

Country Name	<b>Enhancing Corporate Finance Management Capacity to Implement SOE Restructuring</b>
Socialist Republic of Viet Nam	

**I. Project Outline**

Background	<p>The global financial crisis in 2008-09 resulted in an alarming level of non-performing loans (NPLs) in the Vietnamese banking sector in the early 2010s. One of the causes behind mounting NPLs was lackluster business performance of state-owned enterprises (SOEs). The Prime Minister issued Decision No.450/QD-TTg on 18th April 2012 on “Strategy for Finance Development of Vietnam toward 2020”. In the Decision, the essential task for the short-term was to improve legal framework and corporate finance mechanism for restructuring SOEs. As an important policy to implement “SOE restructuring”, Decision No. 929/QD-TTg (dated 17<sup>th</sup> July 2012) approved the Program, “Restructuring SOEs with focus on the Economic Group and the General Corporation for the period of 2011-2015”. To support the task and program, this technical cooperation project was requested by Government of Viet Nam to Government of Japan<sup>1</sup>.</p>										
Objectives of the Project	<p>Through i) strengthening capacity of Ministry of Finance (MOF) and its related organizations on debt disposal and corporate governance, and ii) policy proposals and legislative recommendations for SOE restructuring; the project aimed to strengthen capacity of MOF in corporate finance management, thereby accelerating restructuring SOEs in Viet Nam.</p> <ol style="list-style-type: none"> <li>Overall Goal: Restructuring SOEs is accelerated through accomplishing sound and efficient management of SOEs.</li> <li>Project Purpose: Strengthening capacity of Ministry of Finance (MOF) in corporate finance management, with focus on the development of SOEs’ debt disposal mechanism which closely connects with SOE restructuring and the improvement of SOEs’ corporate governance.</li> </ol>										
Activities of the Project	<ol style="list-style-type: none"> <li>Project Site: Hanoi, Viet Nam</li> <li>Main Activities: <ol style="list-style-type: none"> <li>To assist Debt and Asset Trading Corporation (DATC) to strengthen its roles to purchase/dispose SOE’s debts for promoting equitization (i.e., transforming to a joint stock company); through developing the concept note of a new Decree on DATC, developing DATC’s mid-term strategy (2016-2020) and conducting various training.</li> <li>To assist State Capital Investment Corporation (SCIC) to strengthen its roles to manage State shareholdings and to enhance values of its portfolio companies for divestment; through preparing SCIC’s a) Corporate Governance Code (CGC)<sup>2</sup>, b) Voting Guideline (VG)<sup>3</sup> and c) key risk indicators (KRIs).</li> <li>To assist Ministry of Finance (MOF) to promote equitization and restructuring of SOEs, through the above i) ii) and a) preparing policy proposals and b) recommending amendments of existing decrees on equitization.</li> </ol> </li> <li>Inputs (to carry out above activities) <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Japanese Side</td> <td style="width: 50%;">Vietnamese Side</td> </tr> <tr> <td>1) Experts: (long-term) 5 persons; (short-term) 17 persons</td> <td>1) Staff Allocated: 12 persons</td> </tr> <tr> <td>2) Trainees Received: 65 persons</td> <td>2) Office space</td> </tr> <tr> <td colspan="2">3) Operation costs including consultants’ fees</td> </tr> </table> </li> </ol>			Japanese Side	Vietnamese Side	1) Experts: (long-term) 5 persons; (short-term) 17 persons	1) Staff Allocated: 12 persons	2) Trainees Received: 65 persons	2) Office space	3) Operation costs including consultants’ fees	
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Project Period	(ex-ante) Mar. 2014 – Feb. 2017 (actual) Same as above	Project Cost	(ex-ante) 199 million yen, (actual) 964 million yen								
Implementing Agency	<p>Corporate Finance Department (CFD) under Ministry of Finance (MOF)  Related Organizations: Debt and Asset Trading Corporation (DATC); State Capital Investment Corporation (SCIC). Both are wholly owned by the State, and were under MOF at the time of project implementation. (SCIC was moved from under MOF to under the Committee for Management of State Capital (CMSC) in 2018.)</p>										
Cooperation Agency in Japan	<p>Japan Economic Research Institute, Inc.; PricewaterhouseCoopers Arata LLC; Industrial Growth Platform, Inc.</p>										

**II. Result of the Evaluation**

## &lt;Constraints on Evaluation&gt;

- Due to COVID-19 pandemic, the evaluation judgement was made by analyzing information acquired by sending and collecting a questionnaire, and through telephone/email interviews with officials concerned. No interviews by visiting the implementing agency were conducted.

## &lt;Special Perspectives Considered in the Ex-Post Evaluation&gt;

- The indicators for the Project Purpose were set as “Self-assessment and experts’ assessment on the capacity ... among MOF officials and DATC/SCIC staff”. Since such manner of assessment cannot be replicated, this ex-post evaluation verified the continuation status of project effects

<sup>1</sup> A Japanese ODA Loan Program, namely “Economic Management and Competitiveness Credit (EMCC)”, was co-financed with the World Bank in three phases from 2013. Under the account of the Loan Program Phase I, the two projects, including this project, were implemented. The other technical cooperation project was “Vietnam Bank Restructuring Support Project (2014-2017)”. The same Chief Advisor was assigned for the two projects.

<sup>2</sup> A set of guiding principles (including the rights and equitable treatment of shareholders) for a company to realize effective corporate governance.

<sup>3</sup> SCIC’s general philosophy and approach in executing voting rights to issues that may commonly arise in its portfolio companies’ general meetings of shareholders.

by checking: i) achievements of the Overall Goal indicators, or ii) the level of sustaining the developed capacity among MOF officials and DATC/SCIC staff.

- The Overall Goal Indicator 3 of this project is “The number of portfolio companies, to which SCIC’s Corporate Governance Code (CGC) is applied, increases from FY2017 to FY2020”. As Supplementary Information to this indicator, “application of SCIC’s Voting Guidelines (VG)” was also checked, since the CGC and the VG had been developed as the two main tools for enhancing cooperate governance of SOEs. Moreover, application of the CGC is not obligatory for SCIC’s portfolio companies, while SCIC is in the position to apply the VG to its portfolio companies as long as SCIC assigns its State capital representatives there.
- This project is not evaluated with the related ODA Loan Program in an integrated manner because the ODA Loan Program was co-financed with the World Bank and out of scope for the ex-post evaluation.

## 1 Relevance

<Consistency with the Development Policy of Viet Nam at the Time of Ex-Ante Evaluation>

The project was consistent with “Socio-Economic Development Plan (2011-2015)” issued in November 2011, which gave high priorities to economic structural reforms, including state-owned enterprises reform, to sustain long-term growth.

<Consistency with the Development Needs of Viet Nam at the Time of Ex-Ante Evaluation>

As mentioned in “Background” above, “improvement in legal framework and corporate finance mechanism for restructuring SOEs” was short-term essential tasks stipulated by Decision No.450/QD-TTg issued in April 2012.

<Consistency with Japan’s ODA Policy at the Time of Ex-Ante Evaluation>

The project was consistent with “Country Assistance Policy for the Socialist Republic of Viet Nam (2012)”, including support to “improve the market economy system” and “reform finance” under a priority area on “Promotion of Economic Growth and Strengthening International Competitiveness”.

<Evaluation Result>

In light of the above, the relevance of the project is high.

## 2 Effectiveness/Impact

<Status of Achievement of the Project Purpose at the Time of Project Completion>

The Project Purpose was achieved at the time of project completion. The assessment results at project completion show the capacity of MOF/DATC/SCIC for corporate finance management was built as a whole (Indicator 1 and 2). Various training was conducted for DATC/MOF on debt disposal and business restructuring, aside from developing a DATC’s mid-term strategy (2016-2020). For SCIC, besides related training, the Corporate Governance Code (CGC) and the Voting Guideline (VG) were developed as tools for enhancing corporate governance of SCIC’s portfolio companies. The project also prepared a concept note for a new decree to strengthen DATC, and made recommendations on amendments of existing decrees on equitization of SOEs. Furthermore, in 2016, “JICA Policy Proposals on SOE Reform and Banking Restructuring” (hereinafter referred to as Policy Proposals) were submitted by JICA Experts to the Prime Minister of Viet Nam, some of which (e.g., developing a roadmap by each SOE on sale of shares) were incorporated into the Decision No. 58/QD-TTg effective on 15<sup>th</sup> February 2017.

<Continuation Status of Project Effects at the Time of Ex-Post Evaluation>

The project effects have been continued till the time of ex-post evaluation. As shown in the next paragraph, the Overall Goal has been achieved, to which this project clearly contributed. Considering this achievement status, MOF’s capacity in legislation and DATC’s capacity in debt purchase/disposal have been strengthened. Also, SCIC’s capacity in corporate governance has been strengthened, since the CGC and the VG have developed general principles for SCIC to approach corporate governance issues of its 148 portfolio companies in a consistent manner. Moreover, the Government of Viet Nam/MOF promote corporate governance through the Law on Enterprise promulgated in 2020 (submitted by Ministry of Planning and Investment), and the Law on Securities effectuated from 2021 (submitted by the State Securities Commission/MOF), etc.

<Status of Achievement of the Overall Goal at the Time of Ex-Post Evaluation>

The Overall Goal has been achieved. It is remarkable that Policy Proposals and legislative recommendations by the project were incorporated into decrees issued after project completion. For example, Decree 129/2020/ND-CP stipulates new mechanisms to support DATC in the trading and settling restructured debts (e.g., introducing debt equity swap; strengthening measures for DATC to support enterprises in restructuring such as providing finance, guaranteeing loans for restructured enterprises), which were proposed in the concept note by the project. Moreover, not all but some of the Policy Proposals were reflected in Decree 126/2017/ND-CP on equitization of SOEs. While preventing loss of State capital, the Decree incorporated provisions to encourage investors, such as introducing the book-building method, which better reflects investors’ demand on stock price at initial public offering. Accordingly, MOF issued Circular No. 21/2019/TT-BTC dated 4<sup>th</sup> November 2019, guiding the initial sale of shares and transfer of state capital by the book-building method (Indicator 1). DATC continuously increased both debt purchase and debt disposal from 2017 to 2020 (Indicator 2). On the other hand, SCIC’s CGC and VG are reported to apply to its 148 portfolio companies, but it is authentically “introduced” (for the CGC, to utilize/refer whenever possible), and “used where dispatching State capital representatives” (for the VG). Application of SCIC’s CGC by its portfolio companies are voluntary but not obligatory (naturally depending on the majority of shareholders, besides companies’ condition). Moreover, several points in the VG have recently become not relevant any more due to change of related regulations (Indicator 3).

It is noteworthy that some other recommendations in the Policy Proposal were adopted, such as: i) improving corporate governance/information disclosure (in the above mentioned two Laws); ii) separation of State ownership and State management (in Decree No. 131/2018/ND-CP on establishment of Committee for Management of State Capital (CMSC), which later governs SCIC as well); and promoting divestment from 10 SCIC’s portfolio companies (e.g., Vinamilk). Thus, certain favourable conditions on divestment towards better environment for investors/share buyers were promoted whenever possible (though having room for much more favourable conditions).

<Other Impacts at the Time of Ex-Post Evaluation>

This project (together with the other technical cooperation “Vietnam Bank Restructuring Support Project) was implemented under the account of a Japanese ODA Loan Program, namely “Economic Management Competitiveness Credit (EMCC) Phase I”. There were

synergy effects among these projects and the loan, since JICA was able to approach Government of Viet Nam/MOF by dual tracks through technical advice and a loan program, and thus helping double the weight of JICA’s policy recommendations. Moreover, experience<sup>4</sup> and lessons in this project significantly helped management of JICA’s subsequent technical cooperation, “The Project for Capacity Building on Improving Fairness and Transparency of Vietnamese Equity Market (2019-2023)”. On the other hand, no negative impacts by the project have been observed.

<Evaluation Result>

Therefore, the effectiveness/impact of the project is high.

Achievement of Project Purpose and Overall Goal

Aim	Indicators	Results	Source													
(Project Purpose) Strengthening capacity of Ministry of Finance (MOF) in corporate finance management, with focus on the development of SOEs’ debt disposal mechanism which closely connects with SOE restructuring and the improvement of SOEs’ corporate governance.	Indicator 1: Self-assessment and experts’ assessment on the capacity to facilitate SOEs’ debt disposal among MOF officials and DATC staff.	Status of the Achievement (Status of the Continuation): achieved (continued) (Project Completion) - The assessment results show that capacity of MOF officials and DATC staff to facilitate SOEs’ debt disposal was built as a whole. (Ex-Post Evaluation) - Refer to the Overall Goal (Indicator 1 and 2).	Terminal Evaluation Report, other JICA documents, Questionnaire/interview with MOF/DATC													
	Indicator 2: Self-assessment and experts’ assessment on the capacity to facilitate SOEs’ better corporate governance among MOF officials and SCIC staff.	Status of the Achievement (Status of the Continuation): achieved (continued) (Project Completion) - The assessment results show that capacity of MOF officials and SCIC staff to facilitate SOEs’ better corporate governance was built as a whole. (Ex-Post Evaluation) - MOF has been promoting corporate governance through new laws. - SCIC can approach corporate governance issues of its portfolio companies in a consistent manner, based on the CGC and the VG developed by the project.	Terminal Evaluation Report, other JICA documents, Questionnaire/interview with MOF/SCIC													
(Overall Goal) Restructuring SOEs is accelerated through accomplishing sound and efficient management of SOEs.	Indicator 1: Laws/regulations and recommendations to related ministries designed by MOF are approved officially and implemented.	(Ex-Post Evaluation) achieved - Decree 129/2020/ND-CP: Issued in 2020 to strengthen DATC’s capacity. - Decree 126/2017/ND-CP (partially amended through Decree 140/2020/ND-CP): Issued in 2017 and has been implemented to promote equitization of SOEs.	Questionnaire/interview with MOF/DATC													
	Indicator 2: DATC continuously increases debt purchase and debt disposal from 2017 to 2020.	(Ex-Post Evaluation) achieved DATC’s Cumulative Debt Purchase and Disposal (Unit: billion VND)	DATC’s Financial Statement													
		<table border="1"> <thead> <tr> <th></th> <th>2017</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Total value of debt purchased</td> <td>31,137,493</td> <td>34,792,852</td> <td>37,546,443</td> <td>40,325,037</td> </tr> <tr> <td>Revenue from debt disposal (selling and settlement)</td> <td>8,852,465</td> <td>10,302,041</td> <td>12,097,894</td> <td>13,383,897</td> </tr> </tbody> </table>			2017	2018	2019	2020	Total value of debt purchased	31,137,493	34,792,852	37,546,443	40,325,037	Revenue from debt disposal (selling and settlement)	8,852,465	10,302,041
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Indicator 3: The number of portfolio companies, to which SCIC’s Corporate Governance Code (CGC) and Voting Guideline (VG) <sup>(Note)</sup> are applied, increases from FY2017 to FY2020.	(Ex-Post Evaluation) partially achieved - The CGC is introduced to all of SCIC’s 148 portfolio companies, though it is difficult to justify the proper level of usage by them. - The VG is still used by the State capital representatives assigned to SCIC’s portfolio companies, though needs update in several points.	Questionnaire/interview with SCIC														

(Note) Overall Goal Indicator 3: Application of VG was added as Supplementary Information.

3 Efficiency

Although the project period was completed in three years as planned, the project cost significantly increased from the original 199 million Japanese yen to 964 million Japanese yen with the ratio against the plan as 484%<sup>5</sup>. This project aimed to support SOE restructuring, which has been a highly prioritized theme in Viet Nam, while being unprecedented assistance by JICA. Due to the project’s complicated and wide-ranging nature, it was inevitable to examine necessary prescriptions at each stage of the project, through grasping actual situations and considering the effective support. At the stage of project formulation, it was difficult to finalize the project scope and the necessary inputs, therefore the project decided to commence with highly feasible activities at first. At the same time, a consultative committee for this project was set at JICA, and recommendations from Japanese intellectuals were reflected during the project implementation. For this, the project tried to produce tangible results at the initial phase, and then gradually added necessary activities and inputs in line with situations. As a result of these attempts, Effectiveness/Impact of this project has become high (as mentioned in Section 2). However, considering the significant excess in the project cost, the efficiency of the project is fair.

<sup>4</sup> Restructuring SOEs in Viet Nam had its own typical challenges (SOEs’ management involving many stakeholders while SOEs performing the socio-economic tasks), which reflected the history that SOEs played dominant roles while market economy was not yet developed.

<sup>5</sup> Precisely speaking, the ratio against planned cost only for this project is not 484%, since the consultants’ fees for supporting DATC (408 million yen) included activities for the other technical cooperation project, “Vietnam Bank Restructuring Support Project (2014-2017)”. However, even deducting whole this amount (408 million yen) from the actual project cost (964 million yen), it is obvious that the actual cost of this project significantly exceeded the originally planned cost (199 million yen).

#### 4 Sustainability

##### <Policy Aspect>

Aside from the decrees mentioned above, various regulations have recently been issued to promote SOE restructuring. Currently, MOF is reviewing the Law No. 69/2014/QH13 (Law on Management and Use of State Capital Invested in the Enterprises' Production and Business Operations) in order to improve the mechanism for equitization and divestment of State capital.

##### <Institutional/Organizational Aspect>

In 2018, SCIC was moved from under MOF to under the Committee for Management of State Capital (CMSC), but this organizational change has not affected the function of SCIC negatively. All of MOF (Corporate Finance Department), DATC and SCIC have adequate staff to promote effects of the project.

##### <Technical Aspect>

Policy Proposals and legislative recommendations by the project were incorporated into decrees issued after project completion, for which MOF officials played important roles. Moreover, in 2017, DATC created and issued its own handbook (Debt Trading and Settlement Handbook) with gained knowledge from the project. SCIC utilizes the CGC and the VG as important references to manage its portfolio companies, and conducts internal training. Moreover, the key risk indicators (KRIs) developed for SCIC have been increasingly applied to SCIC's investment and financial management.

##### <Financial Aspect>

All of MOF (Corporate Finance Department), DATC and SCIC secure sufficient funds to promote the project effects. While MOF is allocated with the State budget, DATC and SCIC have their own budget as SOEs.

##### <Evaluation Result>

In light of the above, no problem has been observed in terms of the policy, institutional/organizational, technical and financial aspects. Therefore, the sustainability of the project effects is high.

#### 5 Summary of the Evaluation

The project achieved the Project Purpose (strengthening capacity of Ministry of Finance in corporate finance management). The project effects have been continued, and the Overall Goal (accelerating restructuring of SOEs) has been also achieved. Moreover, this innovative project brought various impacts on SOE restructuring in Viet Nam including legislation, and enabled smooth implementation of the subsequent project to promote the Vietnamese equity market. Regarding the Sustainability, no major problems have been observed in terms of policy, institutional/organizational, technical and financial aspects. As for the Efficiency, the project period was as planned, but the project cost significantly exceeded the plan.

Considering all of the above points, this project is evaluated to be highly satisfactory.

### III. Recommendations & Lessons Learned

#### Recommendations for Implementing Agency:

- It is recommended for State Capital Investment Corporation (SCIC) to promote using its Voting Guideline (VG) and Corporate Governance Code (CGC) which were developed by the project. Especially, SCIC's VG is not relevant any more in several points due to change of related regulations, thus SCIC cannot fully apply the VG to its portfolio companies as much as expected. It is suggested that SCIC update the VG and CGC in line with current situation and legal documents, by utilizing SCIC's own budget and resources.
- It is recommended for Debt and Asset Trading Corporation (DATC) to soon develop a business strategy (2021-2030, with a vision until 2035), as per request by/for approval of Ministry of Finance (MOF). Under this project, DATC's mid-term strategy (2016-2020) was developed. However, due to issuance of a new decree (129/2020/ND-CP) for DATC in 2020, DATC's strategy needs to be revised.
- It is recommended for MOF to revisit "JICA Policy Proposals on SOE Reform and Banking Restructuring", which was submitted by the Experts of this project to the Prime Minister in 2016. Some of the proposals were already reflected into laws/regulations as mentioned above, and others (such as further shortening the time from initial public offering to listing, strengthening securities companies' underwriting and brokerage functions, increasing free-float ratio, etc.) are still relevant (particularly to the subsequent project), since Policy Proposals reflect (foreign) investors' expectation. In order to facilitate better business/investment environment, further adoption of Policy Proposals could be considered gradually in line with the SOE reform situation and development-level of the Vietnamese (equity) market.

#### Lessons Learned for JICA:

- It took a time during the project implementation to develop the proper project framework and approach, since this project supported SOE restructuring, which was unprecedented assistance by JICA with a high level of difficulty. For example, one of the initial Project Purpose indicators was set as "approval and implementation of laws/regulations", then revised to more feasible indicators after two years from project commencement. For this, one lesson of this project is better not to stick to legal documents' issuance which was beyond the control of a single implementing agency, but rather to focus on policy advice and practical assistance to develop manuals/guidelines as well as capacity building. This lesson was reflected in the more feasible/realistic project framework of the subsequent project, "The Project for Capacity Building on Improving Fairness and Transparency of Vietnamese Equity Market (2019-2023)".
- Even though this project achieved the Project Purpose and the Overall Goal through attempts such as actively incorporating intellectuals' recommendations by holding a series of consultative committee meetings, its project cost exceeded considerably the original plan. As one example of lessons learned, strengthening of DATC could have been supported mainly by activities of a JICA Expert, while entrusting more specified tasks to the consulting company/sub-contractors when necessary. To avoid a large difference between planned and actual project costs, JICA has already introduced the Two Steps Planning Method. Under this method, a project commences with a tentative (basic) plan regarding costs, output indicators, activities and inputs, etc. Then, during a certain period after the project commencement, a concrete (detailed) plan is formulated – through conducting a baseline survey and/or a pilot activity – to implement the project on a full scale. Especially for a project with unforeseeable elements, a significant cost increase could be avoided by utilizing this Two Steps Planning Method where applicable, through setting a period of examining project details prior to its full-scale operation.



In-Depth Training for MOF  
on Corporate Governance  
and Investment Management



A Meeting on  
“Handbook for Debt Trading and Settlement”  
issued by DATC in 2017



SCIC's Dissemination Seminar on  
Corporate Governance Code and Voting  
Guideline (March, 2017)