

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. The Asian Development Bank is one of the lead multilateral development partners in financial sector reforms in Viet Nam. Subprogram 2 of the Third Financial Sector Program is funded by a policy-based program loan that supports government efforts to create a deeper, more diversified, and resilient financial sector by increasing the contribution of the nonbank financial subsector to financing investments. This will help sustain economic growth and reduce poverty. The table provides a summary of ongoing development projects.

Major Development Partners

Sector and Theme		Project Name	Duration	Amount
Banking	AFD	Mekong Housing Bank	Ongoing 2006–2011	€2 million
		-IT and MIS—core banking		
		-Human resource development		
	IFC	-Training for internal auditing		
		-Second credit line to Mekong Housing Bank	Planned	€20 million
Capital Market	IFC	Vietnam Bank Advisory Project to assist SMEs	Ongoing 2007–2013	\$4,367,000
	SECO	SBV TA on monetary policy	Ongoing 1996–2010 (end of current phase)	SwF0.9 million (current phase)
		-Swiss Management Program in Banking	Ongoing 2009–2011	SwF1.9 million
		-Banking Sector Development Strategy 2011–2020	Ongoing 2010–2015	SwF1.3 million
		-Bank restructuring workshop series	Ongoing 2005–2010	SwF0.5 million
Finance	IFC	Supporting bond market development	Ongoing 2008–2013	\$905,000
	IFC	-Sustainable finance program for financial institutions	Ongoing 2008–2012	\$1,500,000
		-Second Payment System and Bank Modernization Project	Ongoing 2005–2011	\$105 million
	WB	-Financial Sector Modernization and MIS Project.	Ongoing 2009–2014	\$60 million
		-TA to SBV for strengthening legal and regulatory framework for banking supervision	Ongoing 2009–2011	\$270,000
Legal Assistance	USAID	-IDF to assist the SOCBs to apply international accounting practices	Completed July 2010	\$304,000
		-IDF grant to SBV to strengthen its capacity in legal reforms for banking	Completed Apr 2007–Aug 2010	
		-Bond Market Development Road Map	Completed 2007–2009	\$320,000
		-TA to Credit Information Center	Ongoing 2009–2011	\$247,000
		-TA for Policy Banks Reform		
		-Rural Finance II Project	Ongoing 2009–2011	\$130,000
		-Rural Finance III Project	Completed 2002–2009	\$200 million
		-TA through the Interagency Agreement with the US SEC	Ongoing 2009–2013	\$200 million
			Ongoing Sep 2003–Sep 2010	\$500,000
Legal Assistance	GTZ	-Support for enforcing regulations on internal audit and internal control	Ongoing	
		-Support drafting of prudential banking supervision law	Ongoing	
		-Support drafting of minimum requirements on risk management	Ongoing	

Sector and Theme	Project Name	Duration	Amount
IMF	-Help SBV draft the foreign exchange ordinance	Closed Feb–Jun 2005	
	-Help SBV strengthen risk-based bank supervision	Ongoing April 2004	
JICA	Support review of SBV and banking supervision laws	Ongoing Dec 2006	
Organizational Change			
GTZ	-SBV restructuring; SBV and banking supervision	Ongoing 2002	
IMF	-Guidance on reforming SBV to be modern central bank	Ongoing Mar 2006	
JICA	-TA for modernization of issue and vault operation	Ongoing Apr 2007–Aug 2011	
Investment Fund			
AFD	-TA for the Investment Funds for Urban Development of HCMC–HIFU	Ongoing 2008–2011	€1.5 million
	-Training programs: HR and IT		
	-Second credit line to the Investment Funds for Urban Development of Ho Chi Minh City– HIFU	Ongoing 2010–2013 Submission to AFD board in Dec 2010	€20 million
	-TA to Danang and Can Tho Investment Funds	2011–2014 Submission to AFD board in Dec 2010	€0.5 million
	-Credit line to Danang and Can Tho Investment Funds for financing of projects	2011–2014	€20 million
Microfinance Restructuring			
AFD	TA to SBV for microfinance industry	Submission to ADF board in Dec 2010 2011–2013	€1 million
Risk Management			
GTZ	Advice on risk management for commercial banks; support the pilot bank (Eximbank) in risk management		
Internal Audit			
GTZ	Support for the elaboration of the regulation on internal audit for pilot community	Completed 2003–2010	
Market-based Financial Intermediation			
GTZ	-Capital market development	Ongoing 2004–2005	\$710,000
IFC	-Secured Transactions Legal Framework Review	Ongoing May 2006–2011	
Money Policy			
GTZ	-Training SBV and commercial bankers, monetary issues	Ongoing 2002	
	-Ad hoc advice on monetary policy issues	Ongoing 2005	
	-Enhance forecasting capacity of SBV	Ongoing 2006	
Money Market Development			
GTZ	Money market development	Ongoing 2009	
Nonbank Financial Institutions			
SECO	SSC training institute trainers	Ongoing 2007–2011	SwF1.1 million
Supervision Inspection			
IMF	-Banking Supervision Agency of SBV on risk-based supervision pilot	Ongoing Jan 2009	
	-TA for offsite supervision capacities to undertake risk-based banking supervision	Ongoing Sep 2008–Sep 2012	
JICA			
Payment System			
JICA	TA for Contingency Plan/Business Continuity Plan	Ongoing Apr 2008	
Operating Framework			
JICA	TA for the capacity development of VDB, especially for enhancing credit risk management	Ongoing Sep 2008	

Sector and Theme	Project Name	Duration	Amount
Reserve Management IMF	Assistance in foreign exchange reserve management	Closed Apr 2004–2006	
Monetary Policies IMF	-Workshops in macroeconomic policy coordination -Guidance on monetary policy instruments and operations -Assistance in calculating and forecasting core inflation as well as constructing monetary framework	Closed 2002 Closed 2004–Apr 2008 Closed Sep 200–May 2007	
Statistics and Database IMF	-Assistance with monetary statistic and reporting system -Assistance with balance of payments statistics	Ongoing Apr 2006	
Monetary and Exchange Operations IMF	Assist SBV strengthen OMO, TB, and money market operations	Ongoing Apr–Nov 2005	

...= not available, AFD = Agence Française de Développement, IFC = International Finance Corporation, IMF = International Monetary Fund, JICA = Japan International Cooperation Agency, SBV = State Bank of Vietnam, SECO = Swiss Economic Cooperation Organization, USAID = United States Agency for International Development.
Source: Asian Development Bank Vietnam Resident Mission.

B. Institutional Arrangements and Processes for Development Coordination

2. Development partner support for Viet Nam's financial sector is demonstrated by the many partners active in this area. There is periodic meeting chaired by the World Bank to discuss issues of common interest with other donors and to share information among the donors of their respective support and intervention in the financial sector reform. ADB is a regular participant in this meeting. All donor agencies have agreed to update the information donor matrix periodically. Basic comprehensive information regarding development partner support activities (past, present, and future) is included in the Financial Sector Assistance Matrix, which is updated twice a year with input from the World Bank (WB) and other donors. The development partners share information on their current and upcoming support programs.

C. Achievements and Issues

3. Implementation of the Government's financial sector reform program continues with strong donor support as evidenced by the number of related assistance projects and the amount of financial support provided by the donor group. It is clear that in some areas multiple donors are providing similar support. Although the current twice a year meeting and the updates of the donor coordination matrix have been quite helpful in furthering donor coordination, more could be done to enhance the coordination process.

D. Summary and Recommendations

4. Better coordination could limit overlap and improve overall support program and outcome efficiency. As proposed by the WB and agreed by other donors, the comprehensive matrix covering the TA, program and other support provided by all donors should be (i) restructured to better align it with current developments and priority needs of the Government; (ii) the information coverage and quality in the matrix should be improved; (iii) the information should be updated more frequently; and (iv) SBV and WB should post the matrix on their respective web page. Sub-groups could be formed in specific areas where multiple donors are providing support.