

TECHNICAL ASSISTANCE COMPLETION REPORT¹

Division : SEFM

TA No., Country and Name		Amount Approved: \$500,000	
TA 4731-VIE: Support to Implement the Anti-Money Laundering Decree		Revised Amount: \$500,000	
Executing Agency State Bank of Vietnam	Source of Funding Japan Special Fund	Amount Undisbursed: \$11,494.95	Amount Utilized: \$488,505.05
TA Approval Date: 13 Dec. 2005	TA Signing Date: 12 July 2006	Fielding of First Consultants: Nov. 2006	TA Completion Date Original: 31 Oct. 2006 Actual: 4 April 2008 Account Closing Date Original: 31 Oct. 2006 Actual: 30 Sep. 2008
<p>Description. The TA aimed to support the establishment of an effective anti-money laundering (AML) regime. It built on earlier work done under <i>TA 4035-VIE: Capacity Building for Non-Bank Financial Institutions and Capital Markets</i> which provided support for the drafting of an AML decree which became effective in August 2005. TA 4731-VIE was intended to provide timely follow-on support to allow for effective implementation of the decree.</p> <p>Expected Impact, Outcome and Outputs. The TA aimed to strengthen governance and financial sector integrity through support for development of an effective AML regime. It provided support for strengthening of the AML regime in three broad areas: (i) awareness raising, (ii) institution building, and (iii) capacity development. Main outputs as originally envisaged in the TA paper include: (i) timebound implementation plan, (ii) AML awareness raising programs, (iii) further development of regulatory framework and operational procedures, and (iv) training and capacity development programs.</p> <p>Delivery of Inputs and Conduct of Activities. While formulation of the TA and terms of reference were generally adequate with objectives and deliverables being relevant to addressing of identified issues, assumptions related to the timing of progress on some key measures and preconditions needed to support effective implementation of the TA proved to be overly optimistic. Greater attention might also have been paid to development of effective incentives to support implementation of the AML regime—e.g. support for commencement of AML compliance audits.</p> <p>Performance of the consultant team is rated as satisfactory. The consultant team was strong, with the team leader in particular bringing authoritative expertise and significant regional experience. Reports were generally timely, well written, and candid. Design and conduct of training activities was systematically done and well targeted based on training needs assessments.</p> <p>Both the pace and impact of implementation, however, were hindered by slow progress in establishment and operationalization of key counterpart institutions—in particular: the financial intelligence unit (FIU)² whose role was critical to allow for effective progress of many key measures necessary to support effective implementation (e.g. establishment of transaction reporting requirements, establishment of a transaction monitoring system, conduct of AML compliance audits). Ongoing restructuring within the EA also contributed to delays and complications in TA implementation.</p> <p>Performance of EA is rated as partly satisfactory. While the State Bank of Viet Nam (SBV) served as the EA, the effective focal point within SBV was the Anti-Money Laundering Information Center (AMLIC). AMLIC, however, during the course of TA implementation consisted of only a handful of staff and had little authority and autonomy as a unit within SBV's Supervision Department, significantly limiting its ability to support implementation of the TA.</p> <p>Performance of the ADB team is rated as partly satisfactory. Given ADB's prior involvement in this area in Viet Nam, better account might have been taken of the measures and preconditions needed to allow for effective implementation in determining timing with respect to processing of the TA.</p> <p>While the impact of the TA was limited due to issues noted above, conduct of activities was competent and the EA was generally satisfied with inputs provided and has requested follow-on TA support.</p>			

¹ In preparing any country program or strategy, financing any project, or by making any designation of, or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

² This is the lead agency with respect to AML matters and has only very recently (late 2008) been staffed to a level needed to carry out basic operational responsibilities.

Evaluation of Outputs and Achievement of Outcome. The TA provided significant support for AML-related capacity development, including training for over 400 persons across a range of institutions with AML-related responsibilities. The impact of this training, however, was limited due to a number of factors including: (i) slow progress in operationalization and staffing of the financial intelligence unit, (ii) lack of AML compliance audits for financial institutions and subsequent low priority attached to AML-related training activities, and (iii) restructuring in key supervisory authorities (including SBV and SSC) and subsequent staff movements leading to loss of AML expertise in responsible departments.

Other main outputs identified under the TA's design and monitoring framework were also accomplished (e.g. implementation plan and awareness raising) but like the training activities were similarly limited in terms of impact due to issues noted above.

Thus, while a basic regulatory framework for AML has been in place for several years now, its effective implementation has been significantly delayed. Recent developments, however, such as Viet Nam's joining of the Asia/Pacific Group on Money Laundering (APGML) in May 2007, the staffing to adequate operational capacity of its FIU and its upgrading to department-level status, establishment of an interministerial coordination committee for AML chaired by the Deputy Prime Minister, conduct of the first mutual evaluation of its AML regime by APG in late 2008, and agreement in principle by SBV to commence with conduct of AML compliance audits, suggest that effective preconditions to allow for progress in this area, that had earlier been lacking, may now exist.

Overall Assessment and Rating. The TA is rated as partly successful. While formulation of the TA and delivery of its inputs were generally adequate, its impact was limited by delays in the progress of key measures needed to support implementation compounded by complications arising from ongoing restructuring in the EA.

Major Lessons. Close consideration should be paid to determining whether appropriate preconditions are in place to allow for timely and effective progress in TA implementation.

Recommendations and Follow-Up Actions. Stakeholder consultations with regard to further needs in view of findings of APG assessment. Assessment of whether preconditions are in place to allow for effective further support in this area. Follow-on support as appropriate.