



## Viet Nam: SOE Reform and Corporate Governance Facilitation Program - Tranche 2

Project Name	SOE Reform and Corporate Governance Facilitation Program - Tranche 2	
Project Number	39538-035	
Country	Viet Nam	
Project Status	Active	
Project Type / Modality of Assistance	Loan	
Source of Funding / Amount	<b>Loan 3240-VIE: SOE Reform</b>	
	Ordinary capital resources	US\$ 310.00 million
	<b>Loan 3242-VIE: SOE Reform</b>	
	concessional ordinary capital resources lending / Asian Development Fund	US\$ 10.00 million
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Governance and capacity development	
Sector / Subsector	<b>Public sector management</b> - Reforms of state owned enterprises	
Gender Equity and Mainstreaming	No gender elements	
Description	<p>This is Periodic Financing Request 2 (PFR2) of the multitranche financing facility (MFF) which was approved in December 2009. The overall MFF amount is \$630 million, of which \$600 million is OCR and \$30 million is ADF. The MFF supports the corporate, operational, and financial restructuring of selected state-owned enterprises (SOEs) on a pilot basis with a view to developing a general approach to guide the reform and restructuring of Viet Nam's remaining large SOEs. The pilot programme is expected to successfully transform the selected SOEs and thereby strengthen the government's resolve to push ahead with further SOE restructuring. PFR2 is now proposed to be extended to three SOEs - Construction Corporation No. 1 Company Limited, Song Da Corporation (SDC), and Vietnam National Textile and Garment Corporation. The total cost of the proposed PFR2 is estimated at \$320 million equivalent, comprising a \$310 million lending facility from OCR loans to the government to on-lend to the participating SOEs, and \$10 million from ADF.</p>	
Project Rationale and Linkage to Country/Regional Strategy	<p>Strategic Context and Policy Framework for SOE Reforms since 2009. SOE restructuring is a strategic goal of the 2011_-2015 Socio-Economic Development Plan. A number of key legislative and policy initiative (decrees, decisions and circulars) have been introduced and adopted to improve the governance, oversight and management of SOEs. Prime Minister's Decision (PM Decision) 929 of July 2012 provides the strategic direction for SOE reforms and sets a deadline for preparing restructuring plans and for initiating divestment of non-core investments. To support this effort, as of December 2013, about 60% of state economic groups and general corporations have had their restructuring plans approved. PM Decision (339/QDD-TTg) of 19 February 2013 also put restructuring of SOEs as one of three pillars of economic restructuring alongside banking sector restructuring and public spending restructuring to transform the economy and improve its competitiveness for the period 2013-_2020. As the lead agency for coordination and oversight of the restructuring process, the Ministry of Finance (MOF) has finalized the SOE Reform Roadmap which highlights the key roles of line ministries/owners and enterprises to facilitate an enabling environment and to undertake specific structural reforms. A comprehensive monitoring and evaluation framework that provides key performance indicators to monitor the overall progress of the restructuring and support performance management at individual SOE and line ministry/owner level is under finalization, and its implementation is likely to commence from the 3rd quarter of 2014.</p> <p>ADB support. ADB's Country Partnership and Strategy 2012-_2015, and the Country Operational Business Plan 2012 _2014, underline SOE reform as central to its strategy for business development and private-sector-led employment growth. Within this framework, ADB has been supporting economic reforms and private sector developments through a number of programs focused on SOE restructuring, development of microfinance, SME development, and financial sector reforms. ADB has committed significant investments to the pilot restructuring of selected SOEs and is also providing capacity-building support to the management of pilot SOEs being restructured. Continuing support and sustained engagement in these sectors will be essential to continuing progress in the SOE sector.</p>	

Impact	improved profitability and transparency of equitized and restructured SOEs, including large general corporations and their subsidiaries.
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## Project Outcome

Description of Outcome	participating general corporations are transformed into focused, efficient businesses with strong balance sheets and improved corporate governance.
Progress Toward Outcome	ADB approved PFR2 (\$310 million OCR loan and \$10 million ADF loan) on 16 December 2014. Its loan effectiveness was declared the on 9 February 2016 after a long delay of the government processing. The original loan closing date of 31 December 2017 has been extended to 14 December 2019 to allow sufficient time for its implementation.

## Implementation Progress

Description of Project Outputs	Debt restructuring implemented, combining financial and corporate restructuring increased operational efficiency and improved corporate governance of general corporations and other SOEs.
Status of Implementation Progress (Outputs, Activities, and Issues)	Participating SOEs are implementing restructuring plan to focus on core-business. Line business have been reduced. Both Vinatex and CC1 have been equitized. Divestment from non-core business is on track. Efforts are being made in strengthening corporate governance in areas of risk management, financial planning, budgetary controls, and IT infrastructure. While SDC, VINATEX and CC1 are the participating SOEs, SDC's participation is pending because of divestment of a major subsidiary and other ODA loan issue. To date, \$120 million OCR loans were disbursed under VINATEX and CC1 and for ADF loans, the procurements of proposed packages under VINATEX and CC1 are on-going.
Geographical Location	

## Safeguard Categories

Environment	C
Involuntary Resettlement	C
Indigenous Peoples	C

## Summary of Environmental and Social Aspects

Environmental Aspects	The project will not involve construction/civil works. The OCR loan will be used to restructure short-term debt of participating SOEs, while the ADF loan will be used to help participating SOEs to refine and implement their respective restructuring plan. The project will not involve any physical work that may cause short-term or long-term impact on the environment which justifies a category "C" for environment. As required by SPS for clients seeking general corporate finance, a corporate audit of the SOE's ESMS and past/present performance was conducted.
Involuntary Resettlement	The project will not involve construction/civil works. The OCR loan will be used to restructure short-term debt by converting to long-term debt. The ADF loan is meant to help selected SOEs to refine and implement its restructuring plan. No land acquisition or resettlement is envisaged which justifies a category "C" for IR. Participating SOEs commissioned experts to conduct corporate audit of their ESMS and apst/current performance as per SPS requirement for General Corporate Finance.
Indigenous Peoples	The project will not involve construction/civil works. The OCR loan will be used to restructure short-term debt by converting to long-term debt. The ADF loan is meant to help selected SOEs to refine and implement its restructuring plan. No impact on indigenous people is envisaged which justifies a category "C" for IP. Participating SOEs commissioned experts to conduct corporate audit of their ESMS and apst/current performance as per SPS requirement for General Corporate Finance.

## Stakeholder Communication, Participation, and Consultation

During Project Design	
During Project Implementation	The stakeholders' workshops including MOF, line ministries, and SOEs have been held to share the relevant knowledge and experiences. The knowledge products have been published.

## Business Opportunities

Consulting Services	International and national experts will be engaged.
Procurement	IT equipment and software will be procured.

## Responsible Staff

Responsible ADB Officer	Dao Viet, Dung
Responsible ADB Department	Southeast Asia Department
Responsible ADB Division	Viet Nam Resident Mission
Executing Agencies	<i>Ministry of Finance EFDMOF@FPT.VN 28 Tran Hung Dao Hanoi, Viet Nam</i>

## Timetable

Concept Clearance	-
Fact Finding	01 Apr 2014 to 09 Apr 2014
MRM	12 Aug 2014
Approval	16 Dec 2014
Last Review Mission	-
Last PDS Update	27 Mar 2017

## Loan 3240-VIE

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
16 Dec 2014	10 Nov 2015	09 Feb 2016	31 Dec 2017	14 Dec 2019	-

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	325.00	Cumulative Contract Awards			
ADB	310.00	16 Dec 2014	119.07	0.00	38%
Counterpart	15.00	Cumulative Disbursements			
Cofinancing	0.00	16 Dec 2014	121.66	0.00	39%

## Loan 3242-VIE

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
16 Dec 2014	10 Nov 2015	09 Feb 2016	31 Dec 2017	14 Dec 2019	-

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	10.00	Cumulative Contract Awards			
ADB	10.00	16 Dec 2014	1.09	0.00	11%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	16 Dec 2014	0.17	0.00	2%

Project Page	<a href="https://www.adb.org/projects/39538-035/main">https://www.adb.org/projects/39538-035/main</a>
Request for Information	<a href="http://www.adb.org/forms/request-information-form?subject=39538-035">http://www.adb.org/forms/request-information-form?subject=39538-035</a>
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