

Sida Support to the Banking Sector in Vietnam

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**Department for Democracy
and Social Development**

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Sida Evaluation 98/2

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Evaluation of the Sida support to the Banking System in Vietnam

1 INTRODUCTION

Sida has supported the Vietnamese banking sector, in co-operation with the World Bank acting as Executing Agency, since 1993. Two phases of a technical assistance and training project have been funded with SEK 24 million and SEK 30 million respectively. The project got underway during the second half of 1993 and came to an end on the 31 of December 1997.

The present report provides an evaluation of the project, with the overriding objectives to determine the relevance of the support, its short-term and long-term effects, and its cost effectiveness. The Terms of Reference also specify that recommendations should be provided as regards future actions by Vietnam to strengthen the banking sector. The Terms of Reference are attached as Annex I

This orientation was seen as an instruction to put strong emphasis on the overall impact of the project and the sustainability of its main components. The Evaluation has therefore given relatively sweeping attention to such issues as detailed course – or technical assistance – contents and generally refrained from detailed or minor comments on how marginal improvements might have been achieved in the planning and/or delivery of courses – or in the technical assistance components.

The Evaluation was commissioned to SPM Consultants, Stockholm, Sweden and the visit to Vietnam took place during the first half of November 1997. The remaining evaluation work took place in Sweden during December 1997.

The Evaluation Mission included four people with diversified backgrounds. The obvious intention was to incorporate a capacity to review issues from as many different angles as possible. The Mission included, in alphabetical order:

- Nguyen Van Dinh, a member of the faculty of the New Economic University of Hanoi and a Vietnamese national. Banking is his speciality. (His familiarity with Vietnam was his other invaluable contribution to the Mission.);
- Peter Gisle, a Partner of SPM Consultants – and Team Leader - with institutional development as speciality;
- Dr. Lisa Román from the Stockholm School of Economics, with Vietnamese banking as her speciality, in as much as it was the subject of her dissertation; and
- Börje Wallberg, Union of Consultants, Scandinavia, with human resource development as his speciality.

The evaluation was essentially based on project documentation, pertaining to both phases of the project and interviews in Sweden and Vietnam (Hanoi, Ho Chi Minh City and Haiphong). The list of individuals encountered is found in Annex II.

The visit to Vietnam - which lasted from October 27, when Börje Wallberg arrived in Ho Chi Minh City to November 12, when Lisa Román and Peter Gisle left the country – was arranged by the State Bank of Vietnam (SBV) and followed a structured and well prepared program. Throughout the visit the Mission invariably met individuals who were willing to share their experiences and views. The support provided by SBV and the Consultant was generous and

specific acknowledgement has to be given to untiring, skilful and constantly cheerful interpreters.

It appears relevant to make some comments about the interviews. Interviews in general, and in the context of the present project in particular, can contain serious pitfalls. The Mission got the distinct impression that many of those encountered during the formal meetings had been strongly encouraged to praise the project. On the other hand, some people met outside the project appeared more interested in criticising than in making objective contributions. Much criticism has been of standard and predictable nature – varying quality of teachers and consultants, linguistic problems, time-loss due to interpretation, teaching examples unrelated to Vietnamese realities etc. It is difficult to assess the relative weight of much of this criticism. The Evaluation Mission has therefore endeavoured to find hard evidence rather than to weigh the relative frequency of positive and negative testimonials.

The Mission discussed the banking system with numerous people who were either observers or clients, and in some cases both. The bottom line of these interviews was that the Vietnamese banking system has a long way to go before it can gain the confidence of foreign investors and provide a satisfactory range of international quality services. The outcome of these interviews has been incorporated in the section dealing with the banking system. This implies that they have been treated in a very general manner, simply because the situation of the banking sector is not the main topic of the evaluation, but an important framework to understand the setting of the project. It is hoped that this section will facilitate an understanding of the apparent paradox that the project has essentially been successful, while the banking sector continues to face serious problems.

The report starts with an INTRODUCTION, which provides some background, a presentation of the Evaluation Team and the approach to the task. The following section, THE BANKING SYSTEM reviews the evolution of banking in Vietnam in recent years. The section THE PROJECT AND ITS ACHIEVEMENTS is a presentation of the project and its major accomplishments. The section ends with the Mission's assessment of the project and its components. In OBSERVATIONS the Mission specifically discusses the three areas which the Terms of Reference required, i.e. relevance, cost effectiveness and the future. The report concludes with the specific RECOMMENDATIONS of the Mission.

2 THE BANKING SYSTEM

2.1 *The banking system in 1991*

At the time of initiating this project, Vietnam had recently begun its transition from a central planning system to a market economy. In the late 1980s, as an element of the transition, Vietnam reorganised its mono-bank into a two-tier system with a central bank (the State Bank of Vietnam (SBV)), and four state-owned commercial banks. In addition, new regulations in 1990 allowed for the establishment of new so-called joint-stock banks, as well as joint ventures with foreign banks. The embryo to a commercial banking structure was thus there, but the problems were at the time immense. Until 1991, banks could hardly be profitable because interest rate regulations prohibited a positive spread between deposit and lending rates. The payments systems in the banks were weak and the economy was generally cash oriented. The banks' ability to mobilise resources was poor for several reasons: lack of confidence in the banks; limited accessibility; few deposit instruments and generally unsatisfactory services. Moreover, the banks' capacity to advance credit was limited, partly due to lack of competence in project appraisal and financial analysis, but also due to lack of capital, particularly for long-term lending. In addition, the banks were burdened with large portfolios of non-performing loans, to the extent that the state-owned commercial banks may have been insolvent from the outset.

The difficulties of banking had to some extent to do with lack of experience and competence in the banks, but also to the structure of the Vietnamese society in this phase of transition. The

often poorly performing state sector dominated the economy and state-owned enterprises were the main recipients of commercial banks' credit. While loans to this sector often implied the risk of increasing the bad debt portfolio, the banks still had more control of and information about the state-owned enterprises, which also had the implicit protection of the state. Lending to the small but emerging private sector was even riskier, because of lack of information and enforcement mechanisms. A second reason for the difficulties was the deficient institutional framework: the lack of proper regulation concerning all aspects of banking (such as property rights, collateral rules, contract enforcement, accounting and auditing systems etc). The state-owned commercial banks, although formally independent, also remained closely tied to the SBV in many respects. The SBV, in turn, had closer relations to the Government, as distinct from the relatively greater independence of central banks in most market economies. Finally, the sector faced difficulties simply because - regardless of the existence of formal regulations and formal structures - the understanding of the role and functioning of commercial banking was limited.

2.2 Current developments in the banking system and in the economy

During the 1990s, the banking system has, in many respects, made considerable progress, as has the economy as a whole. Key indicators include a high growth rate, stabilisation of prices and exchange rates, export expansion, and inflow of foreign direct investments. The banking system has expanded and the financial depth has increased in relationship to GDP. In consequence more savings move through the banking system and are available to be put into productive use. The number of organisations has also expanded: there are now some fifty joint-stock banks, compared to some twenty in 1991, and since foreign banks were permitted to open branch offices, their number has also increased to more than twenty. The banking system's role as a payment mechanism has improved: most of the larger banks are today connected to the SWIFT mechanism for international settlements (largely a result of the project); and new systems of intrabank payments between branches and regions have been introduced in several banks.

The general level of knowledge of banking staff has increased considerably during the nineties and thus their ability to pursue commercial banking. The existence and contents of the banks' annual reports is one indication of this. From the interviews made during the mission, it is also clear that many bankers today can identify their achievements and short-comings at a much more sophisticated level, than what was generally the case five or six years ago. There is now talk of the need for proliferation of the banking products, and there is recognition of the difficulties of project appraisal and enforcement. The bankers stress the necessity to provide good services to the customers, and there is an awareness of the key role of human resource development in a business such as banking.

Nevertheless, many of the problems that stigmatised the evolution of commercial banking in the early 1990s appear to remain. The banks are still far from providing a basic financial infrastructure to the economy or serving as an attractive saving instrument for the public. The confidence in the banking system remains low. At the same time, the banks are virtually loaded with excess reserves but have problems in extending credits and most credit is short-term. Moreover, the problem of non-performing loans is augmenting, and will most likely lead to an eventual retraction of the sector. The state sector remains the dominating borrower.

To a large extent, these difficulties are due to the institutional and economic framework in which the banks operate. The legislation of relevance to banking is still, in many respects, inconsistent, incomplete, or inadequate. Moreover, the monetary policy conducted by the SBV makes use of fairly few instruments, most of which are constraining the commercial banks, such as the credit ceilings, which severely limits the banks' lending possibilities. Moreover, bank deposits are mainly short-term, which means that the banks cannot lend on long-term to any degree. The difficulties in long term lending also have to do with the continuing lack of sufficiently well defined property rights, enforcement, and standardised and transparent financial statements and records. The close ties between the state-owned banks and the bank

authorities also persist. Meanwhile, their understanding of the necessary conditions for commercial banking lags behind. An example is one of the larger banks' recent delay in settling international letter of credit payments, due, as it seems, to inadequate legislation and intervention from the authorities. The severe damage caused by a reduction in international reputation for this bank cannot be overestimated. Furthermore, banks have limited incentives to set aside risk reserves, and are thus often under-capitalised. A final shortcoming in the institutional framework for the financial system is the lack of secondary financial and equity markets.

Some of these problems will be gradually reduced as legislation improves: a new banking law is one example of continuous efforts being made to improve the legal framework. Also, the banking authorities' understanding of commercial banking will certainly continue to improve, thus giving fewer contradicting signals and regulations in the system. Other problems connected to the state-sector dominance may take longer to resolve, and depend more on policy changes by the government. In fact, the reform process as a whole seems at this time to have reached a critical point, where more substantial restructuring of the state sector and fundamental policy amendments are required to sustain the high growth rate. In addition, Vietnam has become increasingly integrated into the international economy, and thus also increasingly exposed to international economic trends. The recession, and turbulence in the region, put pressure on the Vietnamese currency, reduces the inflow of foreign direct investment, and affects foreign trade volumes. All of this has an influence on the banking system. A slow-down of growth will reduce the volume of trade transactions as well as investment opportunities, thus reducing the market for banking services. On the other hand, this may mean that the banks will be forced to further increase their competence and improve their organisations in order to maintain their competitiveness.

The situation described suggests that much can be done through improved training, but that this will not suffice to ensure the successful development of Vietnamese banking. The process of transforming the institutional framework is a cumbersome and lengthy process. Nevertheless, it is through an improved understanding of the fundamentals of the market economy, and through improved skills in managing the elements of the market economy, that the institutional framework gradually may improve.

3 THE PROJECT AND ITS ACHIEVEMENTS

3.1 *The origin*

The origin of the project is a World Bank study of the banking sector in Vietnam. On the basis of this study Sida financed – and participated in – the preparation of “Terms of Reference and Guidelines for Preparing a Proposal for a Training and Technical Assistance Program for Vietnam's Banking Sector”. It was envisaged that Sida would finance the project, while the World Bank – which could not yet operate in Vietnam in its own right at the time – would execute it.

The early documents and interviews with people – at the World Bank and Sida – suggest an atmosphere exuding optimism about the pace of change in the banking sector. Specifically it was assumed that more foreign banks would be established in Vietnam and that the need for external assistance to training would rapidly diminish. The clear impression gained is that it was expected that a five year program, coupled with other projects (including a World Bank “Banking Modernization Project”) which were under preparation, would be sufficient assistance to help Vietnam to the point where it could continue on its own. This may explain the relative looseness of the objectives in general, and as regards the institutional arrangements for managing bank training after the project in particular.

The upshot of the discussions was that Sida would finance a program in two phases.

3.2 Project Management

The World Bank has had the responsibility for project execution. Nevertheless major decisions about the training program and the technical assistance interventions have been taken at quadripartite meetings with representatives from SBV, the World Bank, Sida and the Consultant.¹

A Project Management Unit (PMU) has been created in SBV to manage the project. A Chairman, who is Head of the Personnel Department of SBV, heads PMU and the Secretariat consists of three persons. The Secretary is the Deputy Head of Training Section. The role of the PMU is to identify activities and to co-ordinate with participating banks.

Project implementation has been commissioned to professional consultants during both phases of the project. During the first phase the contract was awarded to a Joint Venture consisting of Crown Agents and ICM, an enterprise linked to the University of Stockholm. This arrangement proved difficult to manage, *inter alia* because of the relative administrative weaknesses of the Swedish partner. Over a period of time the partnership led to some extremely bitter, and partly heated, correspondence between the financing agencies and the members of the Joint Venture. These proceedings were undoubtedly time-consuming, and possibly nerve-racking, for those involved – not least the World Bank. The issue was, however, essentially kept outside the management of the project and the Mission could not find that it had had any negative impact on project implementation, although some interviewees had different opinions in this regard. The partnership came to an end with the closing of the first phase. The contract was awarded to Crown Agents. The proposal included the provision of some services by two Swedish companies – CEENAT and Hifab.

Crown Agents has a permanent Co-ordinator, who heads the Consultants office. A Vietnamese national heads a local office in Ho Chi Minh City. The Consultant's office is responsible for all operations, although they are carried out at the initiative and with the approval of the PMU. During the first phase of the project, an expatriate led the office in Ho Chi Minh City. This broadened the services that the project could provide and was appreciated by the banks in the south. In the course of the preparation of the second phase, the Vietnamese raised the issue of this office because of its (allegedly) high costs. The result was the change described above. The result of the modification was undoubtedly that administrative costs were considerably reduced, although the range of services provided by the project suffered some reductions. On balance the Mission believes that the cost saving exceeded the quality losses.

3.3 Phase I

3.3.1 Objectives

The original objectives of the project were stated in the first Agreement between the Governments of Sweden and Vietnam (signed 8 May 1992):

The objectives in a medium-term perspective will be to assist the State Bank of Viet Nam (SBV):

- *to enhance the operational efficiency and effectiveness of the Vietnamese banking sector through a sustained programme of technical assistance (e.g. systems, procedures and equipment for setting up a domestic as well as an international payment system) and staff training.*
- *to introduce the Vietnamese banks to modern banking practices of deposit mobilization, lending, portfolio management and supervision, customer services, and trade financing*

¹ Strictly speaking this appears to be a misnomer, since the Consultant can hardly be regarded as an equal partner in the meetings. It would rather appear to be a Tripartite meeting to which the World Bank's Consultant was invited as a participant, but without having any decision-making authority.

through design and adoption of new Systems (including the necessary hardware and software).

- *to strengthen Vietnamese banking training institutions through an intensive programme of training the trainers, supply of suitably adapted training materials, language and microcomputer instructions, and other suitable measures aimed at institution-building.*
- *to improve the quality of middle and senior management of banks through specially designed training courses, international study tours and other measures deemed necessary for the purpose.*
- *to improve the efficiency of the operational staff through especially designed courses and on-the-job training.*

These “general” objectives were subsequently translated into an action program in an Inception Report prepared by the World Bank, as Executing Agency, and its Implementing Consultants. The presentation of the Inception Report was made in April 1993, following lengthy discussions on project management, roles of the respective actors and – not least – about the detailed contents of the proposed project. Part of the delays can be ascribed to the unfamiliarity of the Vietnamese side in regard to everything related to international co-operation: project management, project formulation, project identification. The relative lack of participation in the identification of project components also led to delays, since the Vietnamese participants in the process did not feel any ownership toward the final product.

By mid-1993 agreements had been reached on all sides. The project now included:

- 1) A Training Programme with the following components:
 - Management Training Programme
 - Training of Trainers
 - English Language Training for Interpreters
 - Computer Training
 - Study Tours
- 2) A Technical Assistance Programme.
 - Chart of accounts and National Accounting Standards
 - Clearing and Payments System
 - Computer Assisted Payments and Clearing Systems

The project eventually got underway around mid -1993.

3.3.2 Implementation of Phase I

The experiences of the first year of implementation were reviewed and assessed in March 1994, when Mr Sven Öhlund, (of DEVFIN AB, Stockholm, Sweden) made a mid-term review of the project.

The main findings of the review were:

- After some delay in the start-up phase the four major training programmes² were going on in accordance with plans. They were all considered to be successful and beneficial to the participants, who were generally capable of absorbing and implementing new knowledge and skills in their daily work. The largest number of participants did, as planned, come from the state-bank system, about 80%, and only some 10-20% from the private banking sector.
- The Technical Assistance interventions on design and implementation of a domestic payment and clearing system and design of a new chart of accounts for domestic banks had

² A five weeks Management Development Programme with so far 200 participants, a Training of Trainers Programme with 100 participants, English for Trainers and Interpreters with 120 participants and Computer Training for which no figures were given.

proven to be more difficult for various reasons, including disagreements between the Consultant and the Vietnamese side on approach to be used. These components were therefor replaced by two other interventions: the development and installation of an international payments mechanism, SWIFT, and the drafting of a new Cheque Law. Both these interventions were said to be going on smoothly at the time.

The project also suffered a setback for causes beyond its control. A devaluation of the Swedish Krona (in November 1992) effectively reduced the funding by almost one million dollars. The direct consequences were reductions of Technical Assistance interventions and postponement of some courses to Phase II.

Öhlund's report included some recommendations:

1. Greater participation by the commercial banks in the training courses should be secured.
2. Seniority level of the participants in MDP courses should be enhanced. Entry to the top-level courses should be given only to managers who were in a position to apply and introduce new knowledge and skills in their work places.
3. For the second and third level managers it was proposed that shorter, two to three weeks courses should be arranged, covering more specific bank subjects.
4. The institutional structure for future training of bankers should be studied and a strategy developed.
5. The importance of a Bankers' Association was growing and would be a possible, suitable intervention in Phase II.
6. Technical assistance interventions in Phase II could be more directed towards the commercial banks themselves.
7. An active Vietnamese participation in preparing Phase II of the Project should be secured, including by the commercial banks.

As regards the execution of the project, the review proposed a continuation of the existing arrangements with World Bank as the Executing Agency for the financier, Sida.

Sida's role and functions in meetings held during Phase I was characterised as "ambiguous and unclear". Nevertheless, the review did not recommend any major changes and Sida should, also during Phase II, be requested to participate on a formal basis in follow-up and supervision meetings, etc.

3.3.3 Observations

This review is an important document. It gives a clear picture of the achievements during the early stages of the project and provides strong recommendations. These recommendations were largely followed, with one major exception. Phase II does not include the development of a strategy for future bank training in Vietnam, whether in the hands of the commercial banks, SBV or of the CETROBS³.

The report also identifies some of the key features of success, which have continued to serve the project implementation well: flexibility to adjust to changing circumstances and Vietnamese ownership of the project, its objectives and its guidance.

³ There are two major Banking Colleges (CETROBS) in Vietnam – one in Hanoi and one in Ho Chi Minh City and four smaller in the provinces. These colleges "belong" to – and are administered by – SBV. Traditionally, the CETROBS provided the banking sector with college graduates, but they are now receiving increasing competition from other universities.

3.4 Phase II

3.4.1 Objectives

The overriding objectives remained unchanged for Phase II. SBV and commercial banks established a Task Force, which developed the objectives and the proposal for Phase II. The specific objectives were to:

- train middle and senior bank managers in modern banking to enhance operational efficiency;
- train bank trainers; and
- develop a Master Plan on organisation and implementation in the field of banking in Vietnam.

These general objectives were the basis for providing the following major orientations⁴:

- *to sustain Phase I interventions in the areas of training of trainers, English Language training, computer training, and the Management Development Program. The computer and English Language training would be focused on banking applications and methodology*
- *to improve the reach of the training and technical assistance interventions by promoting a shift from bank headquarters to the provincial branch level*
- *to shift training interventions from general management subjects to specific specialized topics as required to enable banks to meet their changing operational needs*
- *to enhance other developments and innovations in the banking system (such as, inter alia, payments systems and the use of new, non-cash instruments) by providing tailored support to participating banks and related institutions (the training colleges, the Bankers' Association and the English Speaking Banker's Club).*

3.4.2 Implementation of Phase II

3.4.2.1 Training Programmes

3.4.2.1.1 Outputs

The training programme has – in all categories – been completed according to plans or exceeded them in quantitative terms. Table 1 presents the number of trainees who have received training from the inception of the project until the end of August 1997 broken down by type of training. The table also offers a breakdown by gender and by the number of training days. At the time of the visit of the Evaluation Mission it was estimated that the total number of trainees would reach approximately 4 500. A remarkable feature is the high level of participation of females.

Table 1

Type of training	Trainees		Female	Male	Training days	
Computer Training	735	19%	62%	38%	10 681	19%
English Training	477	12%	68%	32%	14 203	25%
Management Development Program	331	9%	38%	62%	7 435	13%
Short Specialised Courses	1 861	48%	43%	57%	17 331	30%
Study Tours Overseas	258	7%	36%	64%	3 361	6%
Training of Trainers	176	5%	47%	53%	4 343	8%
Grand Total:	3 838	100%	49%	51%	57 354	100 %

⁴ Terms of Reference for Consultant prepared by the World Bank in consultation with Sida.

3.4.2.1.2 Computer training

The Computer Training Programme has included Basic Training, Training for Trainers and Information Technology.

The computer training has mainly been basic courses but also some training of trainers. Furthermore, some more advanced courses dealing with Information Technology have been given. One mobile training unit with laptop computers had been set up for the training of branch staff in the provinces. Purchases are being made for another mobile unit.

Most course participants praised the courses, although some with the caveat "good but too little".

The responsibility for the basic computer training has now been successfully transferred to the CETROBS.

3.4.2.1.3 English training

English Training has been given at Intermediate and Upper-Intermediate levels as well as for English Teachers. English training courses have normally lasted for 6 weeks and have been the longest programmes offered.

The English training managed by the Project has been much praised in all interviews. The only complaint heard was that the participants would have needed much more. The Mission met and talked with a number of former students in the English courses and many managed the language well. In some banks the whole group of managers and staff assembled understood and spoke English quite well, even if one or two preferred to give their opinions in Vietnamese.

The programme has been much debated, since some people felt that English was a topic which could have been dealt with by people available in Vietnam, at a much lower cost. The promoters of the programme felt, on the other hand, that the course provided specific banking knowledge and that they were designed to foster analytical thinking and understanding of modern concepts. The Mission is not in a position to take sides in the debate. The issue is now of academic interest only since English training now has been transferred to the CETROBS. The question is, however, if the training given there will be sufficient to meet the demands for higher level English coming from larger groups of future students.

3.4.2.1.4 Management Development Programmes (MDP)

During Phase I - and early during Phase II - the Management Development Programmes had five weeks' duration; this proved to be too long for top bank managers. It was therefore decided - as recommended by the Mid-term Review - to shorten the interventions to two and three weeks. The reason for this was to enable top managers to participate in greater numbers in these high level programmes. This however, proved to be overly optimistic and participants during the second phase have still mostly been managers from the second or third level in the banks.

The Management Development Programmes have nevertheless been very appreciated. An unofficial estimate suggests that about 40% of the participants in these programmes have been promoted after the training. The Mission met a Director General and a Deputy Director General (from two different banks) who had been promoted to their present positions after having participated in MDP during the first phase. They both claimed that they had learnt much from the subjects dealt with and that they had been in a position to apply their new knowledge in a positive way in their respective banks. The Director General had first met with some resistance against his proposals for change, from the middle management layer in the bank, but now the new working methods were functioning very well. Based on his own good experience of the training he now gave high priority to the training of his staff in the WB/Sida training programmes.

All other former participants interviewed by the Evaluation Mission gave similar positive opinions. Many of them would, however, have liked to get more emphasis on macroeconomics to be able to put banking in a larger context.

3.4.2.1.5 Short Specialised Course Programme

The Short Specialist Course Programme (SCP) has included training courses in a broad range of subjects.⁵ Most courses have been given in Vietnamese (i.e. with the help of interpreters) while others (such as Letters of Credit, Foreign Exchange and Bank Guarantees) have been run in English.

The specialised courses were introduced to enable Vietnamese bankers to get deeper into some technical areas that were considered to be of particular importance. The courses have been praised during our interviews. They were said to be of great interest and had exposed participants for many new concepts. Yet, since much of the contents taught was new to them, many experienced difficulties in "translating" their new knowledge into a manageable Vietnamese concept.

Post-course evaluations show that the specialised courses generally received fewer "Very good" scores than other more open subjects such as Management Development, Market Research and Human Resources Development. This is not unexpected. Many of these participants had not had any previous exposure to international banking standards. In this situation it must be difficult to be introduced to strange subjects and only receiving examples from foreign countries with different legal and institutional systems. A conclusion could be that each course dealing with a specialised subject should have been preceded by a more general introduction to bank management in a market economy.

3.4.2.1.6 Study tours

In general, study tours have followed upon training courses. Selections have been based on the performance of participants during the courses. Lecturers made proposals to the Project Director, who discussed them with the PMU (SBV). The final decision on the names to be incorporated in the Letters of Invitation to the Banks was taken by the Governor of SBV. After a course, which had been attended by representatives from several banks, PMU assigned quotas to the banks (normally one person from each bank) plus some staff from SBV. For courses arranged for specific banks, the banks had the right to select participants to the study tours.

Some study tours included not only SBV and commercial bank staff but also officials from other institutions such as Ministry of Planning and Investment and the Government Office. The objective was to allow officials to better understand the project and the issues facing the banking sector. These tours were quite successful.

Study tours were made to a variety of countries, including Sweden, the UK, Australia, Malaysia, Singapore, Thailand etc. Participants found study tours useful and interesting; especially those to ASEAN and Australia⁶, which were seen as being more similar to Vietnam than the European countries.

The sizes of the study groups ranged from two people to ten people, exceptionally more. The benefits from the tours (said many participants) were not limited to the specific subjects studied. Considerable benefits were also derived from the contacts and business links with foreign banks and firms, which were established.

⁵ Subjects include: Branch Management; Foreign Exchange; Trade Finance, Credit Risk, Problem Loans, Business and Financial Management, Project Appraisal, Annual Reports, Market Research, Development and Marketing of Bank Products and Services, Marketing and Financial Management and Strategic Management.

⁶ Australia has been considered particularly suitable since it has a regional connection and a well developed banking system.

Financing of the tours has varied. Expenses were divided into three parts: airfares, accommodation and per diem. Some tours were totally financed by the project such as the tour for VBA managers in 1995. In other cases the banks had to cover one of the three types of expenses. (For example, VC to Hong Kong and Singapore tours, VC covered international airfares; Maritime bank to Eire & UK tour, Maritime bank covered per diem costs etc.) This contribution of the banks is another example of the their appreciation of the project.

On balance, the study tours are deemed to have been successful, particularly for participants who had never been abroad. Tours that aimed at providing further insights into subjects discussed during training courses appear to have been particularly useful. Nevertheless, some participants expressed a feeling of frustration over the fact that they had not been able to implement changes of any substantial nature. This should be a positive frustration as well as negative.

The tours have contributed to an improvement in the banks' training policies and are an important result of the project. Many banks now recognise the usefulness of sending staff overseas on study tours and are willing to pay for it.

3.4.2.1.7 Training of Trainers

The Training-of-Trainer courses have received much praise in the interviews and have been highly ranked in the post-course evaluations. The objective of this training was to build a national capacity to run high quality training programmes. The course management was praised for its interest and active support and follow-up of the former students.

Although the courses have been given these high marks, the results of them are mixed. An early objective was to assist the CETROBS in Hanoi and Ho Chi Minh City to become competent, flexible and professional training institutions that could cater for much of the banks' different training needs. This objective was subsequently abandoned in view of the modest absorptive capacity of the CETROBS and in spite of the fact that some of the lecturers were quite good during the training. The situation of the CETROBS should be a source of serious concern to the Vietnamese authorities since the issue cannot be resolved merely by training but requires far reaching managerial and possibly policy reforms.

The training of trainers from commercial banks has been much more successful. Many of those trained are now involved in setting up training programmes within their respective banks and they all claimed that they had had very good use of what they had learnt in the courses. In Incombank and Maritime Bank the training interventions had lead to further Technical Assistance support in developing internal Human Resource Development (HRD) programmes with matching training activities.

3.4.2.2 *Technical Assistance Interventions*

3.4.2.2.1 Phase I

The initial intention was to provide Technical Assistance aimed at introducing new country wide systems and standards in the following three areas:

- Chart of accounts and National Accounting Standards
- Clearing and Payments System
- Computer Assisted Payments and Clearing Systems

These interventions had to be abandoned for several reasons. The overriding reason appears to have been disagreements between the Vietnamese banks and the Consultants. To a certain degree the cause was also that the Vietnamese simply tired of the delays and proceeded to start the work using other resources.

After further discussions agreements were reached to focus on the following interventions:

- Design and implementation of an international payments system, the SWIFT.
- Cheque Law

The development and introduction of SWIFT has been quite successful. SWIFT contributes to reduced costs and increased security for international payments and most banks in Vietnam are now connected to SWIFT. This is quite an achievement and will ensure a long-term impact of the project.

The work on the cheque law appears to have been less successful and less fruitful. After the contribution of some experts provided by the project, the draft law was taken over by Vietnamese authorities. It is understood that numerous revisions were made by numerous entities inside and outside of the banking system and the Government. The end product, which was recently presented, does not appear to carry any traces of the original work done by the expatriate expertise provided by the project. This may be fortunate for the reputation of the project – albeit hardly cost effective – since the new law appears to have few admirers.

3.4.2.2.2 Phase II

In the course of the implementation of Phase II a number of interventions have been made of different size and dignity. Below is a list of interventions, which is not exhaustive, but quite illustrative of the type of interventions, which have been made.

Almost all these interventions have been bank specific, which is the major difference from the earlier ambitions to introduce nation-wide system changes.

Analysis of TA and training needs of small Joint Stock banks in Southern Provinces	1 month
Leasing (for Maritime and Agribank as specific interventions with workshops also conducted) with joint contributions from local a law firm (Freshfield) and tax experts (Coopers & Lybrand)	3 months
HRD Strategy and Planning Incombank	6 months
HRD Strategy and Planning Maritime Bank	3 months
Dissemination workshops for HRD work in Incombank and Maritime Bank	1 months
Training Centre Design and Management Incombank	2 months
Analysis of Intrabank and system Requirements Saigon Bank	2 months
Follow up dissemination workshops from Saigon Bank mission	2/3 month
Design and Development of Annual Reports for AP, VP and Incombank	2 months
BIDV Strategic and Business Planning reviews	1 month
Share Pricing for Maritime Bank	1 week
Eximbank – FOREX and Systems	1 month
Follow up dissemination workshop from the Eximbank intervention	1 month
Review of Joint Stock banks Computer Systems	2 months
Follow up workshop to other banks on Computer Systems	1 month
Bank & Guarantees (workshop followed by one to one TA in banks)	2 months
SBV Treasury – FOREX Reserves	1 month

Note - One month equates to approximately US \$ 24,000 without any allocation of project management or administration time.

It must also be noted that the TA activities under Phase II have also “evolved”. Original plans to develop a Master Plan and to undertake systematic Teacher Training for the CETROBS where dropped; the reason provide being low absorptive capacity. It is, however, to the credit of the project management (i.e. donor, executing agency, PMU and Consultant) that they have immediately faced such issues by redirecting funds to other activities within the overall framework of the project objectives.

3.5 Assessments

3.5.1 Overall assessment

The project has essentially reached its objectives with the exception of the preparation of a Master Plan and the strengthening of the CETROBS. Effective and flexible project management – by all parties involved – has, however, permitted the development of alternative operations within the overall objectives. A key reason for this success has been transfer of project ownership to the Vietnamese partners. The quantitative delivery of most objectives and within the original time frame is impressive.

The project has delivered all the training courses agreed upon. Totally, over the five years of both phases, about 4 500 Vietnamese bankers will have participated in the various WB/Sida Training Programmes. The number of training days has been a little less than 60 000, which gives an average of 14 days per training intervention. The number of participants in the various training programmes will, however, have to be put in relation to the number of bank staff in the country, about 50 000, to give an indication of the actual training needs.

During Phase II about 3 000 Vietnamese bankers will have participated in the six major training programs run by the Project. This is an indication that in terms of delivery of training and the number of subject areas the Project has become more efficient during the second phase. The participation of female trainees has been particularly impressive. It is also noted that the programme eventually started reaching out to the provinces although participants from the major cities have dominated.

The project has certainly demonstrated both flexibility and adaptability. As more experience of the Vietnamese banking system was gained, a broad spectrum of new, shorter banking courses was developed.

The best indicator of the success of the training programmes is the increasing demand, on the part of the commercial banks, in spite of the fact that they have had to cover increasing parts of the costs of the courses.

The Technical Assistance program has included some spectacularly successful components such as the SWIFT payments system and the HRD programs in Incombank and the Maritime Bank. Although the Mission heard a few grumbling remarks about some smaller activities, the overall impression is that the program has been well managed and highly appreciated.

A major issue remains the sustainability of the training programme. Contrary to the recommendations of Öhlund the project did not include any study of the institutional arrangements for bank training in the future or the design of any training strategy, which may explain the relatively weak efforts to transfer training to Vietnamese nationals. Part of the problem could naturally be that it was not possible to design a Master Plan because of the limited absorptive capacity of the CETROBS. On the other hand the Vietnamese banks will in the future have to take responsibility for much of their own training but little has been done to help them develop strategies or training material suited for Vietnam.

Most Vietnamese banks do not have internal training programmes for the development of modern banking although preparations are underway in some few banks. They do, however, not have the skills and techniques for managing training of large groups of people – such as long distance training. This will require external support to remedy.

As in the case of the Training Programmes the issue of sustainability is probably rather serious. TA assistance to Incombank and Maritime Bank on HRD got started late and, in consequence, the development work is still in its initial, very vulnerable stage. The same applies to the BIDV strategy work. The Management now knows what needs to be done but still not enough on how to do it and how to get it communicated to and accepted by the staff. It is true that the work that has to be done is to be regarded as investments in human resources and strategy development,

which should be financed by the commercial banks themselves. On the other hand, it is very questionable whether these banks as yet are ready to manage the rather complicated issues of designing programmes, preparing Terms of Reference for consultants, and selecting and managing the consultants etc. There is therefore a high risk that the achievements of the project are lost, not because of negligence or unwillingness, but ignorance.

3.5.2 Training programmes

The training programmes have been relevant to the needs of the banking sector.

The content of training has been well designed and relevant. Interviews with former course participants indicate that they were basically very satisfied with the training given. All courses have, according to the interviewees, opened new perspectives and given new approaches to their jobs.

A related issue is the subject coverage. Although a broad spectrum of banking courses have been developed there are areas, which have not been taught, such as Development of Appropriate Banking Services to attract customers and contribute to national mobilisation of long term capital. Another area, that could have been given more weight at an earlier stage, is Branch Management, considering the large number of bank branches in the country. The Mission is aware of the fact that the Project has run some courses that cover these aspects, but the question is whether both subject areas should not have been given more priority at an earlier stage.

The methods of instruction have generally been very good. According to post-course evaluations between 65% to over 90% of the participants ranked the training as "very good" or "good". "Average" and "weak" count for between 10 and 20%, in some courses however, up to 35 %. The lowest option was hardly ever used.

The main messages from the interviews were that the foreign lecturers had generally applied pro-active pedagogic styles, using modern audio-visual and written materials, that had been translated into Vietnamese and handed over to the participants during the courses. The lecturers had been "enthusiastic" and "qualified" in their professional areas of work. The relevance of the subjects taught had been very high. Many participants spontaneously expressed their gratitude to Sida for the support given to them in their development to become more full-fledged bankers.

Course materials had been well designed and adapted for the participants. They had normally been translated into Vietnamese beforehand and given to the interpreters to enable them to prepare. The course materials had been brought together in course files that were now available in the PMU for those who wanted to make further use of them.

On the contents of some courses a very frequent comment was that they had given an insight into a different banking system and some knowledge about new, more modern methods of banking, but they had not been deep enough to give a full comprehension of the subject areas taught. A consequence of this had been that it had proven to be difficult to apply the new knowledge when returning to their places of work. On the other hand, the main objective of the project was to spread knowledge about modern, internationally acceptable banking methods far down in the Vietnamese banking system must also be accepted.

The selection of participants has a source of concern for many lecturers. Examples have been given where half of the group was totally committed, whereas the other half was disinterested. When the lecturers followed up why this had happened, it became clear that some of the participants were working in positions that had little to do with the subjects taught. Others had been called in at short intervals and had had little time to prepare for the assignment. In principle the banks select their own participants, based on criteria developed by the PMU and the Consultant. PMU and the Consultant confirmed the problem. The main issue is that the

Consultant and PMU constantly kept seeking ways to improve – and tighten – the criteria submitted to the banks.

3.5.3 Technical assistance

The banks have as a rule appreciated the Technical Assistance interventions and some have laid the foundation of long term reform.

The Technical Assistance Programme has, in all probability, contributed to establishing higher levels of co-operation and even confidence between the commercial banks themselves and between them and SBV. If this is the case, it is a very beneficial side product of the project. What can be confirmed more easily, is that the programme has contributed to make the banks realise the potential benefit of modernising their operations and strengthen training efforts.

The selection of operations has not followed a clear pattern, and this was probably not intended. A consequence, however, is that the selection has been made almost at random and has not pursued any particularly coherent objectives.

The original intention was that the TA interventions should be replicable. This has hardly been the rule. Some interventions have indeed been given wider application through related consultancy in other banks; others have not. Other interventions (Selection of Post-graduates and the Development of English Speaking Graduates for SBV) have been strictly for the benefit of the recipient bank and have tended to be pure ad hoc consultancies.

The overall assessment of this component is that it has been very useful in a variety of ways and that the high quality of many of the consultants has contributed to this success. It is also clear that the Consultant, PMU (and the World Bank, which had the final approval authority for this component) have been open, flexible and constructive in the course of the identification and approval process, since most of the bank representatives met by the Mission expressed considerable satisfaction.

A conclusion is that there is definitely a need for more bank specific TA assistance to support the process of developing banking in Vietnam. It is also advisable to foresee some kind of assistance to the banks to design and manage the process of purchasing external help through consultants. This support should however be treated, as a service, which should be paid for in full by the client banks.

3.5.4 Project management

The project has essentially been exceptionally well managed as evidenced *inter alia* by the fact that a rather vast and complicated program was completed on time and rather exactly within the allotted budgets. This achievement is not only due to the impressive performances of the PMU and the Consultant. It is also due to the alertness of all parties involved to adjust the program, within overall objectives, to the rapidly changing realities of Vietnam.

As Executing Agency the World Bank has performed well and the attention and energies spent by its staff (and consultant) have been a major factor in the success of the project operations; even if this interest seems to have been lagging somewhat in the final months of the project.

4 OBSERVATIONS

4.1 Relevance to reform process

There is no doubt that the project has been relevant to the reform process. Since the objectives of both phases made the relatively noncommittal commitment to contribute to the reform process – the overall objectives have been achieved. There is also a fair amount of evidence of an objective nature that the main beneficiaries – the commercial banks – indeed appreciate the

effect of the project on their performances – and of the technical assistance being appropriately exploited.

The Mission also noted that the knowledge of banking staff has increased considerably and thus their ability to pursue commercial banking. From the interviews made during the mission, it is clear that many bankers today can identify their achievements and short-comings at a much more sophisticated level, than what was generally the case five or six years ago.

Likewise the Mission was impressed by the increased understanding for the importance of training and human resource development. Specifically, the Mission met a number of former trainees who were now capable of discussing training needs in a professional manner.

Commercial banks have *de facto* confirmed the relevance of the training programmes by sending participants in increasing numbers to the courses – occasionally beyond their allotted quotas, under the guise of sending “observers”. The growing demand has taken place in the face of increasing costs. In the first phase participants received a “bonus” for participating; today all logistic costs and living expenses have been transferred to the banks. An evaluation interview is not the place to get firm commitments; nevertheless, it is worth mentioning that those managers, who were interviewed, claimed that the assistance was so valuable that they were prepared to pay the costs under a future project.

As regards the technical assistance some results are spectacular. The SWIFT payment system is now introduced in Vietnam – entirely due to the project – with its reduced transfer costs and increased speed and security. Several banks – including Incombank, Maritime Bank and BIDV are actively exploiting the assistance with their own funds.

Finally, the study tours seem to be so well organised that Maritime Bank requested the assistance of PMU and the Consultant to organise one for which they paid the full costs.

To these “hard” facts may be added the impressions gained – and interviewees have insisted – that the project has helped to open the eyes of many bankers to the “requirements of the market economy” (a frequently repeated phrase). It is also beyond question that the courses and technical assistance has contributed to increased knowledge of modern, international banking standards and methods of work.

If it may thus be stated that the project has been relevant and contributed to the reform it may not be stated the reform is safely underway. Many fundamental problems face the banking sector of institutional, legal and regulatory nature, and the program has not established a critical mass. It has, at best, reached some 5 to 10% of the target population i.e. the bank employees and managers. Neither has the assistance been sufficient to establish a training capacity nor has teaching material or curricula been developed on a systematic basis or in sufficient number of areas to even start talking of self-sufficiency as regards training and training organisation capacity.

4.2 Cost effectiveness

The point of departure is that project has met its quantitative objectives. The issue of the following analysis is thus whether the results have been achieved in a cost-effective way. The following discussion covers to issues:

- Firstly, have the costs for the project been reasonable, and in proportion to the quality of interventions, given the current project design? In conjunction to this: could there have been a different, less costly composition of components, still maintaining the general framework of the project?
- Secondly, could there have been an alternative project design, which would have achieved the same results, but at lower costs?

It is impossible to give a definite answer to these questions. For one thing, what are reasonable costs, given the specific circumstances of the project? Moreover, it is difficult to assess the

quality of a less expensive alternative component, or of an alternative project design. In addition, there is the question of the feasibility of the alternatives. Obviously, the cost of bringing in international experts and teachers from abroad is higher than making use of Vietnamese expertise. On the other hand, the subject areas in the project are new to Vietnam, and the competence is in scarce supply. By the same token, it is an impossible task to firmly establish that an alternative project design would have been feasible in reality. Nevertheless, it is within this analytical framework, an assessment of the cost effectiveness has to be addressed.

One way to approach the issue is to look at the distribution of expenditures between different items and between the two phases. These costs are summarised in Table 2. The table is based on project documentation. This documentation does not provide a straightforward compatibility of all items between the two phases, and the table should be read as a general overview of the distribution of expenditures, and not as an exact financial report (see further the notes in the table).

The table shows that the bulk of costs for the project have been expenditures for foreign experts in both phases. The share of this type of expenditures to total costs has grown considerably in Phase II: from around 43 percent in Phase I to around 60 percent of total expenditures in Phase II. Expenditures for equipment and maintenance have diminished, in absolute and relative terms, from Phase I to Phase II, largely due to the phasing out of computer interventions. The major cost reduction has, however, been the administrative costs in Phase II. The costs for project management in Europe have almost vanished and the costs in Vietnam have dropped considerably as a share of total expenditures. The two decisions for Phase II: to transfer project management to Vietnam, and to nationalise the Ho Chi Minh City PMU, have thus implied a considerable reduction in administrative costs, apparently without reducing the administrative capacity of the project. This is an indication that the cost effectiveness of the project has increased between the two phases, which is commendable. Nevertheless, a reduction of administrative costs from close to forty percent in Phase I (items 7 to 9 in Table 2 added together), does not necessarily mean that Phase II has been a cost effective project with respect to the results obtained, only that administrative costs have been wisely streamlined. Another modest reduction in costs has been achieved by prolonging foreign consultants stay in Vietnam over a sequence of courses, thus cutting the costs of international travel. More importantly, an increase in cost effectiveness between the two phases has been obtained through the gradual abandonment of allowances for trainees and local trainers, replaced by a system where the banks pay for the logistics and living expenses related to the training and the technical assistance obtained.

Table 2: Summary of Expenditure Distribution, Phase I and Phase II

	Phase I		Phase II	
	1,000 USD	% of Total	1,000 USD	% of Total
1. Foreign experts	1,323	43	2,259	61
2. Local Vietnamese inputs	32	1	15	<1
3. Study-tours	359	12	377	10
4. Equipment and maintenance	184	6	69	1
5. Training materials and books	19	<1	33	1
6. Bankers' Association	7	<1	3	<1
7. Project management in Europe	136	4	9	<1
8. Project management in Vietnam	948	31	947	26
9. Initial interventions in Europe and Vietnam	59	2	-	-
Total 1,000 USD	3,067	>99	3,713	>99
Total 1,000 SEK	23,924		28,961	

Sources: Project documentation

Notes:

- 1) some items in the project documentation could be debated as to which category they belong in the table;

- 2) Phase II expenditures are reported in SEK in the project documentation, - an exchange rate of 1USD = 7.8 SEK has been used;
- 3) figures do not fully compare with the reported totals due to rounding;
- 4) Phase II expenditures include projections for the period July – December 1997.

The growth in the expenditures for foreign experts reflects the growth in activity in Phase II: the total number of training days in Phase II grew, and there has also been an increase in the technical assistance component. Table 3 shows the division of training days between different types of courses within the training program for the two phases. It also shows the approximate costs per day per participant. These costs are average numbers, including an estimate of project management costs; costs vary for different courses, particularly in the case of short-term courses. The low costs for computer training has to do with an inclusion of Vietnamese trainers who were managed and tutored during a hand over period⁷. The low costs for English training is also due a gradual transfer of Vietnamese English teachers or Vietnam based English speakers. The ambition to make use of domestic competence is beneficial both for cost effective reasons and sustainability of the project. The question is whether enough efforts have been made in this direction. Comparing the project costs with the costs per participant per day for courses run by Vietnamese institutes and taught by domestic teachers, it is clear that the latter are considerably lower. Rough estimates suggest that English may be taught at costs around two or three USD per day per participant. The top rate for a Vietnamese lecturer in a management course, at internationally competitive standards, is around 120 USD per day, which means a cost per participant of perhaps five to ten USD per day.

The differences in costs are striking, but the question remains to what extent this domestic capacity has existed in sufficient supply during the course of the project. Several of the interviewees implied that particularly English training could have been obtained from other sources than the project. But whether the available teachers would have had enough knowledge of specific banking terminology is not certain. Mention has also been made of the positive side effects produced from the foreign lecturers' teaching style. Critique of the more specific banking skills and management courses has focused on the capacity of some of the lecturers, but without suggestions that domestic lecturers should have replaced them. Given the considerable difference in costs between domestic and foreign capacity there should be strong incentives to expand domestic capacity in this field.

Table 3: Cost per day per participant and training days in each programme.

Programme	Training days, Phase I	Percent of total	Training days, Phase II	Percent of Total	Cost/day/ participant USD
1. Computer training	6,418	32	4,263	12	20
2. English language training	3,680	19	10,523	29	38
3. Management development	6,210	31	1,225	3	61
4. Short courses (up to 3 weeks)	-	-	18,990	53	61
5. Training of trainers	3,536	18	807	2	61
Total	19,844	100	35,808	100	--

Source: Project documentation.

4.3 Sustainability

The Evaluation Mission questions the sustainability of the results of the project:

⁷ This may, however, had a quality cost, since many students complained over the lesser competence of the Vietnamese teachers.

- The new knowledge received is ahead of the reform and unless sustained with external assistance there is a clear risk that much will have been lost at the time when it could be fully applicable;
- Many courses aimed at imparting familiarity with new concepts rather than in depth knowledge;
- The subjects/topics of the training have in no way covered all the areas needed for a broad coverage of all the aspects of reform in the banking sector;
- Training of trainers has not reached adequate levels;
- Skills in organising and developing courses have not been systematically developed;
- Training materials and the skills to develop them have – at best – been developed in conjunction with courses. They have, however, not been systematically developed for Vietnamese conditions;
- There is not any training Master Plan nor any program to transfer the skills to Vietnam to develop training at the scale to reach all bank employees; and
- Many technical assistance operations are only beginning to become operational. This is particularly true in the cases where the project has assisted in initiating important reform work such as e. g. HRD-programmes in INCOMBANK and Maritime banks and strategy formulation and implementation as in BIDV. In these organisations skills are still not sufficiently developed to sustain and develop the ongoing reform work.

This list is not a criticism against the execution of the project. Elsewhere has been noted that this has been very successful. It is, however, a criticism of the project design. Some specific issues are:

1. PMU

The project documentation never dwells upon the future of PMU and no discussion has been carried on – as far as the Mission can determine – about its institutional home or its long term role. This is a pity because the PMU – has indeed accumulated a considerable experience in co-ordinating and assisting banks in formulating – training needs and requirements. It has also accumulated considerable knowledge and understanding of the procedures and requirements of donors. These skills may now be lost. Furthermore, the project never envisaged transferring some of the organisational and implementing skills from the Consultant to PMU, thus losing an opportunity to develop a national institutional capacity in this area.

Finally, and with all due respect to the performance of SBV in the implementation of the project, it appears clear that a central bank is not the natural location for co-ordination and managing training and technical assistance to the commercial banks.

2. Project impact

Bank training is a long-term – if not continuing – process. This process must, for obvious reasons, be a national responsibility in general and of the interested parties – i.e. the commercial banks – in particular. The Evaluation Mission notes that this aspect was not discussed at the time of project formulation, be it before Phase I or Phase II. The Mission does, however, note that SBV and the commercial banks stand almost as unprepared to develop and implement such programs at the time of writing as they were at the beginning of the project. They do not have the organisation skills, the curriculum development skills, the institutional setting etc. This endangers the long-term impact and it endangers the sustainability.

The preceding is a generally valid observation but must be seen in the Vietnamese context where the issue is not merely learning but profound systemic change; this obviously not only needs learning but a complete transformation in an entire thinking and managerial process.

5 RECOMMENDATIONS

The Evaluation Mission is thus of the firm conviction that Vietnamese banks need further external support to sustain the achievements of the project. The primary objective of such support should be the systematic development of the commercial banks' capacity to develop and organise their own training needs. The project should also include – as part of this objective – components aimed at safeguarding the sustainability of the bank-specific reforms initiated during the previous phases. Finally, consideration should be given develop the PMU to an organisation capable of managing a training effort on the part of the commercial banks. Such a component could include the systematic development of this capacity and the orderly transfer to an organisation closer linked to the commercial banks, such as – but not excluding other alternatives – the Banks' Association. In addition the project should continue to provide technical assistance along the same lines as under the present project.

The assistance should only be provided if the commercial banks confirm their interest in obtaining it. Such confirmation should not only be a formal commitment, which is relatively easy to give. The project should thus be based on cost-recovery in some form, including some agreement as to the use of the funds accumulated.⁸

The Mission does thus not agree with the proposal submitted to Sida – for a third phase – which essentially consists of a direct continuation of the present project.

As requested in the Terms of Reference, the Mission has given some thought to the nature of any future assistance to the banking sector and reached the opinion that the following components could be included:

- Technical assistance to the banks, specifically to develop HRD programs and training capacity and ability to organise training for large number of trainees, many located in remote parts of the country;
- Develop training materials suited to Vietnamese conditions;
- Develop a strategy for future bank training with suggestions on how to carry out the effort with primarily national resources;
- Expand and deepen the skills and understanding required in modern banking; and
- Consolidate the capacity to co-ordinate and organise donor financed training and technical assistance projects.

The above should not be regarded as a carefully considered proposal but rather as a contribution to further discussions.

The Evaluation Mission notes with concern that Sida intends to withdraw from the project at this stage. This decision appears unfortunate. While it is perfectly feasible for new donors to come in, the change of sponsorships implies certain losses. The project would risk losing momentum and the institutional infrastructure built during the project. A new donor and the banks will have to go through the rather arduous and lengthy process of mutual confidence building. Finally, there is a risk that the regulations of other donors do not permit the same degree of decision making power for the national counterparts or the flexibility which to such a large degree have been the secret of success in the present project. It has not been possible to get any logical explanation why Sida leaves a successful project at such a delicate stage.

The Mission understands that Sida's decision is irrevocable. It can therefore merely note that it hopes that the Vietnamese Banks finds another donor willing to provide the support required to ensure the sustainability of the impressive achievements of the project.

⁸ As indicated elsewhere, several senior bank managers, in the course of the interviews considered the idea of cost-recovery most appropriate.

LIST OF PERSONS MET IN ALPHABETICAL ORDER BY ORGANISATION

ABB_Vietnam

Tony Zeitun, Vice President Finance .

Agribank:

Cam Hieu Kien, Deputy Director General

Le Thanh Chung, Training Department

Nguyen Viet Ha, Deputy Head of International Division

ANZ Bank

Allan Marlin, General Manager

Asia Commercial Bank

Lam Hoang Loc, President & CEO

Bank for Investment and Development

Nguyen Duc Thinh, Director

Nguyen Duong, Senior Economist Director, HRD

Truong Thi Hoan, officer, International Banking Department

Bank of America

T.D.L. Narasimhan, Vice-President

Cuong Van Vo, Ass.Relationship Man.

Barken AB

Pontus Sönnnerstedt, General Manager

CETROBS

Hanoi

Director

Le Dinh Hop, Deputy Director

Nguyen Due, deputy director, centre for training and researching of banking

Nguyen Huu Phung, director, banking training and research center

Nguyen Due, Deputy Director

and about 10 senior staff

HCMC

Tran Minh Hoang, Director

Ngo Huong, Vice-Director

and 14 staff, former participants in training

CIEM

Dang Duc Dam, Vice President, Central Institute For Economic Management (CIEM)

Nguyen Dinh Cung, Macroeconomic Policy Department, CIEM

Credit_Department

Ta Quang Khanh, Deputy Director

Nguyen Thi Sinh, Manager + one staff

Economic Research Department

Nguyen Dong Thien, Deputy Director

Elof Hansson AB

Leif Olsen, Chief Representative

EXIM Bank

Hong Thi Tam, Dep. General Director
Tran Hoang Hiep, Intern. Rel. Officer
and 10 staff, former participants

ICB

To Van Chanh, 1st Dep. Man. Director
Bui Khac Son, Director Informatics
Le Viet Huyen, Director Training
Tran Duy Bich, Director Bank Office
Ma Van Truc, Deputy Director General
and 6 staff, former participants

IMF

Erik C. Offerdal, Resident Representative

Industrial and Commercial Bank of Vietnam

Hanoi

Dr Bui Khac Son, Director
Tran Duy Bich, Director
Le Viet Huyen, Training Centre Director
Ma Van Truc, Deputy General Director

Haiphong

Vu Thi Phuong, Deputy Director
Chu Duc Thuy, Manager Personnel/Admin Dept

Institute of Southeast Asian Studies

Caroline Gates, Economist,

LM Ericsson Int AB Vietnam

Per Karlberg, Director

Maritime Bank

Vu Duc Nhuan, Vice President
Nguyen Huu Duc, Director of the President's Office
Tran Van Nghi, Manager International Affairs Dept

Ministry of Foreign Affairs, Stockholm

Börje Ljunggren, former Ambassador to Vietnam

Price Waterhouse

Nicholas Blower, Senior Audit Manager
Mr Rory Stewart, Dir. of Audit Services

Saigon Bank for Industry

Du'ong Xuân Minh, General Director
and 10 staff, former participants

SBV - Haiphong Branch

Nguyen Dat Doi, Deputy Director
Nguyen Van Thao, Manager Personnel/Admin Dept

Sida

Stefan Dahlgren, Hanoi
Agneta Danielsson, Stockholm
David Holmertz, Stockholm
Mario Zejan, Stockholm
Ann Lis Åberg, Stockholm

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Nguyen Thi Hong Lam, Deputy Director of Personnel Department
Truong Van Phouc, Deputy Director
and five staff, former participants

Vietinde Bank

Pham Ngoc Con, Managing Director
Nguyen Duc Tinh, Director
Truong Thi Hoan, Int.Relations Officer
Nguen Duong, Senior Economist and 14 staff, former participants

Vietnam Banks Association:

Nguyen Ngoc Minh

B.A. B.Sc

Ngo Tuan Kiep, Secretary General

Nguyen Hong Lan, Press, Information and Training Department

Nguyen Quoc Viet, Editor-In-Chief

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Ngo Dinh Thoai, Deputy General Director

World Bank

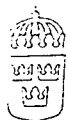
Donna Haldane, Senior Economist, Washington

Christopher Naab, Consultant

Shilpa Patel, ex-Senior Economist, now IFC

VP Bank

Nguyen Hung, Deputy Director General
and 3 staff, former participants



EVALUATION OF SWEDISH SUPPORT TO DEVELOPMENT OF THE BANKING SECTOR IN VIETNAM

1 Background

1.1 General

Since 1992 Sweden supports a project for technical assistance and training in Vietnam's banking sector. The project has been carried out in two phases, 1992-1994 (first agreement period) and 1995-1997 (second agreement period). The objective of the project is to support the transformation of the Vietnamese banking sector from a uni-bank system to a two-tier banking system with particular emphasis on the commercial banking system.

The specific objectives of the current phase are mainly to train middle and senior bank managers in modern banking and bank management in order to enhance the operational efficiency of Vietnamese banks and to train bank trainers in pedagogical and banking skills in order to strengthen Vietnamese banking training institutions.

The project will terminate by the end of 1997. By then Sweden will have contributed SEK 54 million to the project.

The project is executed by State Bank of Vietnam and the Swedish support is channelled through the World Bank. The background for this arrangement is the following. During preparations for the project Vietnam discussed the possibilities for support with both the World Bank and with Sweden. Since the World Bank at that time was not able to finance operations in Vietnam Sweden was finally approached for funding. The World Bank was selected by Sida as the "Executing Agency" for the project and procured the implementation consultants. The project is handled on the Vietnamese side by a Project Management Unit related to the Personnel and Training Department at State Bank of Vietnam.

1.2 Implementation and results

During the first agreement period the consultant was a Swedish-British consortium. For the second period the Crown Agents, which

formed the British part of the consortium, remained as the sole implementation consultant.

At the start of the project emphasis was mainly on training middle and top level management and selected banking staff at the bigger banks. Increasingly, and especially during the second period, more and more participants in training courses have come from the smaller joint stock banks. The emphasis has gradually shifted from computer, English language and human resource development training towards bank management, i.e. short technical courses in banking specialties such as risk assessment and foreign currency dealing.

Up to mid-August 1997 some 3,800 people from about 40 domestic banks had participated in the project's courses and 56,700 training days had been delivered. About 45 percent of the training (training days) were spent on computer or English language training, around 15 percent on management development, almost 30 percent on short technical courses and the remainder on training of trainers and study trips abroad on various topics. About 50 percent of the participants were women.

A mid-term review in 1994¹ concluded that the project was relevant for supporting the reform process in Vietnam and performed satisfactorily in relation to objectives. It recommended a second period for the project.

2 Reasons for the evaluation

The project will be terminated by the end of 1997. The evaluation is carried out in order to establish the effects of the interventions and the cost-effectiveness of the project. The evaluation shall also provide conclusions and recommendations for similar activities (but without Swedish support) within the banking sector in the future.

3 Scope and focus

The evaluation shall cover both phases of the project and, as far as possible, concentrate on establishing the relevance of the support, its long-term and short-term effects and its cost-effectiveness.

The evaluation is to establish the extent to which the project has achieved its objective of providing Vietnam with necessary

¹ Sven Öhlund: *Mid-term Review*, March 1994

conditions to enhance the operational efficiency and effectiveness of the Vietnamese banking sector.

The evaluation should investigate whether the support was cost-effective, i.e. were the costs reasonable in relation to the results achieved.

The evaluation should also where apposite provide recommendations for future actions to be taken by Vietnam to strengthen the banking sector and improve its performance.

The following aspects shall be considered and commented upon by the evaluation team:

- relevance in relation to the development of the economic reform process in Vietnam;
- relevance in relation to the needs of various categories of banks (e.g. kind of ownership, size, location and type of customers);
- relevance in relation to other possible subject areas for the training (apart from English language training, computer training and the bank management training courses actually provided);
- composition of training course participants and the selection procedures, also considered out of a gender perspective;
- feed-back from participants, banks and teachers on course contents and the execution of courses;
- organisation and implementation of the project at the donor side;
- organisational set-up on the Vietnamese side at different phases of the project, also considered out of a gender perspective;
- recruitment and background of the long-term and short-term consultants, also considered out of a gender perspective;
- the likely usefulness of the project set-up after termination of the Swedish support;
- cost-effectiveness.

4 Methodology

The evaluation will be carried mainly through interviews in Vietnam, Sweden, and, if time permits, Washington. In addition, documents

related to the project and information about the banking sector and economic reforms in general in Vietnam will be used as sources.

It is obvious that the long-term effects cannot be assessed at this stage, but the likely impact should be discussed, perhaps in connection to the discussion of the project's relevance.

5 Evaluation team

The evaluation team should comprise three to four persons and include expertise in economics, especially transitional or development economics, bank management and operations, human development and training methods, gender equality issues and experience in development cooperation.

One team member should be recruited in Vietnam in order to provide local knowledge. The Embassy can assist in identifying a qualified local consultant.

One member will be Team Leader and responsible for coordination of the Draft and Final Reports.

6 Time plan and reporting

The evaluation shall take place during the period September-October 1997. It is expected to last 4-5 weeks out of which about 3 weeks should be used for work in Vietnam.

At the end of the period in Vietnam the State Bank of Vietnam, the Ministry of Planning and Investment, and the Embassy of Sweden shall be briefed on the preliminary findings and conclusions by the team.

The evaluation report shall be written in the English language and should not exceed 40 pages, excluding annexes. The outline of the report shall follow Sida Evaluation Report - a Standardized Format (see Annex 3). Five copies of the draft report shall be submitted to Sida at the latest three weeks after finalising the data collection in Vietnam.

Within two weeks after receiving SBV's, The World Bank's and Sida's comments on the draft report, a final version in ten copies and on diskette shall be submitted to Sida. Subject to decision by Sida, the report will be published and distributed as a publication within the Sida Evaluations series. The final evaluation report shall be written in Word 6.0 for Windows or a compatible format and should

be presented in a way that enables publication without further editing.

The evaluation assignment includes production of a summary according to the guidelines for Sida Evaluations Newsletter (Annex (1) and the completion of Sida Evaluations Data Work Sheet (Annex (2)). The separate summary and a completed Data Work Sheet shall be submitted to Sida along with the draft report.

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