, and has established a working group to launch real time trade monitoring and post-trade reporting for domestic interbank transactions utilizing a Reuters platform.</li> <li>SBV significantly strengthened transparency in the money market by establishing real-time trade monitoring and post-trade electronic reporting for interbank foreign exchange transactions by requiring participants to utilize the standard trading platform for foreign exchange (FX) provided by Thomson Reuters Dealing.</li> <li>SBV implements required stronger prudential liquidity management in banks, modeled on Basel III, which includes a dynamic short term cover ratio, a static structural ratio, and requirements for risk management and provides for increased penalties for non-compliance with liquidity requirements.</li> </ul>					

<b>Component 2: A Deeper and More Liquid Capital Market.</b>					
2.1. Systemic risks addressed and financial stability enhanced.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>The Government launched specific action plans to; i) establish a framework for financial stability (e.g macroprudential supervision, systemically important financial institutions and groups, and shadow banking), ii) strengthen supervision and surveillance of the banking sector (e.g. strengthening definitions of “control” and related interests, coordinating off-site and on-site supervision, and anti-money laundering) , and iii) strengthen the financial infrastructure (e.g. payment system).</li> <li>The SBV increased capitalization and strengthened risk management in the banking sector through the adoption of the standardized approach of Basel II for large domestic banks by end 2015, improved the identification and reporting of NPL’s, and implemented an enhanced problem bank resolution regime backed by the revised bankruptcy law.</li> <li>The Government increased VAMC’s capital by a factor of 4 to VND 2,000 billion (\$100 million) from VND 500 billion, authorized the entity to issue its own debt to purchase NPL’s at market value, sell assets to non-residents, and strengthened its NPL resolution powers to allow asset sales without the owner’s consent.</li> </ul>					
2.2. Framework for bond market development established.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>The government prepared a revised framework to deepen the size and liquidity of the bond market by identifying government bonds to serve as short-term and long-term benchmarks, guiding the issuance of municipal bonds and government guaranteed bonds, and introducing market standards. Within this framework, the Government continued to issue identified benchmark securities, and extended the average maturity of the government debt portfolio to 3.6 years by continuing issuance of 10 and 15 year tenors.</li> <li>The government prepared a complementary framework to introduce a primary dealer system composed of “bidding members”, identified their basic rights and obligations, and established an annual review and ranking of the participants.</li> <li>HNX utilizes indicative prices to build a government bond yield curve and publishes quarterly and annual debt auction schedules on its website as released by Treasury.</li> </ul>					
2.3 Supervisory oversight, disclosure and market transparency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>MOF/SSC strengthened reporting and information disclosure by public companies and shortened reporting timelines under Circular 52 by implementing e-reporting through Information Disclosure System (IDS).</li> <li>To enhance and deepen international linkages and cooperation, SSC become a signatory to IOSCO Annex A and strengthened its enforcement capacity under the revised Securities Law, including provisions for sanctions on administrative violations in the securities market and transparency related to firms sanctioned and the amount of fine levied.</li> <li>MOF adopted a system of penalties and sanctions for violations of the Law on Accounting and the Law on Independent Audit.</li> <li>The government authorized the formation of credit rating agencies, foreign or domestic, and provided implementation guidelines and governance standards.</li> </ul>					
<b>Component 3: Capacity of Public and Private Institutions in the Finance Sector Improved</b>					
3.1. Structural and operational framework strengthened	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>To improve investor confidence, MOF under the accounting and auditing strategy and roadmap, has drafted an amended Law on Accounting to progressively base Viet Nam Accounting Standards (VAS) on International International Financial Reporting Standards including the concept of market or “fair” value.</li> <li>To increase trading volumes and efficiencies, SSC completed an action plan for merging HNX and HOSE, and submitted the plan to MOF, and the Prime Minister as mandated in the Securities Market Strategy 2011–2020.</li> <li>To reduce systemic risk in the securities settlement process, MOF, through SSC, VSD, and SBV established a Steering Committee &amp; Working Group and developed an action plan to transfer the cash settlement leg of government bond transactions from a commercial bank to SBV and to develop a limited purpose CCP to support the introduction of derivatives trading.</li> <li>MOF, through SSC publishes corporate governance rankings of publicly listed companies by group using the ASEAN CG Scorecard and completes a draft plan to establish an Institute of Directors to advocate and support reforms to corporate governance.</li> <li>To increase stakeholder confidence, MOF, through ISA, implemented Circular 101 and established, funded and staffed a policy holder protection fund and instituted a governance framework.</li> </ul>					
3.2. Institutional capacity strengthened.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>MOF increased capacity to independently complete debt sustainability assessment DSA’s.</li> <li>SBV implements it’s the human resource development (training) with a total of 4,789 participants completing a structured regime of soft skills, leadership skills, general professional skills and select advanced technical skills.</li> </ul>					
<b>(B) We would like to know your views of FSDP EFFECTIVENESS relative to the Government's Economic Priorities. Subprograms 1 &amp; 2 of FSDP were implemented from July 2010 to June 2015.</b>					
<b>For each of the questions below, please rank them in terms of the Program's effectiveness in achieving the Program's outcomes and outputs (with 1 being not effective at all at and 5 being highly effective)</b>					

<b>Outcomes</b>	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>
Strengthened investor confidence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Outputs</b>					
A well-functioning money market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
A deeper and more liquid capital market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Capacity of public and private institutions in the financial sector improved	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>(C) We would like to know your views of FSDP EFFICIENCY relative to the Government's Economic Priorities. Subprograms 1 &amp; 2 of FSDP were implemented from July 2010 to June 2015.</b>					
For each of the questions below, please rank them in terms of the Program's efficiency in supporting the Program's outcome and outputs (with 1 being not efficient at and 5 being highly efficient)					
	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>
(1) Did ADB efficiently manage FSDP by carrying out periodic policy reviews and meeting loan processing schedules?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(2) Did ADB efficiently manage FSDP by providing timely policy dialogue on the program policy triggers and milestones?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(3) Did ADB efficiently manage FSDP by providing appropriate technical assistance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(4) Was ADB responsive to the government's overall capital market development plan relative to the changing priorities of the Government? Were these changes appropriately reflected in FSDP?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(5) Did ADB efficiently coordinated with other development partners	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(6) Overall how would you rank ADB management FSDP in terms of efficiency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(6) Overall how would you rank government (SBV/MOF) management of FSDP in terms of efficiency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>(D) We would like to know your views of FSDP EFFICIENCY relative to the Government's Economic Priorities. Subprograms 1 &amp; 2 of FSDP were implemented from July 2010 to June 2015.</b>					
For each of the questions below, please rank them in terms of <b>sustainability</b> of the Programs' outcome and outputs after the completion of the Program in October 2009 (with 1 being not sustainable at all at and 5 being highly sustainable).					
	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>
<b>Outcomes</b>					
Strengthened investor confidence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Outputs</b>					
A well-functioning money market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
A deeper and more liquid capital market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Capacity of public and private institutions in the financial sector improved	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>