

*Last update: February 2008*

# Swiss economic development cooperation with Vietnam ■

## 1. Economic context: an overview

■ The Socialist Republic of Vietnam embarked in 1986 on a drastic reorientation of its economic policy, introducing an original concept - *Doi Moi* in Vietnamese – aiming at the establishment of a market economy but with a dominant socialist orientation. Since then, the government has consistently maintained the pace in implementing this rather unorthodox economic policy, progressively gaining wide support from international financial institutions and the donor community. This approach has borne many fruits and successes, and has considerably changed the economic landscape of the country.

■ Indeed, the implementation of a prudent fiscal and monetary policy, the deregulation of domestic markets, the liberalization of trade, the establishment of an enabling framework for national and foreign investors, and the ease of movements of people across the borders, have profoundly – and successfully - transformed Vietnam's economy. During the past decade, despite the Asian financial crisis, Vietnam has maintained macroeconomic stability while achieving an average growth of 6-7% per year. The country has evolved from a food-deficit country to the second largest exporter of rice in the world; domestic saving has been multiplied by 6 to reach 25% of GDP. Even more significant has been the dramatic emergence of the private sector in the economy: 39% of the GDP is now being generated by private entrepreneurs, who employ 90% of the national workforce.

■ This dramatic economic evolution has been accompanied by significant success in the fight against poverty. Over the past ten years, and despite a rather high demographic rate, the proportion of people living in poverty has declined by half. The rates for life expectancy at birth (73.7 years), adult literacy (90.3%) and enrolment at school (63.9%), as well as the access to electricity (75%) show also an impressive trend upwards.

■ Vietnam is contributing actively to the political stability and the promotion of economic development in the Mekong region.

■ Thanks to an impressive and positive development trend, the average per capita income increased significantly to attain USD 690 in 2006. Nevertheless poverty is still widespread, and recent developments deserve careful monitoring such as the (still moderate) increase of social inequality, the varying incidence of poverty according to regions, and the particular vulnerability of ethnic minorities.



In its **Socio-Economic Development Strategy 2001-2010** the government has elaborated a concrete action plan aiming at poverty reduction and social equity, and at improved governance. These efforts deserve continued strong support by the international community, in the perspective of the Millennium Development Goals.

■ The pace of reform in the Vietnamese financial sector has generally lagged the rest of the economy, although current trends and government directives suggest both sudden acceleration and favorable direction. The sector is dominated by the commercial banks, which is typical of underdeveloped financial structures without sound securities markets. Transition from a system of directed lending in a planned economy to a competitive environment, in which technical capability and the adoption of international best practice are essential for success, will require some time as well as appropriate and sustained government policy support. In partnership with the State bank of Vietnam SECO provides a range of targeted capacity building projects to this end, with ongoing positive results. A key element of the current transition stage is the partial privatization, termed equitization in the Vietnamese context, of the state-owned and joint-stock banks. The government is pushing to achieve the two initial bank equitizations (Vietcombank and Mekong Housing Bank, the last one receiving substantial TA provided by SECO), in early 2008. Almost every Vietnamese bank is preparing for eventual equitization.

■ However, important challenges remain, such as:

- *Slow implementation of some crucial structural reforms.* The transformation of the public administration remains slow; its management capacity is still limited and not adequate to face all the remaining economic challenges. Many procedures inherited from the central planning period are still in force. Decentralisation of administrative responsibilities and tasks has just started. A significant unfinished reform agenda relates to the more than 5'000 state-owned enterprises (SOE) which continue to put high pressure on the government to get direct or indirect financial support, in order to cope with the increased competition from abroad; this is inconsistent with the government's stand on actively pursuing a trade liberalization agenda.
- *Increased social inequality.* The economic reforms, and the related growth they have generated, have led to significant gains for almost all population groups in Vietnam. But growth has been more rapid and gains have been more substantial in some areas of the country. Moreover, although Vietnam still remains a relatively equitable society by international standards, a moderate increase in inequality was recorded during the last decade, with widening gap between rural areas and small cities from on one hand, and big urban centres on the other.
- *Persistent hindrance to the development of the private sector.* Through SOEs the State continues to play an excessive direct role in the national productive and service sectors. A new momentum in the reform of the financial sector is required. A levelling of the playing field and improvement of the framework conditions remain high on the reform agenda, to mobilise more effectively private national and foreign initiative and investment, in order to face the challenge of creating yearly jobs for the 1.2 million newcomers on the labour market.



- *Increased vulnerability to external shocks.* The Vietnamese economy has traditionally demonstrated high resilience to external vulnerabilities; the Asian financial crisis in 1997 or SARS in 2003 have impacted rather marginally on the economic growth. The gradual integration of Vietnam in the world economy will continue to increase dramatically the country's growth potential, but it will also increase its vulnerability to external shocks. The fluctuation of international commodity prices (Vietnam is nowadays among the top exporters of rice and coffee), the increasing competition of China exports, or the trend of the world economy will more and more impact on the development process of the country.
- *Potential downsides of Equitization.* While the bank equitization process is expected to yield improved financial performance as well as better operational practice and governance, the pressure to rapidly advance the process may lead to situations where banks are equitized before they have achieved sufficient improvement or enough of their potential improvement in management practice and technical development. Continuation of the pace of managerial and technical improvement may be difficult once a bank is equitized. There may be a tendency to believe that the equitizations themselves are evidence of sufficient improvement, and the forces that inhibit change may decelerate progress. The banking sector is so vast and complex that successful reform requires sustained incremental improvements over a long period. The challenge will be to sustain the pace and the quality of progress regardless of the degree of success of individual steps.
- *Pervasive corruption.*

■ Economic relations between Vietnam and Switzerland have increased rapidly during the past ten years and are significant today; but they still remain largely below potential. Annual Swiss exports and imports amount respectively to 140 and 224 million CHF (2006). The level of Swiss FDI in Vietnam is comparatively high, with a total of 815 million CHF (2006). A good framework exists for the further strengthening of these economic relations. Bilateral agreements are in force for the Protection of Investments (1992), Against Double Taxation (1996), and on the Protection of Intellectual Property (2000). The Swiss Export Risk Guarantee is open for Vietnam.

## 2. Past experience and lessons learned

■ The bilateral economic development cooperation with Vietnam started in 1993, after the country reestablished its relations and cooperation with the Bretton Woods institutions, and reaffirmed a strong commitment towards economic reforms. Since then, SECO has supported the development and reform process in Vietnam with assistance amounting to about 75 million CHF. This cooperation has focused on: (i) macroeconomic support; (ii) rehabilitation and modernization of basic public utilities; (iii) private sector development; and (iv) promoting the better integration of Vietnam into the world trade system.

■ From this long-standing cooperation, several lessons can be drawn:



- The results and performance of the completed operations and projects have been evaluated as successful. In the future, more attention should be given to the “ex-ante” definition of additional specific indicators to better assess the longer term development impact of the projects;
- Considering the development needs of the country and the rather limited volume and scope of **SECO** assistance, it is crucial that the latter remains focused on a “niche approach” in sectors and activities where **SECO** has a strong comparative advantage and which have a high potential for innovation and demonstration effect;
- Close coordination among all development partners is a must to ensure the efficiency and effectiveness of the technical and financial assistance;
- An active participation to the donor partnership groups, in areas where **SECO** is active (trade, private sector development, banking, and securities), provides good opportunities and high leverage to contribute to the policy dialogue;
- A very targeted approach for supporting regional development (Mekong) has demonstrated an excellent potential for high impact and effectiveness, particularly in the fields of trade and private sector development;
- Substantial efforts have already been made to increase the visibility of the **SECO** program; but there remains a high potential to engage more actively in public relation actions and dissemination on the activities and outcomes of the **SECO** assistance;
- A strengthening of the possible synergies with SDC must be encouraged;
- Working relations with the Swiss Embassy are excellent, very efficient. For each new **SECO** project, a specific arrangement is to be agreed with the Embassy on the respective role, tasks and responsibilities, taking into consideration the available resources and capacities.

### 3. Future orientation

■ Vietnam is a priority country for the Swiss economic development cooperation. While still faced with high level of poverty, the country is engaged in a dynamic, vigorous and credible policy to address this challenge. On the other hand, Vietnam is already today an emerging economy offering an interesting market and high potential for growing business and economic relations with Switzerland. On both accounts, Vietnam deserves continued substantial support from **SECO**. This assistance will however continue to be subject to continued satisfactory performance by the government in the implementation of its reform policy and by partner organizations in the collaboration with **SECO**.



■ The country is on the right track as regards maintaining macroeconomic stability and implementing key structural market-based reforms. But substantial additional efforts are still required to sustain the progress made so far and – even more importantly – to deepen the reforms. Indeed many substantial challenges have yet to be met, such as the overdue reform or privatization of many state-owned enterprises, the improvement of international competitiveness and export capabilities, the promotion of SME, the financing of adequate basic infrastructure or the consolidation of the financial sector. All these areas of intervention are crucial for the future development prospect of the country and the effective fight against poverty. In such a context, it is obvious that the scope and volume of **SECO** assistance can only be rather limited vis-à-vis these huge needs; it has therefore to be very well focused and targeted, in a limited number of high priority activities.

■ The orientation of the future **SECO** cooperation program in Vietnam will be fully consistent with the priorities and objectives of the government's Comprehensive Poverty Reduction and Growth Strategy. Moreover, it will also respect the strategic lines for Swiss support to regional development which have been defined jointly with SDC (Mekong Region Program 2007-2010) and which include a strong focus on the promotion of an open and market-oriented economy, the development of an equitable and participatory civil society, and the support to sound natural resource management.

■ The main axes of the **SECO** cooperation program in the coming years will be:

- Stronger focus on **private sector development**. A central importance to be given to the small and medium-size enterprises (SME), as key actors for sustainable development.
- Substantial contribution to the **deepening of the financial sector**, to improve the efficiency of financial intermediation and to develop technical capacity in the nascent securities sector;
- Assisting Vietnam to better tap the potential of **trade** as an engine for growth;
- Continued support for improving the **basic infrastructure** and environment protection;
- Priority to be given to projects and programs which stimulate and support **innovative approaches or mechanisms**, with high leverage and potential demonstration effects;
- Densification of the involvement of **SECO** (with the assistance of the Embassy) in the bilateral or multi-donor **policy dialogue**, with a special focus on the financial sector development, and the frame conditions for private entrepreneurship and trade;
- Continued attention be given to the requirements of partners regarding **capacity building and institutional building**;
- Management of projects and activities must be **results-based** and incorporate clearly defined performance indicators (including expected contribution to poverty reduction);
- Substantially increased **visibility** of the **SECO** program to be achieved.



- Coordination and exchange of information should be enhanced between **SECO** and SDC, in Hanoi and in Berne, in particular through early mutual consultation on new project ideas and possible synergies.

## Thematic focus / domains of action

■ Taking into consideration the huge remaining development challenges Vietnam is facing, and considering the past experience of its bilateral cooperation, **SECO** undertakes – subject to continued strong commitment and satisfactory performance of the government in the implementation of its poverty reduction strategy, and depending on the available competence and resources – to further support the development process of Vietnam along the following four main pillars:

1. The Trade Promotion Programme provides a range of instruments addressing various challenges of liberalization. Its aims at creating favorable conditions for participating in international trade and promoting the use of environmentally friendly technology to both improving the eco-balance and productivity of Vietnamese enterprises.

2. The Banking and Financial Sector Management Programme addresses comprehensively Vietnam's challenges when opening up its financial sector. It aims at building the institutional capacity of the State Bank of Vietnam, of bank training institutions and of state-owned Commercial Banks in areas relevant for the modernization and strengthening of the financial sector.

3. The Private Sector Development Programme aims at mobilizing private sector resources by promoting a strong and sustainable development of the private sector, namely by contributing to a business enabling environment, facilitating access to capital for SMEs and improved access to business development services.

4. The Infrastructure Development Programme supports Vietnam in establishing basic social and economic infrastructure and thus to contribute to the improvement of living conditions of the population.

## 4. Program management

■ In Berne, the directly involved SECO -cooperation divisions are *i)* Infrastructure Financing (WEIN); *ii)* Private Sector Development (WEIF); *iii)* Trade Promotion (WEHU); and *iv)* Macroeconomic Support (WEMU). Ms Deborah Schmidiger (sdd/WEHU) is the WE country co-ordinator.



## Annex 1

### Swiss development aid flows (million CHF)

Mio CHF	2000	2001	2002	2003	2004	2005	2006	2007
SECO	5.0	7.8	4.2	3.0	9.0	7.8	8.7	12.5
SDC	14.7	14.8	21.5	13.2	17.4	22.7	22.5	21.0
<b>Swiss Total</b>	<b>19.7</b>	<b>22.6</b>	<b>25.7</b>	<b>16.2</b>	<b>26.4</b>	<b>30.5</b>	<b>31.2</b>	<b>33.5</b>

#### Comments and remarks:

The above-mentioned figures do refer exclusively to the bilateral annual net flows.

The above table does not take into account the benefits derived by Vietnam coming from global or regional SECO programmes such as SOFI, SIPPO, SECO-Start-up fund, etc.



## Annex 2

### On-going Project and Programs

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#### Development and internationalization of SME

##### ■ *Mekong Project Development Facility (MPDF)*

The Mekong Project Development Facility (MPDF) was established in 1997 with the aim of promoting private small and medium-sized enterprises (SME) in Vietnam, Cambodia and Laos. MPDF has been active in three areas, namely 1) improving the business enabling environment, 2) capacity building of local service providers that offer management training, and 3) improving access to finance for SME. To increase impact, MPDF decided to focus on three sectors, garment and handicraft, tourism and agribusiness. MPDF is managed by the International Finance Corporation (IFC), the private sector arm of the World Bank, and financed by 11 donor countries and institutions.

Sector: Private Sector Development  
 Amount: Project Budget paid by SECO: CHF 9.5 million  
 Duration: January 1997 to December 2007 (continuation under consideration)  
 Beneficiary: Small and medium sized enterprises in Vietnam, Cambodia and Laos  
 Implementing Agency: International Finance Corporation (IFC)

##### ■ *Mekong Enterprise Fund (MEF)*

MEF is a venture capital fund that provides equity financing and technical advice to small and medium sized enterprises in Vietnam, Cambodia and Laos. The Fund was established in April 2002 and has a capital of US\$ 18.5 million.

Sector: private sector development  
 Amount: SECO's share in Fund capital: USD 3 million  
 Duration: 2002 - 2012  
 Beneficiaries: Small and medium sized enterprises in Vietnam  
 Partners: Other investors: ADB, Nordic Development Fund, Finnish Fund for Industrial Cooperation Ltd. (Finnfund), Belgian Investment Company for Developing Countries (BIO), private investors  
 Implementing Agency: Fund Manager: Mekong Capital, MPDF as Investment Advisor



### ■ *Mekong Enterprise Fund II (MEF II)*

The Mekong Enterprise Fund II (MEF II) is a private equity that invests in growing SMEs with a preference for export-oriented manufacturing where it can add substantial value. Its primary focus is Vietnam yet it has the possibility of investing in Cambodia and Laos. It has had its final closing with a total capital of USD 50 million in May 2006. SIFEM has invested USD 5 million in MEF II. MEF II is the follow-on fund to the Mekong Enterprise Fund I, in which SECO invested USD 3 million in 2002. MEF I has fully invested its USD 18.5 millions. Its 10 investee companies are fast growing successful SMEs. To date MEF I has not exited from any of them.

Sector:	Private sector development
Amount:	SIFEM's share in the Fund capital: USD 5 million
Duration:	2006 - 2016
Beneficiaries:	Fast-growing SMEs in Vietnam, (Cambodia, and Laos)
Partners:	Co-investors: ADB, FMO, BIO, Genesis Asset Management, Leviatt Capital, other private investors
Implementing Agency:	Mekong Capital (Chris Freund, the same fund manager as in MEF I)

### ■ *Vietnam Equity Fund*

The Vietnam Equity Fund is a private equity fund that invests primarily in Vietnamese state owned enterprises (SOEs) that have equitized or are in the process of equitization. Equitization refers to the process of selling shares in SOEs to employees and outside investors. The Fund mainly invested in equity and equity-linked securities. It sought to add value through advising investee companies in areas such as improving financial structuring, preparing for listing or corporate governance. The fund is currently in its divestment stage, which is expected to be completed in 2008.

Sector:	Private sector development
Amount:	SIFEM's share in the Fund capital: EURO 2 million
Duration:	2005 – 2010 (+2)
Beneficiaries:	Equitizing and recently equitized SOEs in Vietnam
Partners:	Co-investors: DEG, Proparco, Finfund, Norfund, Finansa.
Implementing Agency:	Fund Manger: Finansa Fund Management

### ■ *Blue Waters Growth Fund*

The Blue Ocean Growth Fund (BOF) is a fund that operates as a finance company and will provide debt financing to Vietnamese SMEs that are unable or unwilling to obtain private equity financing or typical commercial debt. It provides longer term financing (up to 5 years) with an income participation fee and technical assistance to its investee (partially financed through a Technical Assistance Facility).

Sector:	Private sector development
Amount:	SECO's share in the Fund capital: USD 7 million
Duration:	2006 – 2016
Beneficiaries:	(smaller) Vietnamese SMEs



Partner: FMO, Finfund, Private Investors, Norfund (tentative)  
 Implementing Agency: Fund Manager: SEAF (Ryk Vyverman)

#### ■ *ASEAN China Investment Fund*

The ASEAN China Investment Fund is a private equity investment fund that invests in SMEs that are benefiting from interregional trade relations in the ASEAN countries and China. The Fund had a first closing with a total volume of 75 Mio and was launched by the then President of the Confederation Deiss, ASEAN Secretary General Mr Ong Keng Yong and Mr Wee Ee Cheong, Deputy Chairman and President of UOB in Bangkok on March 19, 2004. To date it has made 7 investments for a total amount of USD 27.5 million.

Amount: USD 75 million (SECO's contribution: USD 15.9 million)  
 Duration: 2004 – 2012 (+2)

Partner: Asian Development Bank, Proparco, Japan Asia Investment Bank, United Overseas Bank of Singapore (UOB), China Development Bank

#### ■ *Green Credit Trust Fund Vietnam*

The Green Credit Trust Fund (GCTF) is an instrument for the promotion of SME investments with a positive impact on the environment. On the one hand, the GCTF facilitates the access to finance for SME with insufficient collaterals by guaranteeing 50% of credits to the SME. On the other hand, the GCTF reimburses the SME up to 25% of the investment costs, if it achieves certain environmental improvements, measured with a pre-defined indicator. The environmental improvements to be achieved as well as the indicator are determined and subsequently verified by the Cleaner Production Centre (CPC). The green credits are provided by local banks, which are responsible for handling the credits and the possible reimbursement of the investment costs. Thus, the GCTF does not directly subsidize credits or provide direct, ex-ante subsidization for investments; instead it relies on an incentive structure.

Sector: Investment promotion  
 Amount: USD 5 million  
 Duration: 2007-2017  
 Partner: Vietnam Cleaner Production Centre  
 Beneficiaries: Small and medium sized enterprises (SMEs)



## Trade Promotion

### ■ *Swiss Import Promotion Programme (SIPPO)*

The scope of this programme is to assist small and medium sized enterprises in Vietnam in their efforts to gain access to the Swiss and European markets. SIPPO's services include business branch-related market information, advisory services for products and marketing related to exports to Europe, promotion in Switzerland as well as assistance at selected European trade fairs.

Sector:	trade promotion
Location:	Zürich
Amount:	CHF 350,000/year
Duration:	2008-2011
Beneficiaries:	Small and medium sized enterprises (SMEs)
Partners:	Vietnam Trade Promotion Agency (Ministry of Trade), Various Branch Associations
Internet:	<a href="http://www.sippo.ch">www.sippo.ch</a>

### ■ *Facilitating Market Access: Strengthening Capacities Related to Metrology, Testing and Conformity Phase II*

The project aims to support Vietnam's industrial development, export growth and meeting WTO post-accession challenges by reducing technical barriers to trade through the strengthening of national capacities related to standards and conformity, and development of a national programme for industrial upgrading and modernization. The focus will be on enhancing the identified standards, metrology, testing and quality infrastructure for exports in focal growth areas, primarily on the physical side (i.e. metrology and testing laboratory development upgrading), and national capacity building in the field of industrialized modernization and upgrading.

Sector:	Metrology, testing facilities for textile, food industry and fish
Amount:	CHF 2.4 millions
Duration:	Phase I: 2004 – 2007; Phase II: 2008-2010
Beneficiary:	Directorate for Standards and Quality (STAMEQ)
Partners:	Directorate for Standards and Quality (STAMEQ)
Implementing Agency:	UNIDO

### ■ *Vietnam Cleaner Production Centre (VNCPC)*

The Vietnam Cleaner Production Centre established in 1998 is a national focal point for the promotion and implementation of eco-efficient industrial production modes through Cleaner Production including Cleaner Technology. It delivers mainly high quality services such as Cleaner Production assessments, financial engineering, technology advice, training and information to service providers and to industries. The second project phase starting at the end of 2004 will focus on the



transfer of environmentally sound technologies to SMEs and support the development of a market for Cleaner Production Services.

Sector:	private sector development, trade promotion
Amount:	USD 2.3 million
Duration:	2004 - 2008 (Phase I: 1998 – 2004)
Beneficiaries:	Companies in the industrial sector, industry associations, consulting companies, research institutes, academic institutions and governmental industrial and environmental management agencies
Partners:	Institute for Environmental Science and Technology (INEST) at Hanoi University of Technology; Cleaner Production Center in Ho Chi Minh City
Implementing Agency:	NEST, United Nations Industrial Development Organization (UNIDO) in cooperation with United Nations Environment Program (UNEP), University of Applied Sciences Basel, Switzerland (Swiss Reference Centre)

#### ■ *Promotion of Labour Standards through the Cleaner Production Center*

The project supports the improvement of the working conditions in enterprises in compliance with ILO's core labour standards as well as the national labour legislation. The objective is to increase the productivity of the enterprises and to enable them to participate sustainably in the global supply chain. The project includes the implementation of a Factory Improvement Program, and in a second step the provision of labour related services through the CPC network and selected service providers.

Sector:	trade integration, health and safety
Amount:	USD 2.85 million for four countries including Vietnam
Duration:	2003 - 2008
Beneficiaries:	export oriented SMEs
Partners:	Vietnamese Chamber of Commerce and Industry (VCCI)
Implementing Agency:	International Labour Organisation (ILO); UNIDO; VNCPC

#### ■ *Linking Trade Demand and Sustainable Forest Management in the Mekong Region (LTDSFM) (2nd phase)*

The project aims at providing export trade driven solutions to illegal and unsustainable logging from production forests in Vietnam, Lao and Cambodia. The LTDSFM (former SFMT) will provide market linkages between production forests in Vietnam and companies with responsible purchasing policies in Europe. By facilitating export driven compliance to credible international standards of forest management, the project will provide policy input to the dynamic regulatory frameworks of the forestry sectors.

Sector:	Forestry
Amount:	CHF 0.75 million
Duration:	2007 – 2010



Partners: Ministry of Agriculture and Rural Development (MARD), Local Authorities, Local Communities, Private and State Forest Enterprises  
 Implementing Agency: MARD and WWF Greater Mekong Programme

■ *Special Program of Cooperation in the Field of Intellectual Property – Phase II*

In its second phase, this programme aims to assist Vietnam in implementing and enforcing its new IP law in line with international commitments, in order to improve the business environment, encourage know-how and technology transfer, facilitate exports and contribute to economic development. Based on concrete demands from the Vietnamese side, the proposed activities build up on and complement results achieved under the SPC.

Sector: Trade  
 Location: Hanoi  
 Amount: USD 1 million  
 Duration: 2007 - 2008  
 Beneficiary: National Office of Industrial Property (NOIP)  
 Partners: NOIP  
 Implementing Agency: NOIP, Swiss Federal Institute of Intellectual Property

■ *Strengthening the Vietnamese Competition Authorities*

The overall objective of this Project is to strengthen the recently established Vietnamese Competition Authorities. The Project builds up on the positive results of a former two-year project (2004-2006) financed by SECO to strengthen the competition culture in the Mekong region. The second phase will strengthen the focus on Vietnam and facilitate the establishment of a bilateral cooperation between the Swiss Competition Commission and the Vietnamese Competition Authorities. By promoting competition, the Project will contribute to a business environment that is conducive to the development of the private sector and that leads to increasingly competitive Vietnamese products for exportation.

Sector: Competition and consumer protection  
 Amount: CHF 855'000  
 Duration: 3 years (starting summer 2007)  
 Beneficiary: VCAD, civil society (private business and consumers)  
 Partners: Vietnamese Competition Administration Department (VCAD)  
 Vietnamese Competition Council (VCC)  
 Implementing Agency: Swiss Competition Commission, CUTS international



## Financial sector development

### ■ *State Bank of Vietnam: Technical Assistance and Training Program (TATP)*

The aim of the project is to provide policy advice and assistance for the implementation of financial reforms and specifically for the transition from direct to indirect monetary policy and the introduction of a human resource policy at the State Bank of Vietnam (SBV) that is adapted to the needs of a central bank. Furthermore, it aims at strengthening technical capacity at the SBV in areas that are essential for a central bank in a market-based financial system.

Sector:	Banking and financial sector management
Amount:	CHF 2 million
Duration:	1996 - 2008
Beneficiary:	State Bank of Vietnam (SBV)
Partners:	State Bank of Vietnam (SBV)
Implementing Agency:	Graduate Institute of International Studies (Geneva, Switzerland)

### ■ *Technical Assistance to the Mekong Housing Bank*

This project consist in a comprehensive TA and capacity building program aimed at strengthening some of the bank's core competences, notably: (1) corporate strategy & planning; (2) Organization and Human Resource Development; (3) Credit and Risk Management; (4) Asset / Liability Management; (5) Compliance and Internal Control and (6) Information Management System..

Sector:	Banking and financial sector management
Amount:	CHF 1.3 million
Duration:	2006-2008
Beneficiaries:	Mekong Housing Bank
Partners:	DAI Consulting/Bank Training Center

### ■ *Technical Assistance to the Banking Sector through BTC*

This project seeks to provide financial and technical assistance to the private sector banks in Vietnam through the Bank Training Center, which in turn was founded in 2001 by the IFC-managed MPDF, the Mekong Private Sector Development Facility. BTC aims to strengthen the range and quality of financial and banking services provided to SMEs through training programs for local financial institutions, in particular to joint stock banks (JSBs).The Joint Stock Banks represent the one pillar of the Vietnamese banking system which is in relatively good shape but still faces important organizational and strategic challenges.

Amount:	CHF 900'000
Duration:	2006 – 2008
Partner:	Bank Training Center (BTC)



### ■ *Capital Market Training Program*

This project seeks to support the training center of the State Securities Commission (SSC) in Hanoi on building fund management capacity and a domestic private banking industry. This is certainly becoming a pressing task in Vietnam where the domestic capital market is expected to serve as an important source of equity for the impending privatization process. The training intends to enhance the expertise of SSC's in-house trainers in several key disciplines and add new areas of specialized knowledge in the domain of Investment Management. The program covers many topics new to Vietnam but with a long tradition in the Swiss private banking.

Amount: CHF 900'000  
 Duration: 2007 – 2009  
 Partner: State Securities Commission (SSC) + Swiss Financial Analysts Association

### ■ *Bank Restructuring Commission – Policy Workshops*

The Bank Restructuring Workshops jointly organized by SECO and the State Bank of Vietnam in Hanoi and HCMC provide an important forum for discussing those issues key for the financial sector stability and the financial sector reform in Vietnam. The Workshops provide a rather rare opportunity for having a sector-wide policy discussion, bringing together supervisors and different actors in the financial sector. Recognized international experts and key Vietnamese stakeholders deal with the proposed topics from a theoretical and practical perspective, giving the participants an opportunity to exchange views and experiences.

Amount: CHF 500'000  
 Duration: 2006 – 2009  
 Partner: State Bank of Vietnam (SBV)

### ■ *Train-the-Trainers for the Banking Universities*

The project intends to build institutional capacity at the Academy of Banks in Hanoi and the Banking University in Ho Chi Minh City, the two major institutions providing training for staff of Vietnam's banking sector. The main objective of the project is to enhance the expertise of a selected group of instructors at both institutions in a range of technical skills areas through a module-based training program. Module subjects were selected in consultation with both institutions based upon skills and knowledge areas which are the most crucial for improving the technical capabilities of Vietnamese bankers.. They cover essential bank and risk management subjects along with investment analysis.

Amount: CHF 1'100'000  
 Duration: 2008 – 2010  
 Partner: Banking University (HCMC) – Academy of Banks (Hanoi) - Provider



## Improvement of basic infrastructure

### ■ *Mixed Financing Line II*

The second Mixed Financing Line (MF II) has been established at the end of 2002. It aims at contributing to the sustainable development and at supporting the reform process in the fields of social infrastructure and environmental protection. The Mixed Financing Line II is made up of a grant from the Swiss Confederation of 50 % - which can be increased to 60 % for environmental protection projects - the rest being based on commercial bank credit. The Mixed Financing Line II shall be available to cover 100 percent of the contract value.

Sector:	social infrastructure (health, education, public transportation) and environmental protection (pollution reduction; environment monitoring, water and waste water treatment)
Amount:	CHF 25 million
Duration:	2003 - open
Beneficiaries:	public institutions and utilities
Partners:	Ministry of Planning and Investment and Ministry of Finance
Implementing Agency:	SECO, Swiss banks and Swiss suppliers, Vietnamese beneficiaries

### ■ *Modernisation of signalling systems for some main stations on the Thong Nhat railway line Vietnam*

The Thong Nhat railway line is one of the most important lines in Vietnam as it crosses the country from North to South, connecting Hanoi to Ho Chi Minh City. The present infrastructure presents serious deficiencies and operational shortcomings whereas the demand for additional transport capacity is increasing steadily. The modernisation of the signalling system will contribute significantly to a safer and more efficient train operation. Within this project, seven station on the southern part of the line are going to be equipped with modern signalling systems. Similar projects will be implemented by other donors for the middle and northern part, thus most major stations on this axis line will be up-graded and linked in a near future.

Sector:	Social infrastructure (public transportation)
Amount:	CHF 16.5 mio (partly under MF I) and CHF 0.4 mio Technical Assistance
Duration:	2005 - 2009
Partner:	Vietnam Railways Corporation (VNR)

### ■ *Ba Ria Wastewater Collection and Treatment Project*

This project aims at the construction of a wastewater collection system and wastewater treatment plant in the town of Ba Ria. The objectives are the connection of the households to the sewer system, the rehabilitation and extension of a semi-separate sewer system, the establishment of a wastewater treatment plant and the improvement of capacities at the new sewage and drainage company,



BUSACO. The indirect but key beneficiaries are the approximately 90'000 inhabitants of Ba Ria municipality (expected to reach 110'000 in 2010, for which number the project is also designed) and the population downstream at Dinh river and Thu Luu ditch. These people can profit from improved health conditions with regard to water-borne diseases, because of better water quality and improved living standards due to the connection of the households to the drainage system.

Sector: Environmental protection (wastewater treatment)  
Contribution: CHF 10.46 mio. and CHF 1.38 mio. Technical Assistance  
Duration: 2007 - 2011  
Partner: Ba Ria – Vung Tau Urban Sewerage and Drainage Company (BUSACO)



## Annex 3

### Main current development partners

Type Domains	Public	Private	Multilateral
<b>Development and internationalization of SME</b>	<ul style="list-style-type: none"> <li>- Ministry of Industry</li> <li>- Min. of Agriculture</li> <li>- VIETRADE</li> <li>- STAMEQ</li> <li>- INEST</li> </ul>	<ul style="list-style-type: none"> <li>- Private enterprises</li> <li>- Mekong Enterprise Fund</li> <li>- WWF</li> <li>- Private forest enterprises</li> </ul>	<ul style="list-style-type: none"> <li>- IFC</li> <li>- MPDF</li> <li>- UNIDO</li> <li>- International Trade Center (ITC)</li> </ul>
<b>Financial sector development</b>	<ul style="list-style-type: none"> <li>- SBV</li> <li>- SSC</li> <li>- MHB, Banking Universities</li> </ul>	<ul style="list-style-type: none"> <li>- joint-stock Banks</li> <li>- Mekong Enterprise Fund</li> <li>- BTC</li> </ul>	<ul style="list-style-type: none"> <li>- International Finance Corporation (IFC)</li> </ul>
<b>Improvement of basic infrastructure</b>	<ul style="list-style-type: none"> <li>- Ministry of Planning and Investment</li> <li>- Ministry of Finance</li> <li>- Public utilities</li> <li>- Public institutions</li> </ul>		
<b>Specialized policy advice and capacity building</b>	<ul style="list-style-type: none"> <li>- Ministry of Trade</li> <li>- NOIP</li> <li>- Min. of Finance</li> </ul>	<ul style="list-style-type: none"> <li>- Consumer associations</li> <li>- CIEM</li> </ul>	<ul style="list-style-type: none"> <li>- UNCTAD</li> </ul>

Note: this table refers exclusively to local (national or international) partners, and does not therefore include the Swiss implementing/executing agencies or partner organizations.



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