Report Number : ICRR0021463

1. Project Data

Project ID	Project Name
P088759	Fin Sector Modern and Info Mgnt System
Country	**Practice Area(Lead)**
Vietnam	Finance, Competitiveness and Innovation

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IDA-45050,TF-93085	31-Dec-2014	54,590,187.94
Bank Approval Date	**Closing Date (Actual)**	
30-Oct-2008	31-Dec-2017	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	60,000,000.00	830,000.00
Revised Commitment	60,830,000.00	830,000.00
Actual	49,559,479.84	830,000.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

The project development objective (PDO) was "To assist the State Bank of Vietnam (SBV), the Credit Information Center (CIC) and the Deposit Insurance of Vietnam (DIV) to improve the delivery of their main functions in accordance with relevant international standards for the banking sector. (Financing Agreement, p. 8)

The PDO did not change in the restructuring.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

The project had 3 components, one for each of the 3 institutions involved in the project.

(A): Modernizing the State Bank of Vietnam (SBV), which involved:

- Updating the reporting requirements of the credit institutions;
- Developing a research program that supported monetary policy analysis and its implementation;
- Streamlining core business processes;
- Developing a systematic staff training program;
- Designing and building a ICT system, which involved following international standards for;
- A centralized data warehouse;
- A resource planning and accounting system;
- A human resource planning system;
- A document management system;
- Upgraded computer hardware and communications equipment;
- Staff training in the use of the new systems.

(B): The reform of the Credit Information Center, which involved:

- Establishing a core data warehouse that would allow the storage of credit information;
- Software for effective data search and the production of credit reports;
- Enhanced security of the credit information;
- Integration with SBV’s data warehouse, that provided for supervision reports of Credit Institutions and integration with the Enterprise Resource

(C): The reform of the Deposit Insurance of Vietnam, which involved:

- Establishing a core data warehouse;
- Installing risk management software that could be interrogated for the purpose of risk management;
- Installing Enterprise Resource Planning software;
- Connecting to SBV’s data warehouse to integrate DIV with SBV supervisory functions.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost: The project was approved on October 30, 2008 for SDR38.2 million, which at the time of approval was the equivalent of US$60 million. There was no change in the SDR amount during the restructurings. However, the substantial change in the US dollar SDR exchange rate, meant that US$54.95 million was actually available to be utilized. There was additional trust fund financing of US$830,000. The actual amount disbursed was US$53.76 million, and an additional US$830,000i\ in trust fund financing for a total of US$54.59 million. There was additional development partner financing consisting of US$11 million from Japan's Ministry of Finance and US$830,000 in PHRD grants. Including the grants, US$10.25 million was disbursed.

Borrower Contribution: The borrower did not contribute financially to this project.

Restructuring and Dates: There were three level 2 restructurings over the life of the project (ICR p. 14). The need for the restructurings arose because of slow initial progress arising from design complexity, initially inadequate capacity in the 3 agencies and the project implementation team, which resulted in implementation activities only commencing in early 2011, over 2 years from project approval.

The first restructuring occurred on August 5, 2010, when extensions were requested for engaging technical assistance under the covenants of the Financing Agreement and for an extension to the procurement processes and schedules.

The project was restructured a second time on December 22, 2014, when the closing date was extended by 2 years to December 31, 2016. Under this restructuring, the results framework was modified to reflect actions already completed, there was a reallocation between disbursement categories, an intermediate results indicator was added, and the scope of the research program was defined.

The third restructuring occurred on December 31, 2016 when the closing date was extended by a further 12 months to December 31, 2017 to allow time for completing the project's activities and to give more time for system installation, customization and testing.

3. Relevance of Objectives

Rationale

The project development objective, namely to assist the State Bank of Vietnam (SBV), the Credit Information Center (CIC) and the Deposit Insurance of Vietnam (DIV) to improve the delivery of their main functions in accordance with relevant international standards for the banking sector was well aligned with the policy objectives of the Government, as described in the Socio-economic Development Plan for the 2006-2011 period. It was also consistent with the World Bank CPS for FY2007 – 2011, which included among its reform objectives banking reform and financial sector reform more generally.

At closure, the PDO remained consistent with the Government's Socio-economic Development Plan for 2016 – 2020, one goal of which was to increase the stability of the financial sector. It was also consistent with the World Bank Country Policy Framework for FY2018 – FY2022, which states (pp. 25 - 26) "Support will focus on six main areas …(iv) financial stability…and (vi) capital market development".

Rating

Substantial

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

To assist the SBV, the CIC and the DIV to improve the delivery of their main functions in accordance with relevant international standards for the banking sector.

Rationale

The Theory of Change was based on the assumption that if the 3 institutions adopted standards consistent with international best practices. The reforms embodied in the project would result in contributing to the financial system becoming more market oriented (PAD p.19). Best practices refer to:

- A sound legal framework on which to base credit information systems and supervisory processes. Initially, the legal framework did not support the design of the project. However, over the period of project implementation, the legal and regulatory framework was strengthened (interview with the TTL;
- Business processes that integrate information collected by the CIC and the DIV and supplied to the SBV for it to exercise regulatory oversight. An important input is the integration of the IT platforms of each institution, so that data is passed seamlessly as it becomes available;

• This in turn leads to the output that provides the necessary information for the DIV to engage in risk analysis and provide the SBV with the necessary tools to supervise the banking sector;

Finally, the integration of data platforms and improved business processes in the 3 institutions enhances their ability to undertake their respective functions and move towards meeting international standards for financial sector supervision, credit information, and deposit insurance.

This is plausible - research across many financial systems in a number of countries with respect has demonstrated:

- The importance of effective banking system supervision regarding financial system stability;
- The positive effect of having credit information on access to finance, through being able to better assess the risk of lending to credit applicants and;
- The confidence building impact of deposit insurance on expanding use of banking systems (as long as this does not create perverse incentives regarding excessive risk taking by credit institutions).

Inputs
There were 3 inputs to achieve the anticipated outcomes. These inputs were:

- Technical and advisory services to identify gaps in order to re-engineer business processes;
- Designing IT software and hardware infrastructure and acquiring and implementing the appropriate systems;
- Sharing of knowledge both within and between the 3 institutions and training staff.

Outputs

There were 6 expected outputs under the theory of change as outlined in the ICR (p. 11). They were:

- New and upgraded regulations, business practices and operational policies for the 3 institutions;
- For the SBV, the centralization of reporting by credit institutions, the introduction of economic and statistical research programs and ongoing medium-term training;
- For all 3 institutions, integrated IT infrastructure, which included a data warehouse, and upgraded operational and business processes;
- For the SBV and the DIV, upgraded human resource and document planning systems;
- For all 3 institutions, training on how to use the new systems;
- For the SBV, training on international best practices for supervision, ongoing training a study tours.

Outcomes

The expected outcome of the PDO was initially to be measured by 5 outcome indicators, that were subsequently expanded to 6 and slightly revised during the restructuring. The first 3 indicators related to the SBV while the last 2 (3 after restructuring) related to the CIC and the DIV respectively:

Outcome Indicator 1 (a): Coverage, timeliness and disclosure of monetary and financial statistics, would be consistent with IMF guidelines. In the restructuring this was revised to: Improving the accuracy and consistency of statistics submitted to the IMF and "the results of two research programs regularly published (ICR p. 13). Compliance was determined by the extent to which these were in accordance with IMF guidelines in its Manuals. Actual achievements under this indicator were;

- The quality of input data was substantially approved through the elimination of duplication and inconsistency (ICR p. 16);
- "Unwanted changes to the original data" were prevented (ICR p. 16);
- By the closing of the project, the monthly monetary survey was submitted to the IMF within 45 days after the end of the previous month, compared to 60 days before the project commenced (ICR p. 17);
- The results of 2 research programs on inflation and interbank risks were shared within the SBV, but were not published (ICR p. 17).

The ICR (p. 17) states that "this outcome is considered largely achieved because publication of the research papers is outside of the Project control". An issue, however, is that no baseline data were established in project design. While the theory of change is plausible, the construction of the indicators is independent of it, and it is difficult to assess the impact of the achievement on moving the Vietnam financial system towards market orientation. Presumably the results of the research programs improved the ability of the SBV to conduct monetary policy, but there is no statement of this in the PAD, nor in the ICR.

Outcome Indicator 1 (b): The offsite supervision conducted by SBV would be partially compliant with Basle Core Principles (BCP) 16-20. This indicator was modified to: Principles of offsite supervision would be improved with respect to the reporting of banks' risk profiles in accordance with BCP. The specific criterion was Core Principle 16.20 of the Bank for International Settlements. The ICR, (p. 17) states that processes connected with BIS 16.20 were followed and that risk profiles on individual credit institutions were assessed and reported on quarterly.

This outcome was fully achieved.

Outcome Indicator 1 (c): SBV's financial statements would be compiled and issued in a timely fashion and in accordance with international standards. This was modified in the restructuring to: The statistics would be consistent with Vietnamese Accounting Standards as well as international ones that were in accordance with standards for central banks.

The criterion was based on international standards for the presentation, consolidation and timeliness for central banks' accounts. The ICR (p. 17) states that SBV's financial statements were in compliance with Vietnam's 2015 accounting standards, that were in turn mostly in compliance with international accounting standards. A daily balance sheet for the SBV was produced and the time taken to produces monthly balance sheets declined. Year-end closing of SBV's accounts fell from 15 days before closing to 10 days by project completion.

The ICR considers this outcome to be "largely achieved" because SBV's accounting practices were in full compliance with Vietnam's accounting standards. It states (p. 17) "Full compatibility with international accounting standards is a policy decision beyond the Project's control since it requires changes to the legal framework for accounting and financial standards by the Ministry of Finance." While the ICR also states that staff has been trained to quickly implement international standards once the legal framework has been changed, it begs the question of why this was not addressed in the design of the project.

Outcome Indicator 2: The CIC core business would be strengthened to be consistent with practices of public credit registries in OECD countries. This was revised in the restructuring to: Ensuring that credit information provided by CIC was comprehensive and covered repayment histories, unpaid debts and outstanding credit obligations. It would be measured by the degree to which the CIC practices were in accordance with those of OECD public credit registries. By the end of the project, the CIC practices were in compliance with OECD public credit registry practices;

- In the areas of accuracy information;
- In the provision of credit scores;
- In enhanced privacy and confidentiality;

In addition:

- The rankings under Getting Credit Scores of the World Bank DBIs, the Depth of Credit Information improved from 3 in 2008 to 7 in 2018. More relevant was that the coverage of the credit registry rose from 10 million records before the project began, to 70 million by the time the project closed and has continued to increase thereafter (IEG's meeting with the project team, Feb 27th, 2019) .
- Business volume for the credit registry increased significantly leading to a reduction in fees.

The ICR (p. 17) states that this outcome was fully achieved. While this seems to be so, again having specific targets for some of the components of the indicator, explaining what these meant in terms of the CIC would have strengthened the analysis of the achievement. Furthermore, there is no mention of changes in the legal regime governing credit information in the ICR. IEG's meeting wtih the project team (Feb 27th, 2019) revealed that there were 12 CIC regulations and decisions issued in 2017 in compliance with international standards for public credit registries that governed the obligations of the CIC to rectify incorrect information in the registry, protect the rights of legal and physical persons regarding their credit reports, and specify future plans for software development, product development as well as information checking and updating.

Outcome Indicator 3 (a): The DIV would produce risk assessment exposures that were in line with the recommendations of the International Working Group on Deposit Insurance under the Financial Stability

Forum. The ICR (p. 18) indicates that assessing insured credit institutions risk of failure covers both qualitative and quantitative variables. The quantitative aspects include credit information on borrowers in credit institutions portfolios, macroeconomic data from SBV, the findings from the examination of insured credit institutions and other aspects of DIV's functions.

The ICR (p. 19) states that this outcome was largely achieved, with the qualification due to more time being needed to determine the usability of these indicators. It states, "The Project has endowed DIV with advanced risk analysis systems and the information sharing between SBV and DIV indicates that the DIV systems can be used productively as an offsite supervisory tool." The TTL indicated that the system was being used extensively to assess risk.

Outcome Indicator 3(b): In the restructuring, an additional indicator for the DIV was added, namely: Risk assessment reports would be produced to cover all aspects of DIV exposure. Both DIV indicators were required to be in line with the recommendations of the Financial Stability Forum. This necessitated improved capacity to provide reports to the management of DIV on estimated risk-based premiums and estimates of the risk level of the business reserve fund. It also required that DIV improve its compliance with the International Association of Deposit Insurers Core Principles 8 and 9.

The ICR (p. 18) states that this indicator was largely achieved because more time in operation was needed to assess compliance. It states that DIV has the capacity to calculate risk-based premiums in line with international practices, but that they have not been applied. This begs the question of how the DIV capacity is assessed, and if it was indeed achieved, why have international practices not been implemented. The same applies the statement that "DIV has now the capacity and advanced risk-analysis systems to rank the risk, give early warning to institutions and report to the SBV and other authorities…to take timely action for maintaining the stability of the financial system. The interview with the TTL confirmed that the system was being used.

In spite of the qualitative nature of the outcome indicators, and the lack of baseline data, there were significant achievements under the PDO. The production of data by the SBV, the extended coverage of the CIC and its compliance with OECD guidelines for public credit registries, and the improvement in risk assessments have all contributed to the strengthening of key institutions governing the financial sector in Vietnam. The efficacy of this PDO is therefore rated substantial.

Rating
Substantial

Rationale
Against the one objective, the rating was Substantial and thus, the overall Efficacy rating is Substantial.

Overall Efficacy Rating
Substantial

5. Efficiency

The ICR (p. 21) states that an economic and financial analysis was not conducted on the project because of the difficulty of quantifying its benefits, since there was not expected to be revenue generation for the 3 institutions involved. However, the ICR (p. 21) notes that the CIC did in fact generate revenue, and that the project contributed to this. However, the ICR also states that “the accounting systems of these public sector financial institutions could not produce and provide reliable information on the unit costs for delivering the main functions.” This is an indictment of the management systems of the 3 institutions and is inconsistent with PDO2. In particular, not being able to undertake a financial and unit cost analysis of the CIC is difficult to understand. In many countries, credit registries are privately operated, selling their information. The was certainly an opportunity to use this as a foundation for an economic and financial analysis of this component of the project.

Because of the difficulty in quantifying variables, the ICR takes a qualitative approach in assessing the project efficiency. It does so under the following headings:

- **Economic benefits,** which are evaluated on the basis of the importance of the 3 institutions for macroeconomic and financial stability. This can be derived from the theory of change outlined in Section 4;
- **Savings on operational costs and administration**: The ICR states that all the institutions reported improvements in these areas, through the integration of the information collection of the 3 institutions with consequent reduction in the duplication of efforts – “the accounting function can focus more on financial management” (ICR p. 21). This is difficult to reconcile with the inability to undertake financial analysis. Nevertheless, the restructured system also reduced the burden of complex reporting requirements on the part of the credit institutions so that efficiency has improved;
- **Using common IT architecture for all 3 institutions reduced procurement costs of both hardware and software as well as maintenance costs.** The ICR (p. 21) states that no major IT hardware of software purchases will be necessary for 5 years from project closure. IEG's meeting with the project team (Feb. 27th, 2019) indicated that this was not completely accurate because the CIC will require additional software and hardware as a result of the large expansion in data storage needs as well as the installation of a more effective backup system. However, this was largely due to the success of the credit information system, since the number of users has increased seven-fold since the start of the project. This is an area where a more quantitative approach to estimating efficiency could have been followed;
- **All software, hardware, and consultancy requirements were obtained through international competitive bidding, which resulted in substantial savings** that more than offset the decline in the US dollar amount available for the project as a result of the depreciation in the US dollar – SDR exchange rate. This allowed for the procurement of a higher quality data center for SBV than had been originally envisaged and the hiring of a change management specialist and the engagement of 3rd party verification services.

The ICR (pp. 21 - 22) states that improvements in the 3 institutions were “extensive and foundational and that the “Project stands out for having largely achieved the expected outcomes without budget overruns”. This is a valid statement of the achievements of the project.

The major drawback related to efficiency arose from implementation delays because of the complexity of the project and limited capacity of the implementation staff. This was an issue in project design, which significantly overestimated capacity and underestimated the effect of design complexity on the length of the project. In other countries, reforms of this type typically take up to a decade to implement – the initial design of the project did not allow for sufficient time.

Given the limited effort to undertake economic analysis and the various delays imposed by the limited capacity of the institutions, efficiency is rated Modest.

Efficiency Rating
Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐Not Applicable
ICR Estimate		0	0 ☐Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The project objectives were largely achieved and have provided the foundation for the modernization of the financial system of Vietnam.

Based on a substantial rating for relevance of objectives, a substantial rating for efficacy and a modest rating for efficiency, the outcome of the project is rated moderately satisfactory.

a. **Outcome Rating**
Moderately Satisfactory

7. Risk to Development Outcome

The ICR identifies risks to development outcome arising from 2 sources:

- **Technical risk:** If the IT systems are not upgraded in a timely fashion, the long term viability of the project could be compromised. So far, this has not transpired – the upgrading of the CIC technology framework indicates commitment to ensuring that the technology systems are updated. Furthermore, this risk is mitigated by the CIC preparing a long-term IT strategy for the 2020 – 2030 period. The government also remains strongly committed to the project (interview with the TTL;
- **Institutional support risk:** Capacity risk was a feature of the project and contributed to delays. If management commitment to upgrading staff skills to utilize the new business model based on the enhanced systems is not maintained. However, the ICR (p. 29) states that the SBV Human Resource department has prepared a 3-year staff training program and IEG's meeting with the project team (Feb. 27th, 2019) indicated that ongoing training is occurring.

Both of these factors indicate strong prospects for project achievements to be maintained.

8. Assessment of Bank Performance

a. Quality-at-Entry

Quality at entry was based on extensive constraints analysis (ICR p. 27) in order to upgrade the compliance of the SBV, the CIC and the DIV to accord with international standards with respect to the delivery of key functions of the institutions. The Bank team worked closely with the clients' project preparation team to ensure the confluence of project design by the SBV and the Bank's PAD. This led to strong government buy-in for the project. An issue in quality of entry was insufficient attention being given to the legal framework necessary for such a complex and integrated operation to proceed. Furthermore, the quality at entry did not, realistically estimate the amount of time required for project implementation, nor did it effectively incorporate the initial lack of capacity in the 3 institutions into project design. This impacted implementation and led to extensive delays. In addition, the ICR (p. 23) points out that change management needs were not addressed in project design. These shortcomings, while impacting the initial achievements of the project are considered moderate and quality of entry is therefore considered moderately satisfactory.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

The ICR (p. 28) describes project implementation support as “extensive”. There was a total of 15 implementation status reports over the life of the project. In addition, having the procurement and financial management specialists based in Hanoi enhanced the preparation of the large-scale procurement packages necessary to purchase the complex and costly IT hardware and software systems. The World Bank team also had banking experts as part of the implementation team, and World Bank IT staff also participated and provided advice on cyber-security.

As deficiencies in the development of the project were identified, including the legal and regulatory framework, they were addressed. Additional technical assistance was provided to increase capacity of the counterparts in the 3 agencies.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

M&E design is described in the ICR (p. 26) as being “relevant in the in the context of the project at the time of preparation. While the theory of change was plausible, there were several deficiencies in M&E design, in particular, relating the choice of indicators, some of which did not appear to add to the information necessary to evaluate the project. Many of the indicators were only loosely related to the theory of change. For example, exactly what reducing the time for sending the monetary survey data to the IMF from 60 days to 45 days related to making the monetary system more market oriented. This applies to a number of the outcome indicators. Similarly, the relevance of having a target of minimizing the duplication and inconsistencies of input data is difficult to judge without knowing the impact this was having on the formulation of monetary policy. An additional factor was that all of the M&E indicators were qualitative. Some areas were amenable to quantification; for example, the number of records in the credit bureau could have been used to assess the quantitative impact, especially since the ICR (p. 50) states that fees for credit reports were reduced by 60%.

The ICR also points out (p. 26) that a number of the indicators related to high level policy decisions that were out of the control of the project. Indicators that do not reflect variables under the control of the project makes them less than compelling.

b. M&E Implementation

The PMU was responsible for M&E implementation. The ICR (p. 26) states that implementation progress was tracked, and that the World Bank team helped personnel in the PMU and PIU receive training in M&E. It also reports that weaknesses remained because of limited capacity as there was no full time M&E specialist in the PMU. This appears to have been addressed both during and in the post-project period through further intensive technical assistance from a variety of development partners (IEG's meeting with the project team Feb. 27th, 2019). The ICR also points out (p. 26) that a number of the indicators related to high level policy decisions were out of the control of the project. Indicators that do not reflect variables under the control of the project makes them less than compelling.

c. M&E Utilization

The ICR (p. 27) states that indicators were used to track the progress of the project, which resulted in the revision of indicators in the restructuring following the mid-term review. The M&E results were also used to publicize the success of the project within the SBV, the CIC, and the DIV once progress began to be made. Overall, M&E implementation appears to have guided the restructuring and the long-term success of the project.

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

No environmental and social safeguards policies were applied to this Project as it was classified as Category C during appraisal and implementation (ICR para 71).

b. Fiduciary Compliance

The information on Procurement and financial management is relatively scarce in the ICR: However, it is stated that the PMU had full-time staff in charge of procurement, financial management, and the ICR reports (para 55) that WB procurement and financial management guidelines were followed. On page 57 in Annex 4, it is also stated that the "project financial management and procurement were conducted in compliance with the relevant Vietnamese laws and regulations and the World Bank guidelines" and "because the Project's Action Plan for Improved Governance and Transparency in Procurement was implemented throughout the project life, there were no project delays that was caused by financial irregularities or procurement".

c. Unintended impacts (Positive or Negative)

The ICR does not report on any unintended impact.

d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of M&E	Modest	Substantial	While there were some shortcomings in the choice of indicators, the M&E system provided sufficient information to allow for appropriate adjustments to be made and to identify the achivements of the project
Quality of ICR		High	---

12. Lessons

The following lessons are taken from the ICR with some adaptation of language:

Complex IT projects require substantial time to implement. If this is not taken into account at the design stage and incorporated into the estimated time for the completion of the project, serious delays may arise that could even compromise the success of the project.

The business models that rely on technology alone do not necessarily ensure that new procedures and processes are also developed to take advantage of upgraded IT systems, the usefulness of which is strongly dependent on users having the capacity to take advantage of the information that they supply

Project design and implementation may be strengthened if they incorporate the existing capacity of the implementing institutions from the outset. The limited capacity of all 3 institutions involved in the project led to serious initial delays.

IEG draws an additional lesson:

Project design that incorporates flexibility and change management into complex projects raises the probability of success, which was illustrated by the changes that occurred later in project implementation.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

This is an excellent ICR, which clearly sets out the background to the project and the issues encountered at all phases. It describes the reasons for ratings, is systematic in its discussion and follows the guidelines consistently. Additional discussion on issues related to the indicators would have been welcome, but overall it is a very sound document.

a. Quality of ICR Rating
High