

FINAL EVALUATION

VIE/026

Development of the Capital Markets

PROJECT SUMMARY DATA

Country	Vietnam
Long project title	Development of the Capital Markets
Short project title	Capital Markets Development
LuxDev Code	VIE/026
Version of the Report	December 2013

RATING OF THE PROJECT BY THE EVALUATION MISSION

Global rating (Effectiveness)	2.5 On a scale of 1 (excellent results, significantly better than expected) to 6 (the project was unsuccessful, or the situation has deteriorated on balance)
Rating using other evaluation criteria	Relevance: 1.0 Efficiency: 3.5 Sustainability: 2.5

EXECUTIVE SUMMARY

The final evaluation of VIE/026 – Development of Vietnam Capital Market- was carried out in November and December 2013 by Mr Andrew Finnemore Capon (team leader) and Ms Huong Minh To.

The evaluation objective was to assess the achievement of the project's specific objective and results, to evaluate these against the evaluation criteria (relevance, effectiveness, efficiency and sustainability), to assess also the achievement of the cross-cutting themes including governance for development, as well as assess the project management and finally, to identify lessons to be learned and recommendations for Luxembourg Agency for Cooperation and Development's next financial sector project in Vietnam. The mission was split into three phases; first, preparation at the home office, second, field mission from 4 to 15 November 2013 in Hanoi, and finally the report preparation. This final evaluation follows on from the mid-term evaluation conducted in September and October 2009.

The final evaluation has benefitted from the participation of State Securities Commission, Project Management Unit and of all the technical departments involved in VIE/026. It has also enjoyed interaction with the Ministry of Finance and the Ministry of Planning and Investment, the government institutions involved with the project, as well as with market participants including the stock exchanges, the Vietnam Securities Depository, and representatives of securities companies and fund management companies. The evaluation was conducted by means of a pre-field mission questionnaire, followed by field mission interviews. The final evaluation team also produced a training and workshop evaluation form, and with the project management unit permission, this was submitted to State Securities Commission staff to seek their feedback on the effectiveness of the training(s) they had received during the project, including if they thought this had benefitted their skills and knowhow and their ability to do their job better. A separate evaluation form was also sent to the department supervisors of these staff to solicit their perspective on the benefits from the capacity development activity, which their staff had attended.

VIE/026 started in 2008. A chief technical adviser was appointed in May 2008 and the project management unit established in September 2008. The original budgeted three year project time overran and the final result to close was the Information Technology Result 3 where last activities were completed in June 2013.

The project specific objective, and the four related results have all been achieved at the date of the final evaluation. The beneficiary, State Securities Commission, is highly satisfied and commented that, in their view the results have been 100% achieved. Outcomes were highly effective and not only the beneficiary were pleased but also the market participants, who have benefitted from a more capable and confident regulator and strengthened legal framework. Among the positive comments made during this evaluation, particular tribute was made to firstly, the flexibility of LuxDev and Regional Office Hanoi to react to any project issues and to support also the ad hoc and changing needs of the State Securities Commission and the capital markets, such as the technical support for market restructure proposals. Secondly, the State Securities Commission paid tribute also to the good communication developed with Regional Office Hanoi as the project progressed.

Each result is considered in brief.

Result 1 - Strengthening of the legal framework of the capital markets in Vietnam.

The State Securities Commission was pleased with the positive outcomes, which made a strong contribution to the Securities Law as amended, which was adopted by the Parliament in November 2010. The legal Key Expert was highly appreciated by the State Securities Commission. A high output of reports, draft circulars, decrees, regulations, conferences, workshops, trainings and other materials was achieved. Result 1 included other activities; preparation for new investment fund products, such as open ended funds, Exchange Traded Funds, Real Estate Investment Trusts, with drafting of regulations and training and workshops. This was another important step forward for the capital markets, called for by the fund management industry in Vietnam, to counteract the lack of products prevailing in the market at that time, broaden the product range and thereby offer more options to attract investors. Risk assessment was another area where the beneficiary requested support. The project Key Expert provided technical assistance and trainings on areas such as risk management of securities companies and fund management companies, risk management of the stock exchanges and the Vietnam Securities Depository.

The positive impacts on Result 1 were also confirmed by the representatives of Vietnam Association of Securities Business and Fund Management Club that during the VIE/026 project, with the adoption of the new Securities Law and many different related regulatory documents, the securities market has become more transparent and investor confidence in Vietnam securities market has improved.

Result 2 - Consolidation of public offering and trading of securities.

The State Securities Commission received advice on Initial Public Offering and secondary offerings, trading, and foreign offerings in Vietnam, overseas offerings and listings, and procedures for new products such as Global Depositary Receipts and Global Depositary Notes. Also advice was given on market restructure, including potential consolidation options for the two stock exchanges. A manual on Initial Public Offering was produced for the State Securities Commission and stock exchanges. This was well received by the State Securities Commission, who referred to the Key Expert(s) good understanding of global best practice. The second component, e trading was curtailed due a change in the scope of the work arising from a delayed start and these budgeted funds were reallocated to other areas of more pressing need, chiefly, the Information Technology systems.

Result 3 - Established information disclosure via Information Technology and related tools.

One of the key priorities identified by the State Securities Commission at the start of the project was to develop Information Technology systems to strengthen the State Securities Commission capabilities in market surveillance, supervision and information disclosure. These were the first Information Technology applications for the State Securities Commission, a milestone for the State Securities Commission and for the project. One system, Market Surveillance System connects with the stock exchanges and Vietnam Securities Depository to enhance supervision capabilities. The other, Information Disclosure System is an information disclosure system for public companies to do an electronic filing of their financial reports. The Market Surveillance System provides the State Securities Commission with a comprehensive view of orders and transactions executed on both Hanoi and Ho Chi Minh stock exchanges. With the Market Surveillance System, State Securities Commission staff can now conduct investigations on their own initiative, or drill down to further details following alerts / incidents reported by the stock exchanges. The Information Disclosure System reduces input errors and paper based processing and will make for a more efficient and reliable filing of the information and provides enhanced analytical tools to process it. After a slow start the new international and local Key Expert, together with Regional Office Hanoi in a project coordination role helped to deliver the Market Surveillance System and Information Disclosure System within the revised financial budget (after reallocation of the unused budget portion from the abovementioned e trading activity in Result 2). The Market Surveillance System is now already appreciated by the stock exchanges and State Securities Commission and the Information Disclosure System formal rollout started in October 2013.

Result 4 - Market supervision and inspection.

The result was one of the two priority areas for the State Securities Commission, according to the project document. The supervision Key Expert(s) provided a handbook for State Securities Commission staff on the supervision of the stock exchanges and Vietnam Securities Depository, a report on best practice in market surveillance, training on supervisory skills for the State Securities Commission staff regarding securities companies.

The capacity development impact for the State Securities Commission has been positive on all three levels (institutional, organisational and competence) of capacity development. On the institutional level, the new legal framework has made the capital market stronger and more transparent; as regards the organisational capacity development, the new Market Surveillance System and Information Disclosure System Information Technology systems mark an important step forward for the State Securities Commission and its staff in harnessing the new Information Technology applications to enhance its ability as the regulator to manage surveillance and information disclosure in a more efficient and effective way. Finally, on the competence level, the technical capacity development activities provided by the project have benefitted State Securities Commission staff across all the results areas, by means of the consultancy and trainings, workshops, seminars, internships and study tours; also, the administrative, project management responsibilities which the State Securities Commission assumed in coordination with LuxDev have been good for the technical capacity development of the project management unit.

On the project management side, there were setbacks and challenges. Chief among these was that it was hampered by the departure of two Chief Technical Advisers, each of whom was in place for approximately 18 months, the remainder of the project being without Chief Technical Adviser. This has also removed an important source of information for the final evaluation team, as there was no Chief Technical Adviser to provide a comprehensive and consistent view of the whole project, and to give a detailed view on specific technical or project management issues from a LuxDev perspective. This meant that final evaluation lacked a key source of information. This disadvantage notwithstanding, the State Securities Commission did provide final evaluation team with a consistent viewpoint, and were helpful and responsive to requests for information. Regional Office Hanoi Regional Representative and other staff have also been very helpful in providing information and their views.

The monitoring and evaluation was less effective, in particular in the first Chief Technical Adviser phase. The final evaluation team did not see evidence that in the early stages, the objectively verifiable indicators were monitored in accordance with LuxDev guidelines and the project office does not appear to have agreed any formal data collection procedures with the project management unit to facilitate this. The monitoring of the objectively verifiable indicators became more formal in second Chief Technical Adviser phase and corresponded to better achievement of results. The mid-term evaluation also identified a number of these prevailing issues and addressed many successfully.

The ratings of the evaluation criteria for the observed interventions are as follows: the final evaluation assigns a very high rating of 1.0 for relevance, as it finds that VIE/026 activities were highly relevant to the needs of the beneficiary and for the capital markets for which the State Securities Commission is responsible. The overall rating for effectiveness of the VIE/026 is given at 2.5. The specific objective and four results were all achieved. The beneficiary, State Securities Commission, is highly satisfied and commented that, in their view the results have all been achieved. The monitoring and evaluation could have been more effective. The overall rating for efficiency of the VIE/026 is given at 3.5. The project was not efficient in time management terms as it overran from the budgeted three years to five years. This was due mainly to weaker project management up to end 2009 and associated slow Key Expert recruitment. Efficiency did improve as the project progressed, and the mid-term evaluation rating of 4 thus deserves to be raised to 3.5. The overall rating for sustainability of the VIE/026 is given at 2.5. The results were directly responding to the needs of the Government of Vietnam sectoral plan and should merit continuing political and institutional support. The updated legal framework including new investment funds is considered solid and widely respected. Regarding Information Technology, this is a first step in Information Technology applications for the State Securities Commission, and as such a major step forward. The delivered applications are viewed as currently sustainable in that State Securities Commission staff are maintaining the systems with support from the provider. The State Securities Commission, Information Technology staff have also set up the help desk for the Information Disclosure System public company interaction and also provided trainings for them and the Information Disclosure System appears to be running quite well, though at this early stage after one month of formal roll out, it is too early to have a clear view on sustainability. The Market Surveillance System is also up and running and the State Securities Commission stated that their staff resourcing and competence is adequate to manage it for the time being. However, with both the Market Surveillance System and Information Disclosure System further support is sought by the State Securities Commission for the next project for further trainings to maintain and operate the systems, as well as technical assistance to advise on the upgrade and linking of systems. The State Securities Commission indicated they may require additional human resources also for maintaining and developing the Information Technology systems.

As for impact on relevant cross-cutting themes, the project document gave a Development Aid Committee marker of 2 to governance for development, classifying it as a principal objective of the project. Indeed governance was at the core of VIE/026, starting from LuxDev's objective and policy to entrust the State Securities Commission with significant responsibility for the formulation and implementation of the project; State Securities Commission has itself benefitted from overcoming the project challenges and emerging stronger and more experienced and providing valuable consistent project management unit personnel during periods of Chief Technical Adviser change.

Regarding the cross-cutting theme of poverty reduction, development of the capital markets does not as a general rule provide employment opportunities and direct assistance to poor people. However, the final evaluation team does believe that development of capital markets is part of a general financial deepening, which supports the growth of the economy and the growth of the private sector, in particular of the small and medium enterprises. These trends, in particular if accompanied by greater financial reach via microfinance, will tend to eventually lead to more opportunities for poor people.

Lessons learned and recommendations

Capacity development: training, from the State Securities Commission perspective, on some training the content was too theoretical and not practical enough. Another comment received was that it would be useful to receive copy of slides before training, so participants can be better prepared. From the Key Expert perspective some Key Expert(s) commented on too many participants and in some too few; in some cases also that there had been too wide a range of experience levels, from beginner to more advanced and that this had made training less effective. Some Key Expert(s) commented on the seemingly ad hoc nature of some training requests. To ensure best preparation there should be discussion and agreement on training objectives, topics to be covered and expected outcomes and set parameters for selection and number of participants, level of ability etc., all to make trainings more effective. Seek feedback after and dissemination (see below). Consistent emphasis with the Key Expert(s) on practical based material for use at trainings and workshops.

Reports: there was no formal requirement for completion of a project standardised training evaluation report for monitoring by the project management unit / project office. This applied also to internships and study tours. Evaluation forms should be completed by participants to provide immediate feedback. Evaluation forms for internships and study tours could also have a pre-agreed standard format to ensure consistency and that key issues are addressed by the participants. Regarding study tours, the State Securities Commission confirmed that reports have been produced after all study tours and submitted to the State Securities Commission's senior management, the Ministry of Finance and LuxDev. During the final evaluation detailed reports from the State Securities Commission were sighted for the last two study tours in 2013. The good level of detail on the recent State Securities Commission study tour reports looks useful in that respect.

In preparation for new project, the State Securities Commission may wish to consider conducting an internal training needs assessment, prioritised by the State Securities Commission management to create an State Securities Commission training plan. This should facilitate a more effective project management planning, resourcing and scheduling and reduce the number of ad hoc requests.

Dissemination: technical assistance and training materials dissemination can be further enhanced within the State Securities Commission; there is discussion of devoting some project budget for copying of all project reports and perhaps an electronic version could also be considered. In addition, in the next project an easily accessed physical and online library can be set up to allow knowledge dissemination among different the State Securities Commission departments, the Securities Science, Research and Training Centre and the market participants.

Study tours: study tours have been appreciated by the State Securities Commission for the possibility to access international expertise, enlarge the State Securities Commission's contact network and apply European Union best practice as one benchmark for developing local regulations and products, such as open ended funds and other new investment fund products. Study tours accounted for the majority (76%) of the project's training budget; it is expected that for the next project there will be a greater emphasis on trainings and workshops, in order to reach a broader range of market participants and further increase the sustainability of the training impact and this will result in a relatively higher proportion of the overall training budget for onsite trainings and a relatively lower proportion for study tours.

Legal work not yet used: in the case of the legal drafting and reports already delivered to the State Securities Commission by the legal Key Expert but not yet used, it should be reviewed in the next project what use can be made of this already submitted material in addressing the needs of the new Securities Law targeted for 2017 and any implementing regulations, to avoid duplication.

Information Technology projects: new Information Technology systems are being maintained by the State Securities Commission staff, though additional human and financial resources may be required. It is important for the State Securities Commission to ensure sufficient human and financial resources are in place in order to sustain and build the new Information Technology systems.

To ensure the long-term sustainability of the future Information Technology project, Information Technology project's Terms of Reference should be designed at a comprehensive level, taking into account future development of the capital markets and long-term needs and mandates of the State Securities Commission. Also, the next project should have proper plan and budget for the State Securities Commission's personnel training on the functionalities and application of the Information Technology system and support mass training for market participants including listed companies and other public companies, on the usage of the system.

Project management: a lack of relevant project experience and less effective communication and partnership among the key parties in the early stages caused issues ; for example, during the inception period a detailed and approved Annual Work Plan and Budget was not achieved. It appears that there was a lack of clarity between the project office and the project management unit on some areas of respective responsibility, also some confusion over the modalities of the Financial Technology Transfer Agency (*Agence pour le Transfert de Technologie financière*) agreement for engaging experts. In next project any grey areas on roles and responsibilities should be clarified and resolved on a timely basis. Ensure formal and timely sign off of material project documents and events, such as the Annual Work Plan and Budgets.

One of the major factors impacting the efficiency of the project was the lack of success in recruiting a qualified and suitable Chief Technical Adviser who lasted the course. As can be seen from the VIE/026 experience, the performance of the Chief Technical Adviser would play a critical success factor for the project. Therefore, for the next project, the Chief Technical Adviser recruitment process should be started as soon as possible and the Chief Technical Adviser selection criteria should be based on four major criteria: (i) high level of commitment; (ii) excellent working experience track record; (iii) excellent management, communication and political skills; and (iv) good knowledge in finance and capital market area.

Experts: to reduce expert recruitment delays and other challenges, the project's expert recruitment process should be re-examined to identify potential improvements for the next project. Inter alia, consideration should be given to allowing the State Securities Commission and the project office, in addition to the Financial Technology Transfer Agency, to identify and propose expert candidates for selection. It could also be considered if the Financial Technology Transfer Agency expert recruitment role should operate on a non-exclusive basis, with LuxDev also able to sign expert contracts, in cases where they have been sourced other than via the Financial Technology Transfer Agency.

Key Expert(s) should continue to be recruitable also from outside Luxembourg and to be investigated the modalities of recruitment of Key Expert(s) with regulatory background where required, including possible intra regulatory Memorandum of Understanding.

Aim for "compacting" of the experts i.e. objective to recruit fewer "leader" experts, i.e. where feasible one Key Expert(s) rather than two or more Short-Term Experts. These Key Expert(s) should be able to deliver practical on the job trainings as well as consultancy. This compacting of resources should make the project management (recruitment, expert work plans and timings) and monitoring easier.

Translation bottlenecks were experienced at busy times due to the project having only one translator. It is recommended to establish a backup plan of acceptable cost and quality available for additional translator to manage translation bottlenecks. Also to set deadlines for both the beneficiary and experts for the production of expert reports and other documents and related comments on such reports.

The project delays and complexity were increased by in some cases having three to four Key Expert(s)/Short-Term Experts working on one result. This included experts whose contracts were subsequently cancelled, but also some areas where Short-Term Experts sometimes stepped in for Key Expert(s) if unavailable. It is recommended to compact the experts as much as possible i.e. to recruit fewer experts, Key Expert(s) and not Short-Term Experts. These Key Expert(s) should be able to lead their results area and deliver practical on the job trainings as well as technical assistance. This compacting of resources should make project management easier (recruitment, expert work planning for budget and scheduling). Optimal time in the field versus offsite needs to be reviewed and may be different according to the nature of the work.

Overall the **project Steering Committee** meeting less regularly than stipulated in the project document does not appear to have had a detrimental effect on the project. However for the next project it may be appropriate to adopt a more regular meeting basis.

Monitoring & evaluation: in first chief technical adviser phase, the LuxDev procedures and systems did not appear in all cases to be aligned with the State Securities Commission procedures and systems, for example for the collection of data and monitoring of results and objectively verifiable indicators or for financial reporting. It is recommended to ensure during inception phase of next project, LuxDev procedures for monitoring and evaluation are bedded into the project office and the project management unit procedures and any gaps resolved effectively.

The team is very grateful for the supportive and open attitude of the State Securities Commission project management unit and the State Securities Commission technical departments, as well as by the market participants who participated in the final evaluation field mission discussions. Many thanks also to Regional Office Hanoi, who supported the final evaluation planning and implementation and gave their comments and valuable information on the project. The final evaluation team very much appreciates the active participation and contributions from all these parties, which has helped to develop their understanding of the project within the limited time available.