



Draft Design and Monitoring Framework

Project Number: 37577-01
July 2007

VIE: Third Financial Sector Program Loan

A design and monitoring framework is an active document, progressively updated and revised as necessary, particularly following any changes in project design and implementation. In accordance with ADB's public communications policy (2005), it is disclosed before appraisal of the project or program. This draft framework may change during processing of the project or program, and the revised version will be disclosed as an appendix to the report and recommendation of the President.

Asian Development Bank

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact Financial sector is deeper, more diversified and resilient.</p>	<p>Increase in share of non-bank assets in total financial sector assets from 15% in 2005 to at least 30% in 2009.</p> <p>Increase in M2/GDP by 2009 of at least 8% from 82% in 2005</p>	<p>Reports and statistics published by SBV, MOF, and STCs.</p> <p>SBV reports and national accounts</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Political stability • Sound macroeconomic policies
<p>Outcome Capital markets play a greater role in domestic financing.</p>	<p>Increase in number of listed companies from 44 in 2005 to at least 125 in 2009.</p> <p>Increase in value of total equity issuances as a percentage of GDP from 75% during 2001-2005 period to at least 150% in 2006-2009 period.</p> <p>Increase in value of total bond issuances from 10% of GDP in 2000-2005 period to at least 20% of GDP in 2006-2009 period.</p>	<p>Reports and statistics published by SBV, MOF, STCs</p> <p>SSC and STC reports.</p> <p>SBV and SSC reports.</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Effective coordination among relevant government agencies <p>Risks</p> <ul style="list-style-type: none"> • Regional financial shocks may impact Viet Nam's capital markets and affect investor confidence • Equity market may be characterized by unsustainable asset price bubble
<p>Outputs 1. Greater liquidity in capital market is supported by lowering transaction costs through improved provision of market-related information and infrastructure.</p>	<p>Bid-ask spread for government bonds declines by at least 5 basis points by 2009 from 22 basis points in 2007.</p> <p>Legal and regulatory framework for securities industry and markets strengthened through promulgation of new securities law and implementing decrees by September 2007.</p> <p>Prompt and public disclosure of key market-related information via SSC</p>	<p>SSC reports.</p> <p>Copy of law and decrees provided by MOF</p> <p>SSC website</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Continued non-discriminatory tax treatment of capital markets <p>Risks</p> <ul style="list-style-type: none"> • Poor governance and corruption may weaken effective program implementation • Vested interests and political opposition may slow down program implementation • Political backlash against rapid reforms may weaken government

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	<p>website from September 2007 onwards. Information to be disclosed includes: (i) volume traded, daily high and low prices for listed securities, and (ii) changes in beneficial ownership of officers, directors and significant shareholders of public companies (with 5% or more ownership), and (iii) annual audited financial statements of listed companies.</p> <p>Traders are required by SSC to promptly report to relevant STCs from February 2009 onwards, transactions involving shares of public companies having shares registered with VSD. Reports should include information on price and volume as well as bid/offer spreads.</p> <p>Accounting standards are upgraded through step-by-step implementation of mark-to-market accounting by February 2009.</p> <p>Legal framework for auditing is strengthened through preparation of Draft Law on Independent Audit , which includes provisions specifying (i) the functions and responsibilities of professional associations and SROs and (ii) a roadmap for delegation of selected</p>	<p>SSC certification</p> <p>Copy of relevant regulations provided by MOF.</p> <p>Copy of draft law provided by MOF</p>	<p>commitment to reform process</p> <ul style="list-style-type: none"> Weak technical capacity in implementing agencies

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<p>2. Institutional framework for securities issuance is strengthened.</p>	<p>responsibilities for oversight of auditors to the professional association prepared by MOF and submitted to the Government Office by February 2009.</p> <p>Number of new equity issuances during 2006-2009 period is at least double that during 2001-2005 period.</p> <p>Specialized bond trading platform established at Hanoi STC by February 2009.</p> <p>Institutional mechanism for effective coordination between monetary policy and debt management is established by February 2009 through formation of joint SBV-MOF working group.</p> <p>Proportion of debt of greater than 5 year maturity in total government debt increases by at least 5 percent points from 23 percent in 2005</p> <p>MOF develops feasibility study for establishment of primary dealership system.</p>	<p>SSC reports.</p> <p>STC certification</p> <p>SBV, MOF certification.</p> <p>MOF and State Treasury reports</p> <p>Copy of study from MOF.</p>	
<p>3. Consumer protection is enhanced through measures aimed at strengthening regulations concerning market governance and their enforcement.</p>	<p>Increase in number of retail investors from 30,000 in 2005 to 100,000 in 2009.</p> <p>Trading volume in both STCs in 2009 is at least double the level in 2005</p> <p>Securities Law that incorporates</p>	<p>SSC reports.</p> <p>SSC, STC reports</p> <p>Copy of law and implementing regulations</p>	

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<p>4. International cooperation with relevant authorities in other jurisdictions is improved through strengthening of framework for information exchange.</p>	<p>international best practices (e.g. IOSCO recommendations) with regard to investor protection and implementing regulations are promulgated by September 2007.</p> <p>Operational capacity of AMLIC strengthened through significant increase in staff (at least double 2007 level) by 2009 and establishment of a transaction monitoring system by 2008.</p> <p>Number of MOUs established with securities regulators in other jurisdictions is increased from 2 in 2005 to at least 5 by 2009.</p>	<p>provided by MOF.</p> <p>AMLIC certification.</p> <p>Copies of MOUs from SSC.</p>	
<p>Activities with Milestones</p> <p>1.1 Establish system for prompt, public disclosure of key market information with respect to listed companies by 9/2007.</p> <p>1.2 Strengthen accounting and auditing standards and legal and institutional for oversight of the profession by 2/2009.</p> <p>2.1 Establish system for effective coordination between monetary policy and debt management by 2/2009.</p> <p>2.2. Identify and commence issuance of appropriate benchmark maturities by 2/2009.</p> <p>3.1 Issue decree establishing penalties for administrative offences under new securities law available by 9/2007</p> <p>3.2 Develop and establish system with web-based interface for receiving and addressing investor complaints by 2/2009.</p> <p>3.3 Develop and establish system for public disclosure violation of securities market regulations including identification of firms, nature of violation, and penalty imposed by 2/2009.</p> <p>3.4 Develop specifications, secure funding, procure, and establish transaction monitoring system in AMLIC by 12/2008.</p> <p>4.1 Enter into information exchange agreements with regard to cross-border securities market related issues with at least 3 additional jurisdictions by 2/2009.</p>			<p>Inputs</p> <ul style="list-style-type: none"> • ADB Program loan of \$75 million from ADF resources. • AFD loan of up to euros 40 million. • ADB TA \$1,000,000