

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risks	Assessment without Mitigation	Management Plan or Measures	Assessment with Mitigation
<b>Exogenous, global, and regional financial shock.</b> The first risk is the possibility of a large exogenous shock in the form of a global or regional financial crisis. The economy is benefiting from its growing integration with global trade and financial flows especially after Viet Nam's admission to the World Trade Organization. This, however, leaves the country more vulnerable to such shocks. Concerns at this stage are not so much regional, but more related to global imbalances in savings between Asian countries and others, and the spillover effects of crisis in the subprime mortgage lending markets and the euro zone debt crisis.	High	Viet Nam, for its part, has in place a sound external outlook with modest current account deficits and surplus, an exchange rate that is a managed float and not tied to any currency, and limited external borrowing. The recent liquidity crisis has not affected Viet Nam adversely. The country is experiencing positive economic progress in 2010.	Medium
<b>Political resistance and vested interests may slow the reforms.</b> Implementation of the Third Financial Sector Program initiatives may be delayed due to resistance from vested interests and those opposed to the reforms.	Medium	This risk is considered slight since the government has shown immense resolve and commitment to pursuing the reform agenda. Government commitment is also manifested in the scope of legal and regulatory changes implemented in the financial sector, as well as the proposed reforms in the banking and nonbanking financial subsectors.	Low
<b>Poor governance and corruption.</b> This may erode effectiveness and implementation of the reform initiatives.	Medium–High	The government is increasingly adopting a tougher stance against corruption, and has recently undertaken several legal reforms, including enactment of the Anti-Corruption Law, and setting up of a steering committee against corruption, headed directly by the Prime Minister. It also established a legal framework to protect and reward whistle blowers against corruption.	Medium
<b>Insufficient technical capacity of implementing agencies.</b> This risk concerns technical capacities of the implementing agencies, which will be managing complex institutional change.		The work of the government and ADB suggests that these constraints are substantially ameliorated given adequate support and technical assistance. To reduce this risk, extensive discussions have been undertaken with the implementing agencies and specific areas of assistance identified. An ADB technical assistance covers capacity building for financial sector regulators.	Medium
<b>Overall</b>	<b>Medium–High</b>		<b>Medium</b>

ADB = Asian Development Bank.

Source: Asian Development Bank.