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Independent Evaluation

SECO's Contribution to Financial Sector Reform in Developing and Transition Countries

Economic Cooperation and Development Division
Evaluation and Controlling

Bern, July 2011

Independent Evaluation

« SECO's Contribution to Financial Sector Reform in Developing and Transition Countries"

Commissioned by the Evaluation and Controlling Section (WECO),

Economic Cooperation and Development Division at the State Secretariat for Economic Affairs (SECO)

Bern, July 2011

Content:

Foreword

With the purpose of learning and accountability, the Economic Cooperation and Development Division at the State Secretariat for Economic Affairs (SECO) undertakes regular and systematic evaluations of on-going and/or completed projects, programs or policies in order to identify and to disseminate results about achievements. The aim is to determine the relevance, the development effectiveness and fulfilment of objectives, the efficiency, the impact and the sustainability of its different modalities of interventions in partner countries. Based on credible and useful information, evaluations should also enable the incorporation of lessons learned into the decision-making process of both recipients and donors, in order to foster continuous improvements of development support.

The Economic Cooperation and Development Division distinguishes and undertakes three different types of evaluations, namely internal reviews, external evaluations and *independent evaluations*. While internal reviews and external evaluations are under the direct responsibility of the operational units, independent evaluations are commissioned and managed by the Evaluation Function – an independent unit from the operations - and are submitted for discussion to an external Committee on Evaluation, composed of 5 members external to SECO. Independent evaluations are focusing on assessment of sectors, programs, strategies, instruments, country assistance strategies, cross-cutting issues or themes and impact evaluations. On average, the Evaluation Function commissions one to three independent evaluations per year, which can be undertaken jointly with other donors or partner organizations, in line with our commitment to the Paris Declaration. SECO expects evaluations of its development interventions to adhere to the DAC/OECDE standards and to the Swiss Evaluation Society (SEVAL) standards.

This report presents the results of the independent evaluation of *SECO's Contribution to Financial Sector Reform in Developing and Transition countries.* During 1996-2010, SECO's macroeconomic support division has focused its financial sector support on partner countries with the objective to achieve sound financial and monetary framework conditions and to reform financial market infrastructure. SECO Operations are either financed on a bilateral basis or on a multilateral basis, targeting needs of individual countries or working on global issues. The assessment was organised around a meta-evaluation of SECO financial sector operations based on existing evaluations and a full-fledged evaluation of SECO bilateral portfolio in Vietnam (case study country). The report evaluates the relevance, effectiveness, efficiency and sustainability of SECO's funding to partner countries. The ultimate purpose of the evaluation is to use lessons from previous SECO interventions to inform SECO's future interventions in the financial sector and in Vietnam more particularly.

The evaluation report was used as reference for the formulation of SECO management response. The results, including recommendations, as well as the management response were then presented to and discussed with the Evaluation Committee, who formulated its position. The management response and the position of the Evaluation Committee are published jointly with the final evaluators' report on SECO website and on the DAC/OECD Evaluation network.

Process:

Conduct of the evaluation and elaboration of the Report	*Jan. – June 11*
Discussion of the Report with the Evaluation Committee	*June 11*
Management Response	*June 11*
Position of the Evaluation Committee	*July 11*

Management Response

Independent Evaluation of SECO's Contribution to Financial Sector Reform in Developing and Transition Countries

1. Overall Statement

The importance of the financial sector for poverty reduction and sustainable, inclusive growth cannot be enough underlined. There is a considerable positive effect of financial sector development on economic growth in the long term because a well-functioning financial sector is essential for private sector-led growth. Moreover, well-developed, stable but also more transparent financial markets in developing countries contribute to make the global financial system more resilient and help mitigate the effects of financial crises when they cannot be avoided. It is because SECO recognizes these linkages that the strengthening of national financial sector systems and of the global financial architecture has been and will remain a priority for its economic development cooperation. Against this background, the independent evaluation represents an important effort to critically analyze SECO's financial sector activities and draw some lessons that can help to better design our future interventions.

We appreciate the **evaluation's general positive conclusion** of the work undertaken by SECO/WEMU in the financial sector. As the evaluation points, SECO's interventions at the macroeconomic level have performed high and this has allowed SECO to substantially deliver on its goal to support economic and financial sector stability and foster economic growth, thereby contributing to poverty reduction and to a better integration of its partner countries into the global financial system. Overall, the evaluation confirms the relevance, effectiveness and efficiency of our approach. SECO's interventions are evaluated to be well-targeted, high-quality, relevant, flexible and thus achieved the intended objectives. The evaluation clearly recognizes the positive effects of changes introduced in our strategic approach over the past few years and confirms that we have been able to draw the right lessons from previous engagements in the financial sector.

Generally, the evaluation's **recommendations and conclusions are well aligned with our own assessment and lessons learnt from project implementation**. This is particularly true with respect to the need to enhance the long term impact of our interventions. . In this regard the evaluation provides a useful reminder about the need to further improve delivery modalities for supporting financial sector development and enhance the long-term impact of our activities. We would like to point that over the past years a number of changes have been introduced to strengthen management along the whole project cycle. We believe these changes will ultimately result in better project design and implementation, provided the existing resources bottlenecks are addressed. Achieving sustainable results remains an on-going challenge not only for SECO, but also for all other development agencies engaged at the international level. SECO will continue working on these challenges in collaboration with our different partners for financial sector activities.

We specially welcome the recommendation of the evaluators to **further strengthen a results-based management in bilateral as well as multilateral and multi-bi initiatives.** This clearly requires a mindset change in multilateral partners and implementing agencies (which have been in the past mainly "delivery-oriented", providing technical assistance without any institutional anchoring), but also from recipients, who have often neglected the benefits of institutionalizing know-how transfer. SECO has done extensive efforts in this regard and we are glad that the evaluation appreciates the achievements, particularly within our enhanced partnership with the IMF.

As pointed out by the evaluation, **substantial synergies exist between global, regional and bilateral programs and projects and SECO staff has been able to leverage off each of the programs** for the benefit of a particular project and play the experience back to multilateral and partnership programs. We believe that SECO needs to continue playing an active role in the multilateral initiatives it is engaged in, not only contributing to the strategic orientation, but also helping to shape project design, reporting and monitoring through a strong technical dialogue. This definitely requires an extra effort and resources because, as the evaluation shows, this approach pays off. Furthermore, the evaluation confirms our insight to focus our interventions further, by concentrating on a limited number of thematically complementary initiatives. This focus should ultimately facilitate supervising the activities and better exploiting our comparative advantage which is delivering quality in project context analysis, design, and monitoring.

With regard to the specific evaluation of country activities in Vietnam, the evaluation **overlooks the detailed analysis conducted for developing the financial sector portfolio**. The portfolio structure was not the result of an opportunistic, but a conscious decision based on what in discussion with the Vietnamese authorities was considered to be the most pressing needs following WTO-accession. The WTO membership was expected to increase pressure for the resolution of the SOE's non-performing debts and recapitalization and operational restructuring of its SOCBs, to require a higher level of professional competence in the banking system and a more active, more sophisticated and more liquid capital market able to mobilize internal resources. The financial sector program was targeting these challenges by supporting the design and implementation of sectoral reforms (through the Bank Restructuring Workshops and the assistance to the Mekong Housing Bank), by increasing the level of competences of financial sector specialists (though the training projects for the Banking Universities, the directors of SOCBs, staff of the State Securities Commission and the assistance to BTC), by strengthening the supervision of the banking system (through the assistance to the State Bank of Vietnam).

The portfolio analysis for Vietnam clearly **remind us about the limited influence SECO can have on the final outcomes of the projects if the overall country context experiences a slow down in the reform process**. The evaluation points to the fact that Vietnam is a particular complex environment, where it is not easy to access policy-makers. As a consequence, the result-chain from input to impact is very long and many external factors may impair intended outcomes. Against this background, also the role of SECO as a small donor needs to be kept in mind. Vietnam is an environment where the political leverage of donors remains limited. This is why a niche-approach focusing on interventions with particular development-relevance is appropriate. The evaluation confirms that, thanks to this approach, SECO has been able to position itself with highly relevant projects in the Vietnamese financial sector. Moreover, the evaluation underscores that SECO's engagement in Vietnam has undergone a positive evolution by establishing better processes and structures and strengthening the resources of the local Cooperation Office.

We agree with the evaluators that the key project elements are defined at the outset and that a **good project design and thorough analysis of the political economy relevant for the project are crucial** for a successful project. We concur that the risk assessment needs to be made thoroughly and independently of what project-partners tell. We recognize that our projects sometimes include too ambitious project goals, which depend on too many external factors. Therefore, setting less ambitious, but directly achievable goals which are measurable is a key lesson learnt for the future. However, we need to bear in mind that the pressure from the parliament and the public on implementing agencies to achieve substantial results is high and influences the goal-setting. Striking the right balance between achieving substantial but realistic results is an on-going challenge.

We take note of the evaluators' recommendation to **further improve project monitoring by enhancing the quality of monitoring tools, such as log frames, budget monitoring sheets or completion documents.** Log frames, for instance, are a fairly new instrument and SECO staff had to learn how to use for project design and monitoring. This is, for instance, reflected when comparing the quality of the log frames for most Vietnam projects which were designed at an early stage of introducing the instrument, with more recent ones. Moreover, also the technical know-how on monitoring instruments within project counterparts and implementing agencies as well as data availability is limited. This implies that in many cases SECO is left alone with developing the logframes and that information for setting the the baselines is not or not readily available.

In this regard we believe that **better project monitoring improvements will be constrained by the availability of appropriate resources.** The evaluation clearly recognizes SECO's human resource constraints. This in our view hampers our capacity to supervise and monitor on-going activities and limits our possibility to develop more strategically the portfolio in the financial sector. SECO has over the past years gained substantial internal knowledge on monitoring instruments, but the time for their application is very scarce. As the evaluation rightly points, project officers often do not allocate enough time to elaborate and use monitoring tools and this is a direct consequence of the existing resource constraints. We will undertake efforts to reduce the average number of projects managed by staff in order to support better monitoring.

We particularly appreciate the detailed analysis of individual projects which provides useful indications on issues to be addressed for the individual project managers. However, we feel that the report **falls a bit short of providing practical recommendations** for the overall portfolio-mix and our cooperation at the multilateral as well as bilateral level. It would have been in particular interesting to have the views of the evaluators on following points:

- The report could have elaborated on the recommendation to **diversify providers of technical assistance,** in particular on the suggestion of partnership with private sector providers. The assessment should have considered quality, costs, availability of human resources and the balance between bilateral / multilateral providers as well as the fact that SECO explicitly wants to partner with those that are leading institutions in the respective areas (such as the IMF or WB).

- WEMU has made over the past few years a tremendous effort to mobilize Swiss expertise in a domain that was not exactly among the priorities for Swiss financial sector experts and for a country (Vietnam) that at that time was barely considered a frontier market. The evaluation could have provided some indication whether this approach has paid off in terms of **value added** (and quality) of our interventions for the recipient country and **potential returns** for Switzerland.
- The report could have provided some advice on the **value added and limitations of the current portfolio mix**. We would have appreciated to see a more strategic discussion that takes into account SECO's overall objectives and the criteria used for selecting countries and areas of activity and their relationship with the facilities and modalities available for delivering financial sector support.
- We miss a more explicit analysis of the **synergies between the activities in the financial sector and interventions in the other macroeconomic areas** (notably public financial management and structural economic reforms). This as been an explicit objective in the recent portfolio development in Vietnam and an approach that we intend to pursue in other countries and where input from the evaluation would have been very helpful.
- The evaluation could have expanded on **SECO's possibilities of shaping multilateral programs** and provided some guidance on how to achieve this objective. We believe that SECO's options are relatively ample in the context of multi-bi initiatives (such as the Swiss Subaccount with the IMF), but more limited in multilateral ones (such as the African Regional Technical Assistance Centers or the multi-donor Topical Trust Funds of the IMF). In general, SECO has more influence in topics/regions where it is recognized as having broad expertise and when it is a major donor of the facility.
- The analysis of the individual projects is descriptive and includes substantial general material. The **findings, by contrast, are not well elaborated** and several statements on SECO's past role and evolution are not really substantiated. Generally, the report fails to consistently present the role and value added of SECO.

2. Most important lessons / recommendations and management responses

Assessment / Recommendations (Evaluation)	*Management Response SECO*	*Follow-up / Deadline/ Lesson learnt*
Recommendation on overall level		
Budgeting: Project officers should allocate more time to budgeting; in particular comparison of actual expenses versus budgeted resources should be closely monitored.	We agree that not enough resources of project officers have been allocated to monitoring of budget in a concise manner. WEMU has already taken appropriate steps and introduced an (excel-based) Account Control Sheet. A closer budget monitoring within the existing SAP system is unfortunately not possible. For the more systemic resource constraint (staff time) a decision will be taken at the management level.	June 2011
Sustainability: We recommend that a systematic process is engaged in to address each of the Sustainability risks early in the project cycle perhaps even using a Sustainability Score. We also recommend that SECO adopts a ruthless approach (or encourages the Multi L and Multi B programs to do so) of rejecting project proposals that do not meet an adequate risk score.	We are aware that sustainability is single most difficult challenge for the overall development cooperation, not only for SECO. We find the idea of creating such a specific score an interesting one and value the input from the evaluators. Unfortunately, currently no additional resources are available for developing and implementing additional monitoring tools. Moreover, we doubt that additional tools without the corresponding additional staff time for applying the tools would yield any significant result.	
Portfolio composition: In order to remain a credible donor, SECO needs to allocate a reasonable proportion of its budget to bilateral projects. In addition to giving SECO greater control, visibility, and access, they are critical for SECO staff to experience project implementation at the first hand and be credible and effective managers of Multilateral programs.	We consider inappropriate to modify the current portfolio balance between bilateral, multi-bi and multilateral projects considering the level of resources available for project design and monitoring. Increasing the engagement in bilateral projects would put an even heavier burden on the already stretched human resources.	
WEMU Resources: We suggest that SECO should to carry out a benchmarking exercise of the	We find the idea interesting and management might conduct such an exercise in the context of identifying the	

level of commitment of management resources of other similar donors and allocate appropriate resources. This combined with an analysis of SECO's future financial sector strategy and resources required to implement the projected work should give a good starting point for budgeting for additional resources, both at WEMU and local offices.	appropriate level of resources for the implementation of the next framework credit.	
Division of Labor WEIF/WEMU: Our recommendation is that the current work carried out by WEMU (monetary framework and financial sector infrastructure) and WEIF (financial sector deepening) should be combined under one unit.	We consider that collaboration between WEMU and WEIF is very good and synergies between projects are well exploited in spite of shared thematic responsibilities. This said SECO's management is willing to rethink the organizational arrangements in place once the new framework credit is approved by the Swiss Parliament.	
For projects below CHF 1 million, a Summary Project Completion Note should be prepared, that should as a minimum summarize: project outputs against plan; significant achievements or failures; lessons learnt; recipient feedback; analysis of budget vs actual expenditure by budget/activity line.	We agree that it is of utmost importance to collect and disseminate lessons learned of completed projects, including for project below CHF 1 million. SECO's Evaluation and Controlling division (WECO) is in the process of strengthening the ongoing monitoring of projects by the adoption of a new monitoring fiche, which will be obligatory for any project.	Ongoing Responsibility by WECO
Recommendation on Multi L / Multi B in General		
Improve monitoring at the multilateral institutions	This point is well taken. SECO has been intensively working on this with our multilateral partners during the last two years and will continue to do so in the future. We are confident that with increasing pressure an all partners for delivering on the agenda of managing for development results some tangible changes can be achieved in the near to medium term.	ongoing
Recommendation on specific Multi L / Multi B projects		
AFRITACs may be too stretched to cover all the countries and areas targeted. We suggest a) a strategy more in	We agree with these recommendations. We will raise them during the next Steering Committee Meetings for the facilities and keep them in mind	Upcoming Steering Committee Meetings

line with the one they have developed with the IMF in LOUs East and South and focus on a few projects well delivered in reform committed countries, b) avoid allocating a disproportionate level of TA in the host countries and raise the issue of resource allocation to encourage a more geographically balanced TA delivery.	when the mid-term review of the RTACs takes place.	
SECO should support the next phase of FIRST, encourage its engagement in developing financial sector strategies at the country level, now that FSAPs are drying up, and support donor coordination needed to ensure that such strategies are funded. SECO should also challenge FIRST's move back into the micro-finance.	We agree with the recommendation to further support FIRST. The other points were already on SECO's agenda and have been taken upon during the on-going discussions for developing FIRST strategy for the next phase. FIRST engagement in microfinance has been requested y other donors but will be limited to those areas not covered by other initiatives.	End of 2011 (for requesting internal support for FIRST follow up phase)
Recommendation on Vietnam-portfolio in General		
SECO should focus on few projects in selected segments of the banking or financial sector, rather than undertake projects across the spectrum of sector activities. At the individual project level, chances of project success will be enhanced if well defined, focus objectives are established at the outset, which have low dependencies and can be met relatively quickly.	We agree with this overall statement. A more focused approach to support in the financial sector would enable WEMU to concentrate its resources where it has a comparative advantage and where its niche-interventions are appreciated. Initial discussions on consolidation of portfolio in financial sector between HQ and COOF have already been launched last year and will continue during the formulation of the new country strategy 2013 - 2016 for Vietnam. Due to the overall SECO concentration in just few priority countries, however, focus has to be weighted against the need to deliver on the country's targeted level of engagement.	on-going
SECO might find better projects outside the core of its main segments. The biggest risk for SECO, as is evident from the assessment of the banking sector and SECO projects themselves, relates to the slow and	We do not agree with this recommendation. On one hand, we believe that this represents a contradiction with the suggestion to better focus our interventions. On the other hand, the natural partners of WEMU projects are government agencies involved in	

uncertain pace of implementation of reform plans by the government. To the extent possible, SECO should seek to balance its portfolio of projects away from projects where their outcome is dependent on government decisions	financial sector regulation and supervision as well as monetary policy. Moreover, we believe that engaging with government authorities and ensuring their commitment is key to succeed in the implementation of any sustainable change in the framework conditions. We therefore think that the important question is to identify the government's agenda correctly.	
Recommendation on specific projects		
TATP: Whilst having staff at the client institution implement projects does increase the effectiveness of capacity building and enhance ownership, we believe such an approach should be used selectively.	We think that in the case of Vietnam close involvement of the partner makes sense and country implemented project have a better chance to deliver satisfactory results. In particular when working with Vietnamese authorities using their staff is the right way to enhance capacity and ensure that reforms are institutionally backed. This said, we are aware of other projects shortcomings (i.e. with regard to local monitoring capacities) and are addressing them in the new design of our cooperation with central banks.	New phase under preparation. Second half of 2011
MHB: SECO may wish to review the need to more explicitly define the support and information sharing responsibilities of aid recipients in their co-operation agreements, so that it can adhere to its accountability responsibilities	We take note of this suggestion. SECO/WEMU however understands MHB reluctance to share detailed information, due to the fact, that the bank is in the process of acquiring a strategic partner.	
BRW: A clear follow-up action plan should be incorporated at the design phase to ensure that workshop recommendations are dealt with appropriately.	We find this suggestion interesting and will keep it in mind, for other similar projects. With regard to the feedback, we have gotten a short informative feedback from BSI confirming the value of the workshop as policy forum. In addition, SECO/WEMU got confirmation from BSI that attendance to BRW was always high and lasted for the whole event, something rather unexpected in the Vietnamese context, as people often are not able to take off time from their regular work.	

BSS: The BSS project design missed out dealing with the implementation issues.	We disagree with this statement. Implementation of the Roadmap is the main objective for the second phase of the project which will be launched once Roadmap is approved. If the implementation of the Banking Sector Strategy has been left to the SBV is because this has been explicitly requested by government. SECO's purpose is, however, to support the monitoring of the implementation, as SBV/BSI clearly lack capacity in this area. Going beyond this objective will mean to set unrealistic goals, something that has been clearly objected by the evaluators.	Approval of the Banking Sector Strategy scheduled for 4Q 2011. A detailed concept note for the second phase will follow this trigger (first half 2012)

Signature of the head of Division:

Monica Rubiolo

Signature of the Head of Operations

Jean-Luc Bernasconi

The External Committee on Evaluation Bern, July 20, 2011

Position of the External Committee on Evaluation on the Independent Evaluation: SECO's Contribution to Financial Sector Reform In Developing and Transition Countries

And SECO/WE Management Response

During its sixth meeting on June 24, 2011 the External Committee on Evaluation (the Committee) discussed the independent evaluation: SECO's Contribution to Financial Sector Reform in Developing and Transition Countries prepared by Consulting BASE, United Kingdom as well as the accompanying Response by SECO/WE's Management to its main findings and recommendations.

This independent evaluation focuses on SECO/WE's work in the financial sector in developing and transition countries between 1998 and 2010. This independent evaluation is especially timely as over the last ten years SECO/WE did gradually increase its support to financial sector reform in selected countries. This reflects the fact that financial sector reform is considered by SECO/WE as a key ingredient for poverty reduction and sustainable, inclusive growth. It rightly believes that well developed, stable but also more transparent financial markets in developing countries can contribute to strengthening a resilient global financial system as well as helping mitigate and even reverse the negative effects of international financial crises.

As recognized in the Response by SECO/WE's Management, the Committee acknowledges that this evaluation represents a professional effort to critically analyze SECO/WE's financial sector activities and draw some lessons that can help to better design current and future interventions. As a small donor SECO/WE is forced to choose a niche-approach and focus on targeted interventions with particular relevance and demonstrated effectiveness. Moreover, Swiss public opinion remains sometimes skeptical about the rationale and merits of interventions in the financial sector area, especially after the dramatic events related to the recent international financial crisis. Therefore showing the evidence of SECO/WE's good performance and of positive impact on the partner countries in this challenging area of international cooperation needs a particular effort. Against this background the evaluation report constitutes a very useful document in view of the drafting of next SECO/WE Message and the upcoming parliamentarian debates for a new framework credit for development cooperation during the period 2013-2016.

The Committee welcomed the main thrust of the evaluation report, its clarity, its very good technical quality as well as its well documented analysis and the generally positive conclusion on the activities undertaken by SECO/WE. The report considers that SECO/WE's interventions at the macroeconomic level have performed high. This has allowed SECO/WE to substantially deliver on its goal to support economic and financial sector stability by also fostering economic growth, thereby contributing to poverty reduction and to a better integration of its partner countries into the global financial system.

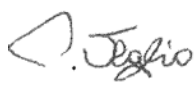
The Committee endorsed several evaluations findings and recommendations, in particular (i) the need to further improve delivery modalities for supporting financial sector development and enhance their long-term impact; (ii) as many external and internal factors related to the domestic political economy beyond the control of SECO/WE may impair the intended outcomes and impact, realistic und updated analysis of political economy as well as country risks are key. The latter should lead to somewhat less ambitious but still highly relevant objectives; and, (iii) the need to determinedly implement the approved measures to improve project supervision. The Committee is aware that all this implies addressing systemic human resource constraints within SECO/WE and urges Management to seek a sustainable solution within the new framework credit for development cooperation.

The Committee considered that the evaluation could have better integrated some political aspects related to the enabling framework that orients and guides the Swiss and SECO/WE's international cooperation. The Committee disagreed with a few specific recommendations of the evaluation report. Firstly, with respect to the units of Private- and Financial Sector, it concluded that their merger was not advisable. While cooperation between these two small units is very good, SECO/WE's Management is willing to rethink this aspect once the new framework credit will be approved by Parliament. Secondly, the adoption of a sustainability score to assess each of the sustainability risks is theoretically interesting but practically very challenging. Gradual improvements on the assessment quality of sustainability are more realistic, including transparent communication of results to public opinion, especially in cases of failures. Thirdly, the recommendation on Vietnam-portfolio to seek to move away from projects where their outcome is dependent on government decisions is controversial. SECO/WE's Management is right to believe that their natural partners are government agencies involved in financial sector regulation and supervision as well as monetary policy. At the same time seeking a well thought through balance at SECO/WE portfolio level to minimize country and sector risks is advisable. Fourthly, on the diversification of providers of technical assistance, in particular private sector providers, there are some systemic obstacles. SECO/WE is well advised to continue its current cooperation with leading international institutions such as the IMF and the World Bank. With respect to the involvement of Swiss private financial sector providers the experience shows that mobilizing such support is especially challenging

Finally, the Committees emphasized that the overall benefits for Switzerland of the overall strengthening of the financial sector in developing countries could have been better highlighted in the report. This aspect is key for informing public opinion.

In conclusion the Committee recommends the disclosure of the independent evaluation report: SECO's Contribution to Financial Sector Reform in Developing and Transition Countries as well as SECO/WE's Management Response and the Position of the Committee on SECO internet website.

Chairman of the External Evaluation Committee:



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SECO's Contribution to Financial Sector Reform in Developing and Transition Countries

Independent Evaluation

Final Report
July 2011

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ACKNOWLEDGEMENTS

We have found this evaluation of SECO's financial sector work extremely interesting and rewarding. There were a number of intellectual and technical challenges involved, including building the results chains of interventions for SECO's Multilateral programs and also the Vietnam case study. We were able to meet the challenges with the considerable support and valuable input we received from the SECO team, who also gave very constructive comments on various drafts of the Report. We have been very impressed by the highly professional approach taken by SECO in this evaluation exercise and its financial sector work.

We thank SECO, especially Catherine Cudré-Mauroux and Roman Windisch in the SECO Evaluation and Controlling Division, and also Monica Rubiolo and her team in the SECO Macroeconomic Support Unit. We received considerable logistical support and benefit of local insight from Brigitte Bruhin and Nguyen Hong Giang at the Swiss Cooperation Office in Hanoi. James Weaver, SECO's strategic partner for its Vietnamese financial sector program, also gave us valuable input drawing from his considerable experience in this area.

Finally, we would also like to thank all the staff at the IMF, Debt Relief International, the Graduate Institute of International Development Studies of the University of Geneva, and the FIRST Initiative for giving us their time and input on SECO's Multilateral programs, as well as staff at co-operation partner institutions and other donors in Vietnam, especially Mr. Tran Huu Trang of the State Bank of Vietnam, for sharing their experiences and insights.

CONTENTS

ABBREVIATIONS AND ACRONYMS

ACIIA	Association of Certified International Investment Analysts

AFD	Agence Francaise de Developpement, the French government's development agency
AFE	AFRITACs East
AFRITACs	African Regional Technical Assistance Centers
AFW	AFRITACs West
AML/CFT	Anti-Money Laundering & Combating Financing for Terrorism
AsDB or ADB	The Asian Development Bank
AZEK	Swiss Training Centre for Investment Professionals
BCEAO	Banque Centrale pour l'Afrique Occidentale
BEAC	Banque Centrale pour l'Afrique Centrale
BMI	Business Monitor International
BRWs	SECO's Bank Restructuring Workshops project (Vietnam)
BSA	Bank Supervision Agency, part of the SBV (Vietnam)
BSI	Banking Strategy Institute, part of the SBV (Vietnam)
BTC	Bank Training and Consultancy (Vietnam)
BUNIs	SECO's Banking Universities Training program (Vietnam)
CEMLA	Centros Estudios Monetarios Latinamericanos
CIDA	Canadian International Development Agency
CIIA	Certified International Investment Analyst
COOF	SECO's Country Cooperation Office (Vietnam)
DAC	OECD's Development Assistance Committee
DFID	Department for International Development, the UK government's development agency
DRI	Debt Relief International
EAC	East African Community
FATF	Financial Action Task Force
FIRST	The Financial Sector Reform and Strengthening (FIRST) Initiative
FMO	Netherlands Development Finance Company
FPC CBP	Foreign Private Capital Flows Capacity Building Program
FRSBs	FATF Style Regional Bodies
FSAP	Financial Sector Assessment Program, run by the World Bank and IMF
HCMC	Ho Chi Minh City
IFC	International Finance Corporation
IMF	International Monetary Fund
JSBs	Joint Stock Banks (Vietnam)
LOU	Letter of Understanding
LOU East	Multi B partnership between SECO and IMF for TA to Central Asia and SE Europe
LOU South	Multi B partnership between SECO and IMF for TA to SECO's seven priority countries (Ghana, South Africa, Egypt, Indonesia, Vietnam, Colombia and Peru)
MEFMI	The Macroeconomic & Financial Management Institute of Eastern and Southern Africa
MHB	Mekong Housing Bank (Vietnam)

MOF	Ministry of Finance
MOU	Memorandum of Understanding
MPDF	Mekong Private Sector Development Facility, managed by the IFC
Multi B	Bilateral partnerships between SECO as sole donor and an implementing agency (IMF (LOU East and South), DRI (FPC CBP) and Graduate University of Geneva (TATP))
Multi L	Multi-lateral, multi-donor programs supported by SECO (FIRST, AFRITACs, AML/CFT TTF)
NPLs	Non-performing Loans
OSCE	Organization for Security and Cooperation in Europe
PMU	Project Management Unit
PRSP	Poverty Reduction Strategy Program
RBMS	Results-based Management System
RBS	Risk-based Supervision
Report, the	This report, presenting the findings and recommendations on the evaluation of SECO's work in the financial sectors of developing and transition countries
ROs	Regional Organizations
ROSC	Report on Observance of Standards and Codes
RTACs	Regional Technical Assistance Centers
SADC	Southern Africa Development Community
SIFEM	Swiss Investment Fund for Emerging Markets
SBV	State Bank of Vietnam, the central bank
SECO	State Secretariat for Economic Affairs (Switzerland)
SMEs	Small and Medium Sized Enterprises
SOCBs	State-owned Commercial Banks (Vietnam)
SSC SRTC	State Securities Commission Securities Research and Training Centre (Vietnam)
TA	Technical Assistance
TATP	SECO funded Technical Assistance Training Program for central banks
TNA	Training Needs Analysis
TTF	Topical Trust Fund
USAID	United States Agency for International Development
VNBA	Vietnam Bankers Association
WAEMU	West African Economic and Monetary Union
WAIFEM	West African Institute for Financial and Economic Management
WEIF	Private Sector Development Unit (SECO)
WEMU	Macroeconomic Support Unit (SECO)

EXECUTIVE SUMMARY

The Purpose of the Evaluation

- The purpose of the Report is to present the findings of our independent evaluation of SECO[1]'s work in the financial sectors in developing and transition countries between 1998 and 2010. It aims to:
  - Assess the overall effect of SECO interventions with regard to the financial sector as well as strengthening macroeconomic policy and its management; and
  - Learn from past experiences in order to identify potential improvements for SECO's strategic and operational approach, and project design and management.

- We carried out our evaluation in two parts:
  - Multilateral, multi-donor programs (Multi L), and programs covering a number of countries implemented by a partner (such as the IMF) with SECO as the only donor (Multi B); and
  - Vietnam case study: As an example of a priority country where SECO is active in a number of bilateral projects.

How SECO's Financial Sector Portfolio has Developed since 1998

- SECO's intervention through multilateral or multi-country initiatives goes back to 1992 when it partnered with the Graduate Institute of International Development Studies (Geneva University) to launch a program (Technical Assistance & Training Program: TATP) focusing on strengthening the independence and efficiency of six central banks in South East Asia, Africa and Latin America. SECO also started to work with the IMF in some countries on a case by case basis in 1994 and then in 1998 formalized this partnership through a Letter of Understanding (LOU East). The LOU covered SECO priority countries in Central Asia for largely macroeconomic policy and operations strengthening. In 2001, it started as a small contributor to the Foreign Private Capital Flows Capacity Building Program (FPC CBP). In 2002, two more multilateral, multi-donor programs were launched and SECO was one of the founder donors: the Financial Sector Reform and Strengthening (FIRST) Initiative, a global program aimed at Technical Assistance (TA) across the entire financial sector spectrum (not including macroeconomic or public finance); and the African Regional Technical Assistance Centers (AFRITACs) for Africa East (eight countries) and Africa West (10 largely Francophone countries). In early 2010 the multi-donor Anti-Money Laundering and Combatting Financing for Terrorism Topical Trust Fund (AML/CFT TTF) was launched, after strong preparatory support from SECO (also the largest donor), and is now in its second year of operation. In the same year SECO signed an LOU with the IMF for a sub-account partnership for US$10 million to cover SECO's seven priority countries in the South (LOU South).

- SECO gradually increased its financial support for Multi L and Multi B programs[2] from US$2.5 million back in 1998 for LOU East to about US$18 million by 2003. Then with the launch of FIRST, AFRITACs East and West, FPC CBP, AML/CFT TTF and LOU South, total commitments increased to approximately US$65 million by 2010.

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[1] SECO carries out interventions in the financial sector in developing and transition countries through a number of channels. This evaluation is assessing the activities carried out by WEMU, the Macroeconomic Support Division of SECO. For the purposes of the Report, we have used the words WEMU and SECO interchangeably, except where stated otherwise.
[2] Except where stated, the figures relate to projects that are the subject of the current evaluation.

SECO's financial sector work in Vietnam can be divided into two phases: a) 1993-2004; and b) 2004-2010. The first phase started with a signing of a bilateral balance of payment support agreement, under which the Swiss government agreed to provide TA to the Vietnamese Eximbank to strengthen its credit-related operations. In 1996, the Vietnamese component of TATP was started at the State Bank of Vietnam (SBV), the Vietnamese central bank. Between 2002 and 2004 a number of small capacity building projects with local joint stock private banks (JSBs) and two debt management projects followed. In late 2004, a major package of six projects, with a total budget of CHF6.9 million was approved. These projects, which covered a range of areas within mainly the Vietnamese banking sector, were implemented between 2004 and early 2011. Between 1998 and 2010, SECO spent or committed to US$11.9 million of projects in Vietnam, between 2-3% of over US$400 million of financial sector TA received by the country over that period.

- Over the period 1998-2010, a total of US$77.3 million has been committed by SECO to financial sector projects and programs that are subject to this evaluation. Of this, 43% and 42% of the commitments were allocated to Multi L and Multi B programs respectively, and 15% to projects in Vietnam. Among the Multi L programs, FIRST has already benefitted over 80 countries, the AML/CFT TTF program approximately 30, AFRITACs (East and West) 18 countries, and the FPC CBP program has positively impacted on 23 mainly sub Saharan African countries. In addition, the contribution to the Multi L programs has helped SECO financially leverage the impact of its contributions. The US$37 million SECO has contributed to these four programs has, together with other donors, raised a total of US$277 million to assist developing countries to reform their financial sectors.

- In addition to the projects and programs outlined above, SECO has undertaken bilateral financial sector projects in Azerbaijan, Tanzania and Peru. These have been excluded from the evaluation. If projects that are not subject to this evaluation are taken into account, SECO's relative commitment would be 37% for Multi L programs, 39% for Multi B programs[3], and 24% for bilateral projects.

Our Approach to the Evaluation

- Our approach for both parts of the evaluation exercise has been as follows:
  1. Construct the results chains of SECO's intervention for: a) Multi L and Multi B programs; and b) the Vietnamese financial sector. The results chain seeks to provide a logical sequence of steps that demonstrates how a project or program's activities translate into results at a macro-economy/societal level (the project or program's Impact), through a sequence of interim stages: the project's immediate Output (products or services produced), and its Outcome (intermediary benefits for the beneficiary).
  2. Construct the results chains for individual programs and projects.
  3. Based on the objectives and indicators identified in the results chains, develop a work-plan to gather evidence on the extent to which the objectives were achieved.
  4. Implement the work-plan, which included a combination of desk-based research, interviews in Switzerland and field trips to Washington, DC and Vietnam.
  5. Conclude on lessons that could be learnt and recommendations for the future.
  6. Draft and finalize the Report.

[3] Includes only Phase III of the TATP project.

- Two broad methodologies were followed:
    - A meta-evaluation of SECO contribution to the Multi L and Multi B programs, using as references existing evaluations and self-assessments, while strengthening some of the analyses in order to fully respond to the key questions that this evaluation seeks to respond to. In practice, due to data shortages and inconsistent approaches taken by the evaluations and assessments, considerable project-level analysis had to be carried out to supplement the available information.
    - For the Vietnam case study, a more detailed in-depth assessment, involving two field trips to the country, was carried out. This was to evaluate the performance of individual projects, the performance of SECO's portfolio in the country as a whole, and the degree to which SECO's intervention objectives in the country had been achieved. A key challenge here was to construct a results chain that linked the outputs and activities for individual SECO projects to SECO's goals in Vietnam: to reduce poverty, deepen the financial sector, and increase its stability. Given the relatively small scale of SECO's interventions compared to the overall donor, government and private sector commitments over the period, it was agreed that it would be impractical to attribute any changes in the financial sector to SECO's interventions. Rather, we sought to assess the degree to which SECO might have contributed to them.

- In assessing their results, we looked at the projects' and programs' Relevance (alignment to recipient country priorities, coordination with other donors, etc.); Effectiveness (divided into Impact, Outcome and Output); Efficiency (cost effectiveness, quality of project management, etc.); and Sustainability (whether the project's results can be self-sustained by the beneficiary in the long term). For each of these criteria, we rated projects as Highly Satisfactory (substantially all objectives achieved); Satisfactory (majority of objectives achieved); Unsatisfactory (few /minority of objectives met); Highly Unsatisfactory (no/very few objectives achieved); or Not Demonstrated (criterion cannot be assessed). We also gave a score of between 1 and 4 to each evaluated criterion to allow for gradation between the four ratings.

Results at the SECO portfolio level

- We rated highly SECO's performance in delivering its strategy for intervention aimed at financial sector reform in developing and transition countries. At the portfolio level, across all scoring criteria, our ratings are at least Satisfactory, i.e., the majority of its objectives have been achieved. We believe SECO substantially delivered on its goal to support economic and financial sector stability to foster economic growth, thereby contributing to poverty reduction, and to facilitate regional and country financial sector harmonization and integration into the global financial system.

- Within the overall rating, there were some variations. Our evaluation found that projects had generally been very well targeted, well co-ordinated with other donors, and played to SECO's or the underlying program's strengths (i.e., they were highly Relevant). Conversely, the objective of building long lasting human, institutional and financial capacity in the target countries (Sustainability) was rated less highly, albeit still achieving a Satisfactory rating. The Vietnamese portfolio generally received lower ratings across the range compared with its Multi L and Multi B counterparts, although it still received a Satisfactory rating overall. This reflects the challenges in implementing donor projects in the country and in the Vietnamese financial sector in particular; lack of on-the-ground SECO project management resources in Vietnam during the earlier part of the implementation phase of the program; and some variation in rating standards between the Multi L and Multi B programs and the Vietnam projects.

How the Multi L and Multi B Programs Performed

- The Multilateral programs generally delivered strong results, with all programs producing results that were Satisfactory or higher.

- With respect to Relevance, all the Multi L and Multi B programs received scores that were at the high end of Satisfactory, indicating that the programs were well aligned to national and international financial infrastructure priorities. This high rating is contributed to by the fact that SECO has partnered with the World Bank and IMF to implement the programs, both of whom are leaders in defining global financial architecture standards. Moreover, each of the programs has its own consultation mechanism at the country level to ensure individual projects are aligned to that country's priorities and effectively coordinated with other donor work. There is generally also strong evidence of country ownership, with some programs, such as AFRITACs and FIRST showing stronger results in this area than other programs. Furthermore, there is evidence that synergies between programs and projects are being effectively exploited, although a more systematic approach may be required in some cases.

- With respect to Effectiveness, it is difficult to attribute positive impact to SECO or the SECO supported programs at the Multi L and Multi B levels because so many factors influence economic development and poverty reduction, common goals among the majority of programs. We gathered evidence of individual projects, such as the FIRST supported Indian Housing Finance program, which has helped raise over US$100 million of funds for low-cost housing, and that suggests that SECO projects are indeed making a contribution in this area. The AFRITACs are helping increase government resources by strengthening, for example, tax and customs revenue collection. At the global level, we looked at the macro-economic data in the AFRITAC countries up to 2008 (to avoid impact of global crisis), and these are generally showing positive trends, although without an effective control group it is not possible to demonstrate any results scientifically.

- We assessed the programs' Outcomes based on the degree to which they had carried out the programs' main generalized objectives: a) established best practices, processes and systems; b) assisted in developing organizational capacity; c) the degree to which they had benefited the recipient organization financially (e.g., increased tax collection); and d) contributed to organizational and financial stability and sustainability. Similarly for Outputs we assessed programs based on the degree to which they had: a) built capacity in target institutions and countries; b) effectively carried out diagnostics as a foundation for reform advice; c) helped develop strategies and plans; and d) draft and pass legislation and regulation. The results are positive for both Outcomes and Outputs, with relatively high scores in particular for capacity building in most programs.

- We have concluded that all programs have been managed and delivered Efficiently. We have expressed some concern over control and accountability of the mechanism FIRST employs to implement its projects, and believe that AFRITAC resources might be stretched. It is not feasible to carry out a cost-benefit analysis of the programs based on the information available. However, by comparing the program disbursements with their Outcomes to the extent feasible, we can conclude that the results in this area are at least Satisfactory. Similarly all programs received a Satisfactory score for Sustainability, although LOU East received a rating that was marginally lower, due to weak results from two of the countries targeted: Azerbaijan and to a lesser extent Uzbekistan, largely due to lack of ownership and commitment from the authorities.

- The three Multi L programs: FIRST, AFRITACs and the AML/CFT TTF received marginally higher overall scores than their Multi B counterparts. Within this average, the ratings for Outputs were generally highest, and that for Sustainability lowest. FIRST in particular received a low Satisfactory rating for Outcomes, reflecting the fact that it mainly does short-to-medium term projects where Outcomes are less discernable and more difficult to measure. Outputs were generally rated highly for both Multi Ls and Multi Bs, with most programs receiving Highly Satisfactory ratings in this criterion. This suggests that the programs were well implemented and delivered to expectations.

Our Assessment of the Vietnam Project Portfolio

- Although we cannot attribute the result directly to its projects, SECO's Impact level objectives in Vietnam were broadly realized. The general poverty level in the country has fallen sharply between 1998 and 2010 (37.4% to 9.5%) and the financial sector depth has increased considerably. However, the rapid growth of the sector has stretched industry and regulatory capacity, and the sector is now fragile. It is also worth noting that factors from outside the financial sector, such as the US Bilateral Trade Agreement and WTO Accession over this period, will have contributed to wider economic and financial sector growth in the country. The government's plan to equitize (essentially privatize) four of the five state owned banks by the end of 2010 has been only partially realized. Monetary Policy management is weak, with inflation rate currently at 20%, and the central bank intervening directly in the financial sector with interest and credit growth caps and interest subsidies. However, the banks, led by the private sector, have grown rapidly and have introduced new products and services. In particular, the banking sector's infrastructure such as training capacity has developed strongly. We rated the achievement of SECO's goals in the Vietnam financial sector as Satisfactory. Of the contribution from SECO's projects to this development, we rate those from Bank Training and Consultancy (BTC), a training provider to the banking sector, as being high as it specializes in delivering high quality training to bank managers and executives and has a large market share in this niche; and two train the trainer projects, one to the State Securities Commission's Research and Training Center (SSC SRTC), and another to two banking universities (BUNIs), as being low as they suffered from poor attendance and pass rates, and the longer-term benefits of SECO's support are less likely to be sustained.

- SECO's project portfolio in Vietnam has been negatively affected by factors outside its control. This partly reflects the fact that although the banking sector, where the majority of SECO's projects is focused, has boomed during the review period, as indicated above the government's reform agenda for the sector has not been implemented at the speed that it was envisaged. A large proportion of SECO's projects were designed to support this agenda, and their effectiveness has been adversely affected. Also, the slow reform process has impacted negatively on the central bank, with banking related regulation and supervision lagging behind the industry, along with delays in implementing a new monetary policy framework.

- Despite the difficult environment, our overall assessment of the SECO Vietnam project portfolio is that it has shown disproportionately strong results: three very strong projects; two relatively weak ones; and the rest in the middle (i.e., five projects out of eight performing average or better). It is worth noting that WEMU's project design and monitoring capabilities, and resources at the Hanoi Cooperation Office (COOF), have strengthened considerably in recent years, as reflected in the strong performance to date of the two projects started in 2010.

- Of the individual projects assessed, we rated SECO's achievements at BTC the highest, as it has helped transform a struggling ex-donor funded initiative to a high quality private sector organization, albeit still looking for an effective long term strategy; SSC SRTC and the BUNIs projects are scored low for reasons stated previously. TATP III, which along with its predecessor phases had been trying for 15 years to strengthen SBV's monetary policy management and the central bank's overall management model, but has to date only partially realized its objectives, is also scored low. In our opinion the underachievement of TATP is mainly attributable to the slow pace of reform in the country and the central bank, and project-specific issues, although present, play a relatively less significant role. The Mekong Housing Bank (MHB) project, aimed at capacity building at the smallest State-owned Commercial Bank and facilitate its equitization (privatization), is rated as an average Satisfactory overall. The bank has been able to keep pace with the sector in terms of growth of assets but is yet to implement a number of the SECO project's recommendations, and its strategic and financial performance leaves considerable potential for further strengthening. SECO also conducted a series of 'Bank Restructuring Workshops' (BRWs), initially aimed at policymakers, but later at industry practitioners. The workshops didn't lend themselves to yielding their stated objective of generating concrete, identifiable policy proposals for the SBV, and were instead useful awareness generation/consolidation fora. In addition, we made interim assessments of two on-going projects: Bank Directors Training, aimed at training 70 State-owned Commercial Bank Head of Department/Branch Director level executives; and the Banking Sector Strategy Development and Monitoring project (BSS) for the SBV. Both of these projects have performed strongly to date. The BSS project in particular is a highly sensitive one and demonstrates the strong reputation and confidence SECO has established at the highest levels in Vietnam over the last decade.

SECO has been Pursuing an Effective Strategy in Recent Years

- SECO has been able to achieve a highly effective impact on financial sector reform and well beyond just the quantum of its financial commitment, through leverage of its funds and expertise. At the strategic level, SECO's three-pronged approach of focusing on: a) Multi L programs, b) Multi B programs and c) bilateral programs in its (currently seven) priority countries, has enabled SECO to:
  - Leverage off specialist or core expertise of other programs;
  - Learn from and contribute to these programs by exploiting synergies in information and instruments used;
  - Exercise substantial influence over program policies;
  - Optimize SECO visibility with beneficiaries of technical assistance and other donors and International Financial Institutions (IFIs).

- Especially in the last three years SECO has re-defined its strategy and used its growing influence to alter the intervention approaches of the Multi L and Multi B programs it supports. The planks of the strategy are now:
  - A coordinated approach to financial sector reform that focuses on: building ownership and commitment, leveraging resources of IFIs, and ensuring a more programmatic approach;
  - Recognition that capacity building needs a long term horizon built on strong and agreed policies; and
  - Clear categorization of interventions as between those that build stability (monetary policy, analysis, risk management and human resources), those that strengthen public finances (fiscal reform, expenditure management, debt management, macro-analysis) and those that build a sound financial sector infrastructure (financial sector regulation and supervision).

- In Vietnam, SECO has built up a high reputation based on:
  - Quality of its work;
  - Flexibility in responding to recipients' needs;
  - Political neutrality;
  - Increasingly over the recent years on strong project design and management;
  - Particular strength in banking sector training.

Our Key Recommendations for SECO Going Forward

We have made over 50 recommendations in the Report, arising from our assessment of the evaluated programs and projects, and SECO's financial sector activities as a whole. We present the principal recommendations below.

WEMU Resources and Responsibilities

- *WEMU Resources:* Much of SECO's value added comes from the WEMU project design, monitoring and management team. This is evident from the results of this evaluation exercise. Our review of SECO's programs and projects suggests that pro-active management and monitoring of projects is critical to ensure their success. The Outcome of a number of projects, for example in Vietnam, may have been better had there been on-the-ground monitoring and management resources, a situation that is now better but still requires further improvement. It appears to us that the level of resources at WEMU and COOF is lower than it should be, based on the number of projects managed and relative resources committed to WEMU's budget. We suggest that SECO should to carry out a benchmarking exercise of the level of commitment of management resources of other similar donors and allocate appropriate resources. This combined with an analysis of SECO's future financial sector strategy and resources required to implement the projected work should provide a good starting point for budgeting for additional resources, both at WEMU and local offices. The level of resources available will also impact on SECO's ability to implement the strategic and operational recommendations from this evaluation exercise.

- *Allocation of Work between WEMU and WEIF:* Our recommendation is that the current work carried out by WEMU (monetary framework and financial sector infrastructure) and WEIF (financial sector deepening) should be combined under one unit. The reasons for this are:
  - In reality, WEMU is already undertaking financial sector deepening work, both bilaterally, and in a number of Multilateral programs. Combining all financial sector deepening work under one unit would provide greater efficiencies and learning;
  - In practice, financial sector regulation and supervision work is closely related to that of financial deepening. There are many complementarities between these two elements of TA and the same people doing both will provide additional efficiencies;
  - Combining both aspects of work will give a more critical mass of projects under one unit and provide for more efficient deployment of project management resources.

Strategic Recommendations

- *Allocation of SECO's financial sector portfolio:* Based on the programs and projects evaluated, we estimate that WEMU currently has less than 10% of its financial sector intervention budget committed to bilateral projects. In order to remain a credible donor in this area, SECO needs to allocate a reasonable proportion of its budget to bilateral projects. In addition to giving SECO greater control, visibility, and access, they are critical for SECO staff to experience project implementation at the first hand and be credible and effective managers of Multilateral programs. We believe that a minimum of CHF5-10 million is needed for an effective country program and preferably SECO should have more than one country where it enters into a bilateral partnership in the financial sector. Additionally, we feel that SECO should look at more narrowly focused Multilateral programs, where it can make an influential financial and technical/policy contribution. It should seek out partnerships with a range of International Financial Institutions and bilateral donors and also consider initiating its own program to invite other donors. Of course, in order to implement this recommendation, the WEMU resource constraints highlighted above would need to be addressed.

- *Increased Focus:* In our view there is a need to increase focus in some of the Multi L and Multi B programs, and in Vietnam (and in developing other country programs) going forward. For example, we believe SECO should challenge FIRST's move into microfinance, given that sector is already well-covered by other donors. Similarly, we suggest SECO consider using its influence, with the RTAC programs it supports, to adopt a strategy more in line with the one that's been developed with the IMF in LOUs East and South, and focus on a few projects, well delivered, in reform committed countries. In Vietnam, our recommendation is that SECO focuses on a few projects in selected segments of the banking or financial sector, rather than undertake projects across the spectrum of sector activities. Also, at the individual project level, chances of project success will be considerably enhanced if well defined, focused objectives are established at the outset, and which preferably have low dependencies. Longer term interventions should preferably be broken down into interim milestones. Our recommendation is to avoid broad, complex projects with multiple objectives, or where results are disproportionately dependent on factors beyond SECO's control.

- *Sustainability:* This is a key area of concern across the two Multilateral groups of projects and also in Vietnam. We recommend that a systematic process is engaged in to address each of the Sustainability risks early in the project cycle perhaps even using a Sustainability Score that would indicate the degree of risks in this area faced by a project. The main risk areas are: ownership and reform commitment; key stakeholder engagement; human resource issues; absorptive capacity; project design (for example focusing on human capacity building reinforced by complementary institutional or organizational reform); stand-alone financial sustainability; and financial contribution to the TA process. Projects carry different degrees of risk in this area and once specific risks have been identified and overall risk to Sustainability assessed, the project should be designed to mitigate such risks in the first instance. Residual risks should then be evaluated and monitored. Beyond a maximum risk threshold, a project should be rejected (or special dispensation obtained).

- *Regional Approach*. This is a feature of the intentions behind the LOU East, the AML/CFT TTF and the AFRITACs programs. There are obvious economies of scale as well as advantages for networking and regional integration and harmonization. On the other hand a regional approach did not work well for some projects in Central Asia. There are concerns about the efficacy of a regional approach in South East Europe given lingering political animosity between some countries in the region. It also did not seem to work well with the BEAC in the FPC CBP program. We suggest that a regional approach has value where there is a satisfactory to high degree of commonality between regional countries but the case needs to be explicitly made up front. As a minimum, positive confirmation should be obtained that there are no circumstances on the ground that would reduce the effectiveness of a regional approach to the extent that it outweighs its benefits.

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- *Diversification of Partnerships.* SECO's near term future funding obligations to Multi L and Multi B programs may now be committed. There may come a time when further diversification of program support is feasible. At that time SECO may wish to consider partnering with other donors focusing on narrow topics. For example, the FPC CBP was initially a partnership with DFID and achieved notable success. Non-IFI donors do have a record of developing successful initiatives ahead of the IFIs even if these have later engaged with the latter; FIRST is an excellent example of this in DFID's case. This is also the case in Vietnam where the AsDB is the largest donor in the financial sector and is actively looking for partners to work with.

- *Strategic Risks and Opportunities in Vietnam.* Our assessment of the banking industry in Vietnam suggests that its rapid growth has led to an unbalanced development of the sector. Regulation and Supervision has been lagging behind, as has been technical capacity. The core areas that require addressing, such as banking supervision, are already being covered by multiple donors. We feel, however, that there are likely to be niche opportunities at the margins of the banking sector, such as related to developing or strengthening aspects of the banking sector infrastructure, which could yield suitable projects. Additionally, the immediate boundaries of the banking sector, at the interface between, say capital markets and banks, or between banks and insurance companies, often require strengthening and barriers (legal/regulatory; technological; products/service gaps, etc.) need to be removed to ensure that the financial sector can work with proper linkages. The Vietnamese financial sector is a crowded one for donors, so we feel that SECO might find better projects outside the core of its main segments. The biggest risk for SECO, as is evident from the assessment of the banking sector and SECO projects themselves, relates to the slow and uncertain pace of implementation of reform plans by the government. To the extent possible, SECO should seek to balance its portfolio of projects away from those areas where the Outcome is heavily and directly dependent on government decisions.

Recommendations on Project Design and Management

- *Project Monitoring.* Monitoring needs to be substantially improved in all Multilateral programs. This has been recognized by SECO. The IMF, in response to SECO encouragement, is close to finalizing and introducing a Results Based Management System (RBMS). The IMF has also in the past 18 months improved its reporting, but it remains clear that staff mix Outputs with Outcomes; rarely quantify any Outcome indicators; seldom propose means of verification of indicators; and never propose any Impact indicators. FIRST is a little better in its project submissions but weak in the self-assessment project completion reports which are often disconnected with the project submissions. We suggest the following for consideration:
  - A short two day workshop organized by SECO for IMF and FIRST staff on log frames, setting of realistic indicators and time frames for assessment. This could benefit all programs supported by SECO as well as providing a good networking opportunity across the programs.
  - Building into project budgets an allocation or budget line for an *ex post* evaluation exercise for assessing achievement of the project or program's Outcome indicators, even if it takes place after two-to-three years after a project has completed.

  Our assessment of the Vietnam portfolio confirms that although project monitoring has improved considerably over the last few years, monitoring reports are still focused on input/activity, rather than Output/Outcome. We recommend that log frames of projects should be considerably more detailed, and provide for a more frequent and defined reporting and monitoring regime. SECO might wish to consider introducing a checklist for monitoring projects, with a number of core issues that must be reported on, with the scope for tailoring at the margins.

- *Program and Project Budgeting.* We feel budgeting and monitoring of project budgets needs further strengthening. Most of the programs tend to be budgeted in relation to line item costs such as personnel (internal and external), travel, accommodation, and so on. There seems little to no budgeting by activity e.g. at the program level drafting a regulation, explaining the regulation with guidelines, training the supervisor in analyzing and monitoring the compliance, training the sector in the regulation and compliance. Similarly at the project level, budgets could be defined with reference to specific activities. We therefore propose that budgets should be built up by activity; this will naturally lead into a resource based budget, and it will allow ease of comparison as between projects. It will also enhance project Efficiency by enabling SECO to assess the reasonableness of the levels of efforts for specific tasks. Moreover, we believe that comparing budgets with actual spend, based on activity, should be a project management task that should be carried out periodically and at the project's end. Such analyses often give valuable information on how a project is running and also useful lessons for the design and budgeting of future projects.

- *Summary Project Completion Notes.* At present, Project Completion Notes (PCN) are only prepared for projects that have disbursed over CHF1 million. As a result, for example, only one PCN is due for the entire completed Vietnam program. Our understanding is that there are no alternative documentations, other than consultants' final reports, to summarize project achievements. In addition, there are no channels for collating lessons learnt, independently (of the consultant) assessing project achievements and shortcomings, and getting recipient feedback. We recommend that for projects below CHF1 million, a Summary Project Completion Note should be prepared, say within four to six weeks of the project completing or receiving the consultants' final report, that should as a minimum summarize: a) project outputs against plan; significant achievements or failures; lessons learnt; recipient feedback; analysis of budget vs actual expenditure by budget/activity line. A maximum target of say, five pages could be set. A mechanism could be established to ensure the appropriate dissemination of such a note.

1. INTRODUCTION AND BACKGROUND

1.1 PURPOSE OF THE EVALUATION

The Approach Paper for this evaluation (See Appendix I) indicates that the independent evaluation of SECO interventions in the financial sector, the subject of the Report, should serve two main purposes:

- Assess the overall effect of SECO interventions with regard to the financial sector (and macroeconomic policy and management) strengthening in terms of Relevance, Effectiveness, Efficiency and Sustainability, and
- Learn from past experiences in order to identify potential improvements for SECO cooperation measures, instruments and approaches and to integrate the results into the financial (*and macroeconomic)* sector approaches as well as into ongoing and new projects.

SECO supports the view that a stable, well regulated, and deepened private financial sector is a powerful driver of sustainable economic growth, which in turn contributes to poverty reduction. It also supports the view that to achieve that objective two pre-conditions are needed: macroeconomic and political stability. SECO (WEMU) therefore supports multilateral and bilateral TA projects that address macroeconomic stability as well as stronger regulation and supervision of financial sector institutions. The various channels through which SECO delivers its support for TA all have activities that deal in these principal areas.

As required by the Approach Paper, this evaluation has assessed the results of SECO's financial sector interventions in two parts, in order to apply two different evaluation methodologies to them (see Chapter 2):

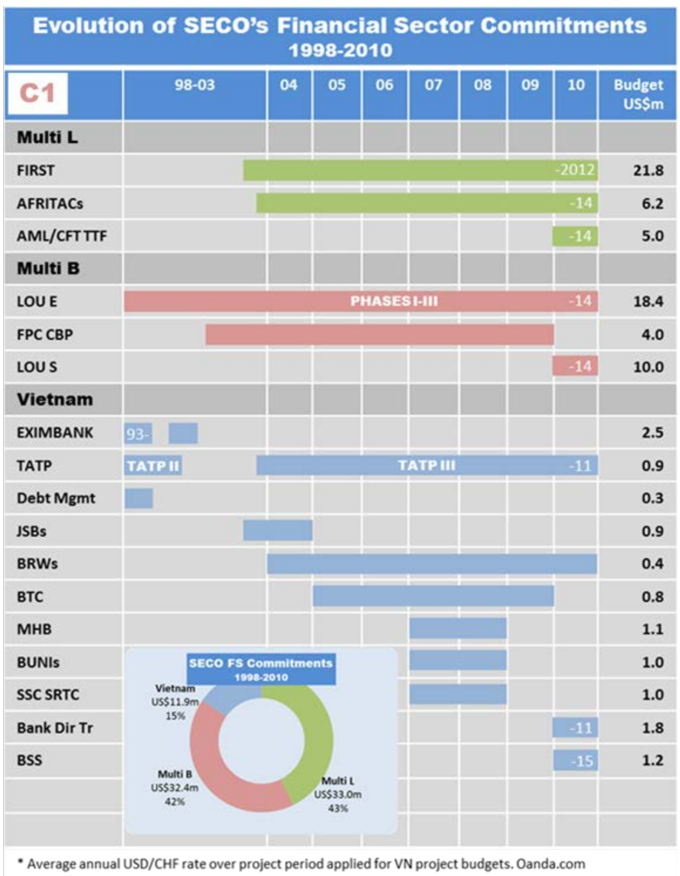
- Multilateral, multi-donor programs (Multi L) and programs covering a number of countries implemented by a partner (such as the IMF) with SECO as the only donor (Multi B); and
- Vietnam case study: As an example of a priority country where SECO is active in a number of projects.

1.2 BACKGROUND OF SECO INTERVENTIONS THROUGH MULTI L AND MULTI B PROGRAMS

SECO's intervention through multilateral or multi-country initiatives goes back to 1992 when it partnered with the Graduate Institute of International Development Studies of the University of Geneva (GIIS) to launch a program (Technical Assistance & Training Program: TATP) focusing on strengthening the independence and efficiency of central banks. It worked with six central banks from South East Asia, Africa and Latin America. SECO also started to work with the IMF in a few countries on a case by case basis in 1994 and then in 1998 formalized this partnership through a Letter of Understanding (LOU East), which covered SECO priority countries in Central Asia for largely macroeconomic policy and operations strengthening. In 2001, it started as a small contributor to the Foreign Private Capital Flows Capacity Building Program (FPC CBP) along with DFID and several other donors and eventually became the sole donor for the program's last phase, which ended in 2009.

In 2002, two more multilateral, multi-donor programs were launched and SECO was one of the founder donors: the Financial Sector Reform and Strengthening Initiative (FIRST), a global program aimed at TA across the entire financial sector spectrum (not including macroeconomic or public finance), which is now administered as a World Bank Trust Fund but with its own PMU; and the African Regional Technical Assistance Centers (AFRITACs) for Africa East (eight countries) and Africa West (10 largely francophone countries), which are managed by the IMF mainly through offices or Centers located within those two regions. Much of FIRST TA is in support of FSAP and ROSC[4] follow up work and therefore there is a large emphasis on regulation and supervision, as well as standards and codes. The AFRITACs cover similar areas to the IMF LOU programs, largely macroeconomic management, but more at implementation than high policy level. In early 2010 the multi-donor Anti-Money Laundering/Combating the Financing of Terrorism Topical Trust Fund (AML/CFT TTF) was launched, after strong preparatory support from SECO (also the largest donor), and is now in its second year of operation. In the same year SECO signed an LOU with the IMF for a sub-account partnership for US$10 million to cover SECO's seven priority countries in the South (LOU South).

There are advantages and unique characteristics to each of the above programs that afford SECO flexibility and choice. For example, whilst FIRST is global it does enable SECO to be supportive in financial sector strengthening with countries that it does not or cannot support bilaterally. A contrasting example would be where SECO decides to support an AML/CFT intervention bilaterally or provide complementary TA to that from the TTF.



Several changes have taken place in SECO's support for multilateral programs since 1998. The first is that SECO gradually increased its financial support from US$2.5 million back in 1998 for LOU East to about US$18 million by 2003. Then, by 2010, with the launch of FIRST, AFRITACs East and West, FPC CBP, AML/CFT TTF and LOU South total commitments increased to approximately US$65 million. The second is that in most cases SECO policy influence over the strategy and management of the programs has increased strongly. SECO has now become the second largest donor for the IMF (after Japan) and probably the most pro-active. The latest LOUs for East and South usher in a new cooperation strategy with the IMF that is also spilling over into the multi-donor IMF managed funds (RTACs and AML/CFT TTF). This strategy calls for a sector-wide programmatic approach in areas such as the financial sector; emphasizes longer term capacity building to deliver sustainability; establishes clear needs and recipient ownership early on; and brings in more rigorous results based management systems. The third is an increasing engagement with sub Saharan Africa, and to an extent Latin America and Asia. The first program in 1998, LOU East, only covered Central Asia in its initial phases. Then in 2002/3 came FIRST with a heavy sub Saharan Africa exposure, the AFRITACs (entirely African) and FPC CBP (about 90% engaged in Africa).

[4] The Financial Sector Assessment Program (FSAP) is a joint IMF/World Bank program to assess countries' financial sectors with the aim of improving their stability. Reports on the Observance of Standards & Codes (ROSCs) also conducted by the World Bank and the IMF but separately, are focused studies of countries' compliance with international standards, covering 11 segments of the financial and related sectors. ROSCs may sometimes be utilized to provide input into FSAPs.

At the bilateral level SECO has operated at two levels: in partnership with the IMF through the LOUs East and South and directly with selected countries. SECO's direct relationships have been with a small number of priority countries whose composition has shifted during the past 15 years: presently there are seven middle income countries (Ghana, South Africa, Vietnam, Indonesia, Peru, Colombia and Egypt). Bilateral assistance may also be delivered to the same seven priority countries in partnership with the IMF through the recently formed LOU South. In LOU East the shift has been away from Central Asia (where much has been accomplished in the past 12 years) to South East Europe.

T1: Distribution of SECO Multi L and Multi B Programs

Program	% of Activities in Africa	SECO Support to Africa US$m	SECO funds in Macroec. Dev. US$m	SECO Funds in FS Dev. US$m	Total SECO Funding US$m
FIRST	30%	7.5	-	21.8.	**21.8.**
LOU East	-		15.0	3.0	**18.4**
LOU South	-	1.0	8.0	2.0	**10.0**
AFRITACs	100%	6.0	5.0	1.0	**6.2**
FPC CBP	90%	3.5	3.5	0.5	**4.0**
AML/CFT TTF	15%	0.75	5.0	-	**5.0**
Total		**18.75**	**36.5**	**31.5**	**64.8**
Percentages		**28%**	**54%**	**46%**	**100%**

In Table 1 Macroeconomic Development refers to TA in economic management (monetary policy and management, debt management, fiscal policy and management, etc.), whether carried out by the central bank and/or the Ministry of Finance/Treasury and TA in the Financial Sector refers to capacity building of private or public sector financial institutions (institutional and human) including risk management, and regulation and supervision strengthening. SECO funding is the total of historic and committed.

1.3 BACKGROUND TO SECO INTERVENTIONS IN VIETNAMESE FINANCIAL SECTOR

SECO's financial sector work in Vietnam can be divided into two phases: a) 1993-2004; and b) 2004-2010.

1993-2004

The first phase of SECO's work in the Vietnamese financial sector started in 1993 with the signing of a bilateral Balance of Payment support agreement between the Swiss Federal Office of Foreign Economic Affairs (FOFEA) and the Vietnamese Government. Under the agreement, a CHF15 million grant was made with two components:

- On-lending through Vietcombank and Eximbank of CHF10 million shared equally to SMEs and mixed-ownership enterprises, which was essentially disbursed by 1999.
- TA to Eximbank for credit and organizational strengthening of CHF5 million.

In the event the TA project was terminated with unspent funds of CHF1.4 million. In 1999, it was agreed that Eximbank would keep CHF200,000 of this to develop a capital markets unit, and the balance would be applied to strengthen credit management capacity at initially Sacombank and Phuong Nam Bank, and subsequently also Habubank. The projects with these three Joint Stock Banks (JSBs) were implemented between 2002 and 2004. TATP I (1996-98; budget CHF500,000) and TATP II (1998-2001; CHF600,000), part of the larger Multi-B TATP program, were also successfully implemented during this phase. Two key objectives of these programs were to assist the Vietnamese central bank (SBV) to move toward implementing indirect monetary policy as well as developing a modern human resource management system. TATP III, a subject of this evaluation, followed. In addition, CHF400,000 was allocated for two debt management projects with SBV, to be implemented by UNITAR and as a co-financing venture with PNUD, between 1998 and 1999. Also in May 2001, a Memorandum of Understanding was signed between SECO and the Vietnamese State Securities Commission (SSC), for the latter to benefit from training in capacity building. In the event, for reasons explained in Section 5.8, this program only started in 2008. In the interim, SECO sponsored a series of seminars on corporate governance in Hanoi and HCMC between 2005 and 2006.

2004-2010

The substantial majority of the projects that are subject of this review were approved in late 2004 as part of a program entitled '*Technical Assistance Financial Sector Vietnam'*, with a total initial budget of CHF6.9 million (actual spend is estimated at CHF6.2 million[5]). This was approved in November 2004, with an implementation horizon of three years: 2005-2007. In reality, for reasons stated below, most of them started later than envisaged and the last project that was part of this package, Bank Directors Training program, started in 2010 and is still on-going. TATP III, with a budget of CHF900,000, was approved earlier, in December 2002 for implementation between 2003 and 2005 (in reality completed in 2011). More recently, a project to develop a Banking Sector Strategy and develop capacity at SBV's Banking Strategy Institute (BSI) to monitor its implementation (BSS) commenced in early 2010 and is also on-going. It has a budget of CHF1.35 million. The Bank Directors Training program and BSS are the subject of an interim evaluation in this report. The principal objectives of the projects under review as part of the Vietnam case study are:

- TATP III: Strengthening monetary policy capacity at SBV; strengthening SBV institutionally.
- MHB: Restructuring of SOCBs; strengthening banking operations and governance.
- BRWs: Policy implementation on restructuring SOCBs and equitization; bank operation and governance strengthening.
- BTC: Strengthening bank training infrastructure; strengthening JSBs.
- BUNIs: Capacity building in training sector; bank operations and governance strengthening.
- SSC SRTC: Strengthening regulation, capacity and training infrastructure in the capital markets.
- BSS: Cross cutting, affecting all parts of the banking sector; strengthening supervisory capacity.
- Bank Directors Training: Improving management capability; bank operations and governance strengthening.

In 2003, WEMU entered into an agreement with a private sector team as an Executing Agency to identify, design and manage its bilateral portfolio. In practice, over time the agency's role changed to that of project design and identification, with management and monitoring being carried out by WEMU staff. A budget of CHF4.35 million was allocated, to be committed over three years (2003-2006). It was this agency that designed the main 2004 package of Vietnam projects. In the event, various difficulties were experienced and the contract with the Agency was terminated in mid-2006. The problems experienced with this arrangement; a slow pace of approvals in Vietnam generally; and project-specific issues highlighted in Chapter 5, have combined to contribute to substantial delays in implementing projects in Vietnam.

The financial sector projects that have been evaluated in the Report are those managed by SECO's WEMU Division. Other financial sector related activities are also carried out by WEIF, which focuses on private sector development and improving access to finance. Also, SIFEM, which invests in private sector initiatives, has interests in financial sectors. For the purposes of the Report, however, we have used the words WEMU and SECO interchangeably, except where specifically stated otherwise.

1.4 STRUCTURE OF THE REPORT

As indicated earlier, this independent evaluation was carried out with two separate areas of focus, namely SECO's Multi L and Multi B Programs on the one hand, and the Vietnam case study on the other. Different approaches were taken in assessing the results of each of these areas and the Report's structure reflects this division.

[5] Actual budgets of individual projects when approved differed only marginally. We have assumed that the currently on-going program of Bank Directors Training will spend the budgeted CHF1.95m. For the SSC SRTC project, CHF732,000 was spent and this is reflected in the estimate. An additional component has been added to that project, which will increase the spend under that project in the future.

After the Executive Summary, which includes a synopsis of our key findings and recommendations, this chapter (Chapter 1) provides an overview of the main objectives of the evaluation, and the development of SECO's activities in Multi L and Multi B programs and in Vietnam.

Chapter 2 deals with our evaluation and research methodology. The Decision Notes approving the programs and projects did not generally provide usable indicators or guidelines for evaluating the Multi L and Multi B programs, or the results at the Vietnam financial sector level and this chapter outlines the approach we have developed and adopted for this evaluation exercise in their absence. The chapter also goes on to describe the research we carried out in evaluating SECO's interventions in these two areas.

Chapter 3 provides an overview of the structure of SECO's financial sector portfolio. It also summarizes our key evaluation ratings at the portfolio level, bringing together the results from the Multi L and Multi B programs, and the Vietnam case study.

Chapters 4 and 5 provide the results of our evaluations of individual Multi L and Multi B programs and Vietnamese projects, respectively. They provide our ratings for each of the programs and projects against the established DAC Evaluation Criteria of Relevance, Effectiveness, Efficiency and Sustainability. In addition, lessons learnt from, and our recommendations for future SECO interventions arising from our findings are summarized in respect of each of the programs and projects.

Finally, Chapter 6 outlines our principal recommendations on strategic and operational issues that we believe are common across the SECO portfolio.

It is worth noting that considerably more detailed analyses were carried out for both the Multi L and Multi B Programs and the Vietnam case study than has been possible to present in the Report. We have submitted to SECO the detailed findings separately. The Report presents a summary of these findings and our main conclusions.

2. EVALUATION AND RESEARCH METHODOLOGY

2.1 OVERALL APPROACH AND SCOPE

Our general approach for the evaluation exercise has been as follows:

1. Construct the results chain of intervention at: a) Multi L and Multi B portfolio; and b) the Vietnamese financial sector levels. These were presented as part of our inception report, and finalized after discussions with SECO.
2. Construct the results chain for individual programs and projects and these were also agreed with SECO as part of the inception exercise.
3. Based on the objectives and indicators identified as part of the above exercise, develop a work-plan to gather evidence on the extent to which the objectives were achieved in accordance with the results chains.
4. Implement the work-plan, which included a combination of desk-based research, interviews in Switzerland and field trips to Washington, DC and Vietnam.
5. Conclude on lessons that could be learnt and recommendations for the future.
6. Draft and finalize the Report.

Two broad methodologies were followed:

- A *meta-evaluation* of SECO contribution to the Multi L and Multi B programs, using as references existing external and self-assessed evaluations while strengthening some of the analyses in order to fully respond to the key evaluation questions posed in the Approach Paper;
- For the Vietnam case study, a more detailed in-depth assessment to evaluate the performance of individual projects, the performance of SECO's portfolio in the country as a whole, and the degree to which SECO's objectives in the country had been achieved.

In addition, we also conducted interviews with SECO staff and reviewed various strategy and project management related documentation to develop an understanding of the organization's approach to its financial sector interventions. Appendix II provides an overview of the work we undertook in gathering data for the evaluation exercise. Appendix III provides a list of interviewees.

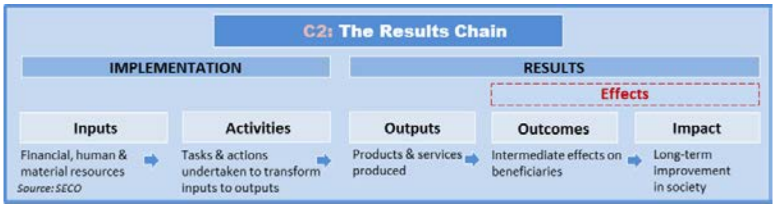
2.2 EVALUATION RATING SYSTEM

T2: Evaluation Rating System

Rating	Achievement	Base score	Range
Highly Satisfactory (**HS**)	All or substantially all objectives met	4	3.5-4.0
Satisfactory (**S**)	Majority of objectives met	3	2.5-3.4
Unsatisfactory (**US**)	Few/minority of objectives met	2	1.5-2.4
Highly Unsatisfactory (**H-US**)	Very few of objectives met	1	1.0-1.4
Not Demonstrated (**ND**)	Criteria cannot be assessed	ND	

In rating the programs and projects, and the extent to which SECO's goals have been reached, we have applied SECO's internal rating system that classifies projects with reference to the following criteria: Relevance (R); Effectiveness – divided into Impact (E/I); Outcomes (E/OC) and Outputs (E/OP); Efficiency (E); and Sustainability (S). Achievements of objectives within these criteria have been rated as Highly Satisfactory (HS); Satisfactory (S); Unsatisfactory (US); Highly Unsatisfactory (H-US); or Not Demonstrated (ND). In addition, we have given numeric scores to allow for gradation within each rating criterion (see Table 2). Appendix IV provides more details of the rating criteria we have applied in our assessments for this evaluation.

2.3 THE RESULTS CHAIN AND PROBLEM OF ATTRIBUTION



The results chain for a project (or program) links its Inputs and Activities to its immediate results and ultimate objectives. The link and causality is generally straightforward to follow up to a project's Output level. However, the link between the project and its Outcome, and especially its Impact becomes very difficult to follow because of the influence of 'Effects'. These are factors that are outside the project's scope that also influence that Outcome or goal. The longer the chain, the more exposed the chain is to outside factors, and the smaller the relative size of the project, this problem of attributing the effect of the project becomes more acute. Under such circumstances, we can at best conclude on whether a project has contributed to the achievement of the goal.

The results chains for SECO's projects (and programs), along with indicators to measure the degree to which objectives had been achieved, should ideally have been elaborated at the time the projects were designed, for example as part of the project log frames. To the extent these were not available, we had to construct them. These were easier to construct for individual projects and programs. The task was more complex for constructing the results chains for SECO's interventions at the Multi L and Multi B portfolio level, and for its objectives for the Vietnamese financial sector. The influence of 'Effects' on these results chains is extremely large. As we have demonstrated in the next two sections, the results chains we have constructed follow a logical sequence of actions and results. However, to the extent that the relative influence of external factors is substantially larger than the influence of the projects themselves, we have focused on assessing the likely level of 'contribution', rather than 'attribution'. This also means that the achievements of indicators at the Outcome and Impact at the overall Multi L or Multi B, or the Vietnamese financial sector level may not always correlate strongly with those achieved by individual programs or projects.

2.4 EVALUATION METHODOLOGY FOR MULTI L AND MULTI B PROGRAMS

The Results Chain for Multi L and Multi B Programs

The Outcome results for Multi L and Multi B programs are analyzed in Chapter 4. Given the multitude of projects in each program, each with its own range of Outputs and Outcomes, it is not practical to describe all the potential Outputs at a program level. The same limitation applies to Outcomes, a problem that is exacerbated to the extent that Outcome indicators were frequently not defined. We have therefore taken the approach of grouping Outputs and Outcomes into broad categories within programs, instead of evaluating them individually.

Outcomes have been classified into four categories, depending on the extent to which:

1. capacity building through training and introduction of changed procedures and systems have been embedded in the recipient institutions;
2. there was organizational change;
3. there was a measurable financial Outcome; and
4. stability was improved.

We have classified *Outputs* around four categories:

1. Capacity Building;
2. Diagnostics;
3. Strategies and Plans; and
4. Legal and Regulatory.

For the *Legal and Regulatory* category we have limited our evaluation to Outputs that are largely advising on new laws and regulations or amendments thereto.

The lack of Outcome indicator definitions and measurement evidence hampered attempts to construct an informative results chain (see Recommendations in Section 6.3). Taking account of data problems we designed a results chain for the Multi L and Multi B programs in order to define and then rate the extent to which Output and Outcomes had been achieved, using data from the external evaluations, program annual reports and some individual projects, as well as interviews.

The results chain in Chart 3 overleaf starts with what we have called 'Foundations': the basic building blocks for development of sound economic and financial sector policy and management whether in the public or private sector. Effective management requires robust data such as accounting and statistics so decisions can be based on reliable and comparable information; credit expansion and investment incentives benefit from secure property rights (loan collateral and clear title) and measures for protecting creditors to the extent feasible when insolvency results. Governance provides a better foundation for policy formulation and resulting transparency and accountability help attract investment and reduce corruption risk. SECO has no involvement with two of the four building blocks (property rights and insolvency) and limited engagement with accounting: there is a new project for accrual accounting in Indonesia under LOU South and FIRST has delivered limited TA for establishing audit oversight bodies and IFRS strategy but has not engaged with implementation of accounting standards (best left to larger multi-year projects).

The next line up shows the various areas of public and private sector economic and financial sector development that SECO and the programs it supports address. Some of the areas are covered by more than one source: for example, financial sector strengthening of regulation and supervision has been served by the AFRITACs, LOU East and FIRST and banking sector risk management by both FIRST and SECO directly (in Vietnam). There has been no duplication, since each of these sources of TA supported by SECO is careful in their donor coordination processes.

The next two lines reflect the four categories of Outputs and Outcomes described already, the measurement results of which are contained in Chapter 4.

We have described the difficulty of determining the attribution and the level of contribution of SECO's Multi L and Multi B to overall Impact in Chapter 4, where we have referred to selected macroeconomic statistics for some of the countries benefiting from Multi L TA.

C3: RESULTS CHAIN FOR MULTI-L AND MULTI-B PROGRAMS

GOALS

SECO
Macroeconomic & FS stability enabling sustainable economic growth leading to poverty reduction & regional & national integration into the global FS

AFRITACS	LOUs	FPC CBP	AML/CFT	FIRST
...promote stability, growth, reg. harmon. contr to pvrty red	Ec. stability & growth leading to pvrty red.	Improve mgmt of cap. Flows to promote sust pro-poor dev.	Meet ML/FT challngs ....to prtct globl FS & fac. Integraton	Strengthen FS...ec. Growth & help red. Pvrty & inc. inequal.

OUTCOMES

1. PRACTICES PROCED. & SYSTEMS	2. ORGANISATION CHANGE	3. FINANCIAL BENEFIT	4. ECONOMIC & FS STABILITY

OUTPUTS

1. CAPACITY BUILDING	2. STRATEGY DEVELOPMENT	3. LEGAL & REG DRAFTING	4. DIAGNOSTICS

2. PUBLIC SECTOR

Fiscal Reform	Mon. policy & ops.	PFM	Debt Mgmt	Forgn. Cap Flows	FS Reg & Supv.
LOUs/ AFRITACS				FPC CBP	FIRST/LOUs /AFRITACS

3. PRIVATE SECTOR

AML/CFT	Cap mkts strength.	Insurance sector deep.	Banking sector risk mgmt/ deep.	New FS products
AML/CFT TTF /(LOUs)	FIRST/ SECO	FIRST	FIRST/ SECO	FIRST

1. FOUNDATIONS

Governance	Accounting	Property Rights	Statistics	Insolvency
TATP	FIRST/LOU STH		AFRITACS	

The next line summarizes the goals/ program level objectives of each of the programs. Three of these programs (FIRST, LOU East and AFRITACs) have common objectives related to stability, growth and (consequential) poverty reduction. The FPC CBP focused largely on the poverty reduction consequences of managing international capital flows (FDI creates jobs, for example and remittances help domestic families to raise living standards), whilst the AML/CFT TTF was focused more on stability and global harmonization. All of these program objectives fed completely or largely into SECO's own goal for financial sector reform described in the final (top) line.

In order for us to compile an approximate results chain we had to ignore external evaluations to a large extent (except for the FPC CBP external evaluation and DRI final report), because these lacked suitable project analysis and their Effectiveness ratings left no hard data trail such as a results chain approach. We therefore went deeper by studying reports submitted by the IMF for their programs and looked at some additional individual projects for both FIRST and the IMF. We reviewed 221 projects (AFRITACs: 166, FIRST: 38, LOU East: 10, and AML/CFT TTF: 7). The project reports indicated whether or not an Outcome had been achieved (even though unquantified) and we marked its achievement against one or more of the four categories of Outcome summarized above. By adding up the boxes we could then determine what volume of Outcomes was achieved in total by a particular program and express this as a percentage of the total projects covered. Some projects had multiple Outcomes. Under the 'Financial Outcome' we allocated a tick where there was clear evidence that a revenue improvement was very probable (e.g. large tax office established and resultant filings up 50%) or substantial cost saving (e.g. merger of operational functions) even though no precise quantification was provided in the reports. If an Outcome was strengthened capacity in regulation and supervision, such as bringing in risk-based supervision of banks, we considered a successful result (as claimed in source reports) would contribute to stability (our fourth category).

We have summarized the Outcome level results using the methodology described above in Chapter 4, and Chart 7 illustrates the results of our Outcome and Output categorization work.

External Evaluations

We used the external evaluations where available as a source of analysis for the periods covered by them for evaluating Multi L and Multi B programs. The external evaluations all had some shortcomings and lacunae, even the 407 page one on the AFRITACs East and West. We decided to undertake supplementary analysis to the external evaluations for most of the programs subject to such evaluations, partly as a result of the deficiencies summarized above and partly to update to 2010/11 where the external evaluations had been completed in 2009 (and largely referring to projects completed in 2008 and before). We summarize the gaps in external evaluations and the steps we took to address them in Appendix II.

As a result of these issues there are some differences between our updated evaluations and the external evaluations:

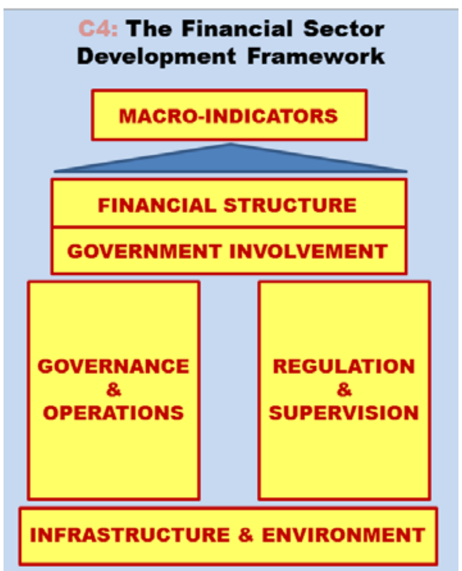
- For FIRST, we adjusted their 3 point scoring scale to our 4 point scale, which was a simple mathematical exercise. Secondly, the FIRST external evaluation did not rate Relevance, Efficiency or Sustainability, so we reviewed the projects sampled by the FIRST external evaluation plus 10 more randomly, but representatively, selected post-2008 projects to generate our own rating. We substantially agreed with the external ratings for Effectiveness.

- For AFRITACs West and East we also reviewed a large number of project reports from the IMF because the external evaluation was largely survey driven, rather than being based on project analysis. We substantially agreed with its ratings for Relevance, Efficiency and Sustainability but broke its Effectiveness rating down to cover Outputs and Outcomes (the external evaluation only rated Effectiveness at an overall level). As a result we rated Outputs at 3.9 (intuitively generous but arrived at as a result of blending the IMF's self-assessment ratings – should one trust a near perfect self-assessment score when no other evidence is available?) and Outcomes at 3.1 (the external evaluation overall rating for Effectiveness was 3.1 but no analysis was provided to support this).

- For FPC CBP no ratings were provided at all by the external evaluation, so we had to analyze projects from the reports submitted by DRI and regional organizations. Some parts of the external evaluation did provide some qualitative judgments in narrative form, but these were not translated into a rating score, added to which we considered that the overall quality of that evaluation was weak. By reviewing the DRI reports and looking at the regional organization reports and in one case the country report from Zambia (a later entrant to the program) we concluded that Outputs were strong, Outcomes were Satisfactory (and on a positive trend), and Sustainability was strong (and on an upwards trend).

- For LOU East we reviewed additional projects and we broke down Effectiveness between Outputs and Outcomes (which the external evaluation did not) but overall our ratings did not differ substantially from that evaluation.

2.5 EVALUATION METHODOLOGY FOR VIETNAM CASE STUDY



The Results Chains for Vietnam

For the Vietnam case study, the main challenge was to develop a results chain to link the achievements of SECO's projects logically to an Outcome and Impact at the financial sector level. In the event, we used Consulting Base's Financial Sector Diagnostic Framework (FSDF), which divides the financial sector into key segments and provides indicators for their development. The FSDF sees the financial sector as a building. The foundation is made up of the financial sector's supporting *Infrastructure and its Environment*. It rests on two pillars: *Governance and Operations* and *Regulation and Supervision*. The two pillars *support Financial Infrastructure and Government Involvement*. Finally, at the top is the output of the structure - these are various *Macroeconomic Indicators* indicating the depth and breadth of the financial sector. Given SECO's main scope of interventions in Vietnam, the FSDF was modified to focus specifically on the banking sector. We also added a monetary policy component to the framework, given WEMU's involvement in this activity. SECO followed a similar sector-wide pillar based approach when designing the 2004 Vietnamese financial sector program.

Chart 5 overleaf provides the logic of the results chain that was constructed for Vietnam. At the top of the chain are the Impact indicators, defining SECO's poverty reduction, financial sector deepening and financial sector stability enhancement goals. Then, Outcome indicators at the financial sector level are identified, using those from the FSDF. SECO's contributions to achieving those Outcomes are identified by reviewing the objectives of the individual completed projects that SECO has funded. To the extent that other donors are contributing to those Outcomes, their interventions are also broadly identified, to assess the overall contribution of the donor community to the development of Vietnam's financial sector, and SECO's relative contribution in context. Outputs were reviewed at the project level and any deficiencies that may have impeded the Outcome at the SECO project level assessed to ensure there is a correct assessment of SECO's contribution to achieving the financial sector level Outcomes. Finally we assessed the projects individually and the extent to which they have made a contribution to the Outcomes at the financial sector level.

C5: VN FINANCIAL SECTOR EVALUATION RESULTS CHAIN

GOALS

These are SECO's **3 OBJECTIVES** in its interventions in VN financial sector

1. Economic Growth/Poverty Reduction	
Measured by: Trends in 1998:2010 GNI/capita; poverty level	
2. Deeper financial sector	**3. Reduced vulnerability to financial crisis**
Trends in 1998:2010 of Financial depth stats such as M2/GDP, private sector credit/GDP.	Trends in 1998:2010 in stress indicators: eg NPL levels, credit growth rates, losses in banking sector, qualitative indicators, etc.

OUTCOMES

In order to meet the above 3 objectives, the following 7 OUTCOMES must be achieved

1. Improved Monetary management	2. Reduced government involvement in FS	3. Improved banking sector structure	4. Stronger regulation and improved supervision	5. Improved governance and operations in financial institutions	6. Improved banking sector infrastructure and environment	7. Strengthening of capital markets and market diversification
Measured by: Number of macro policy initiatives launched, achievements vs objects, macro data trends eg inflation, interest rates, forex rates.	Trends in % government ownership, SOCB vs JSB market shares, role of SBV.	Trends in banking sector concentration, number of foreign banks, interest rate margins.	Number/nature of regulations passed over the review period; FSAP/other independent assessment of supervisory capacity; SBV reports on changes in organisation/policies over review period.	Trends in board structures; passing/implementation on Board related regulations; trends in insider lending regulations. Banking industry performance in service delivery quality; risk management (NPLs); financial results	Number of banking staff trained; developments in credit reference bureau; card/electronic transaction trends; Deposit insurance developments; etc. External Eas e Business ratings, access to credit ratings; TI corruption index trends	Trends in market capitalisation, liquidity, number of participants, listed companies.

SECO'S CONTRIBUTION TO ACHIEVING VN FINANCIAL SECTOR LEVEL OUTCOMES

SECO will have contributed to achieving the above outcomes by achieving satisfactory outcomes in the following projects

1. Improved Monetary management	2. Reduced government involvement in FS	3. Improved banking sector structure	4. Stronger regulation and improved supervision	5. Improved governance and operations in financial institutions	6. Improved banking sector infrastructure and environment	7. Strengthening of capital markets and market diversification
TATP	MHB/Bank Directors Training BRWs Banking Strategy	Banking Strategy BRW	TATP Banking Strategy	MHB BRWs Bank Directors Training BTC/ Banking Universities	Banking Universities BTC Bank Directors' Training:	SSC SRTC

OTHER DONORS' CONTRIBUTION (ALONG WITH SECO) TO ACHIEVING VN FINANCIAL SECTOR LEVEL OUTCOMES

In achieving the FS level outcomes, SECO's contributions will have been combined with those of other donors and those of VN government and private sector

1. Improved Monetary management	2. Reduced government involvement in FS	3. Improved banking sector structure	4. Stronger regulation and improved supervision	5. Improved governance and operations in financial institutions	6. Improved banking sector infrastructure and environment	7. Strengthening of capital markets and market diversification
GiZ/ADB/IMF	AFD/ADB/ World Bank	ADB/World Bank	CIDA/World Bank/ IMF/GiZ/ Luxembourg	ADB/World Bank/ IFC/ADB/ AFD	ADB/World Bank IFC	ADB/GiZ/ FIRST

This chart is for illustrative purposes. For actual position, see Chart 8

As highlighted in Section 2.3, the key challenge in constructing a results chain at the financial sector level and producing intuitive results is the effect of factors outside the financial sector (at the Impact level), and those outside SECO's projects' scope (at the Outcome level). There is evidence that the financial sector in Vietnam did contribute to growth and, indirectly, poverty reduction. However, the achievements at the Impact level are stronger than that at the financial sector level. This is because factors outside the scope of the financial sector, such as development of the wider economy and the liberalizing influence of the US bilateral trade agreement in 2001 and WTO accession in 2007 would have also had significant influence on economic performance. An econometric analysis to isolate the influence of financial sector development on poverty reduction over this period was beyond the scope of this exercise. Similarly, although SECO's project aimed at strengthening capacity at the capital market regulator's training center (SSC SRTC) had in our opinion limited success, we scored the development of the capital markets in Vietnam over the period under review higher because other factors (including other donor projects) would have had a stronger, more positive influence.

We additionally had to construct results chains for most of the individual projects in Vietnam. As indicated later in this report, SECO's capacity for developing robust results chains and project log frames has strengthened considerably in recent years. Most of the projects evaluated and approved were designed in earlier years, and lacked coherent log frames and there was often confusion in definition between project Outputs, Outcomes, Inputs and indicators. Outputs or Outcomes were sometimes not clearly defined. Project goals were sometimes, in our opinion, over-ambitious and indirect given the scale and scope of the project. There were also inconsistencies between project objectives as defined in their Decision Notes and log frames. In some instances, the fact achievement of project goals would depend on assumptions beyond the scope of SECO's project were not adequately highlighted. We have highlighted specific issues under our commentaries for individual projects in Chapter 5, but in the newly constructed results chains adjustments had to be made to accommodate these factors.

3. EVALUATION RESULTS AT THE SECO PORTFOLIO LEVEL

3.1 SECO PORTFOLIO COMPOSITION

Over the period 1998-2010, a total of US$77.3 million was committed to the financial sector projects and programs that are the subject of this evaluation. Of this, 43% and 42% of the budgets were allocated to Multi L and Multi B programs, and 15% to projects in Vietnam. If non-evaluated projects are taken into account, the relative proportions are 37%, 39%[6] and 24% respectively.

The FIRST program has already benefited over 80 countries, and the AML/CFT TTF approximately 30. The FPC CBP program has positively impacted on 23 mainly sub Saharan African countries and AFRITACs East and West 18 sub Saharan African countries. In addition, the contribution to the Multi L programs has helped SECO financially leverage the impact of its contributions. The US$37 million SECO has contributed to these four programs has, together with other donors, raised a total of US$277 million to assist developing countries reform their financial sectors.

3.2 EVALUATION RATINGS AT SECO PORTFOLIO LEVEL

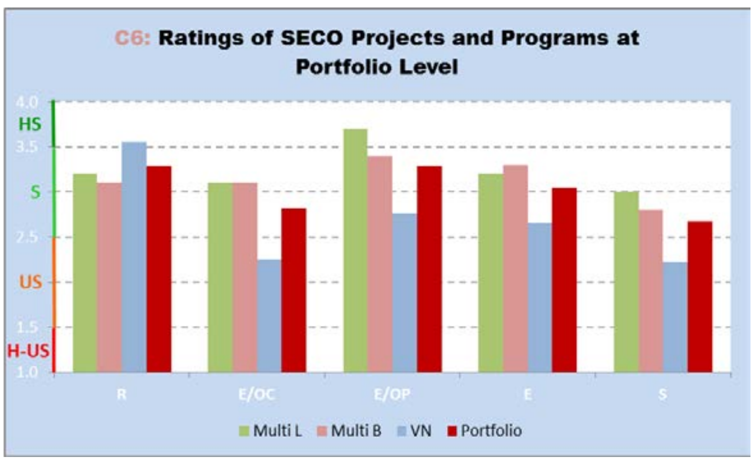


Chart 6 summarizes our ratings for Multi L and Multi B programs and the Vietnamese projects assessed as part of our independent evaluation. These are average scores awarded for projects and programs within the above groups.

At the portfolio level, all the three groups gain Satisfactory ratings, i.e., the majority of the portfolio's objectives have been achieved.

Within this classification, there are noticeable variations. Generally, the Relevance criterion has received the highest scores, and Sustainability the lowest. The high Relevance scores suggest that all the projects and programs were selected to target key priority areas for the beneficiaries and that they have been well coordinated and played to SECO's strengths. This is generally consistent with experience of other donors, although for example in Vietnam, SECO does coordinate its activities more proactively with other donors (strengthening Relevance), whilst the relatively large number of training oriented projects led to a lower Sustainability rating (see Chapter 5 for more details).

The low Sustainability ratings reflect our general conclusion that there are a number of challenges in achieving this in developing and transition countries, especially with short-to-medium term projects. The problem was particularly acute in Vietnam. We believe that for human capacity building projects to be sustainable, they need to be complemented by organizational and institutional reforms that enable training participants to apply what they have learnt and also, ideally, keep their learning updated. We have dealt with this matter extensively in our Lessons and Recommendations, in Chapter 6.

[6] Includes only Phase III of the TATP project.

Outputs and Outcome scores are broadly similar, with average Output scores marginally higher. This partly reflects the relative ease of assessing Outputs. Also, Outcomes are more subject to influences that are outside the project's control. In addition to Outputs and Outcomes, projects' Effectiveness is typically also measured by their Impact. Multi L and Multi B programs were not evaluated at the Impact level due to lack of data and we have not therefore included them in this consolidation. The Impact of some of the projects in Vietnam was assessed, and we have included the results in Chapter 5. Efficiency was rated at the mid-point of Satisfactory. Projects were generally assessed to be cost-effective and well managed.

Vietnamese projects generally received lower scores compared with the Multi L and Multi B programs. This partly reflects the fact that although the banking sector, where the majority of SECO's projects is focused, has boomed during the review period, the government's reform agenda for the sector has not been implemented at the speed that it was envisaged. A large proportion of SECO's projects were designed to support this agenda, and their Effectiveness has been adversely affected. Also, the slow reform process has impacted negatively on the central bank, with banking related regulation and supervision lagging behind the industry. Conversely, to the extent that the projects were so closely aligned to the government's priorities, the Vietnamese projects received the highest ratings for Relevance (Highly Satisfactory). A low (Unsatisfactory) rating for Sustainability indicates the relatively high proportion of train-the-trainer projects and workshops that were not directly linked to institutional reform and are therefore difficult to sustain. Also, the Multi B and Multi L programs had the benefit of more diversified portfolios, where a few weak projects would not have had a disproportionate depressing impact on the overall portfolio rating.

Moreover, in some of the Multi L and Multi B programs there might have been some inconsistencies between the rating methodology applied by the external evaluators and self-assessors that we have had to base our scoring for those programs on. Some of the programs received very high scores and it is difficult to corroborate the ratings on the basis of the data available. Section 2.4 highlighted some of the shortcomings in this area and how we sought to address them.

Within each of the three groups, programs and projects received a wide range of ratings. These are discussed in more detail in Chapters 4 (for Multi L and Multi B programs) and 5 (for Vietnamese projects).

In addition to the aggregated project level scores, we evaluated the degree to which SECO's objectives in the Vietnamese financial sector had been achieved, using the financial sector level results chain constructed for this purpose. The particular focus of this was at the Impact and Outcome level. Both scored Satisfactory, with Impact at the high end (3.4, out of a maximum of 3.5), and Outcome scoring 2.7 compared with a minimum of 2.5.

4. EVALUATION RESULTS FOR SECO MULTI L AND MULTI B PROGRAMS

4.1 INTRODUCTION

In the chapter we summarize our review of each of the Multi L or Multi B programs that SECO has supported starting in 1998 with the LOU East. Each of these programs has its unique characteristics in terms of geographic and functional focus, donor composition, and management structures.

T3: Sectoral and Geographic Coverage of Multi Programs

Program	Sector	Geographic Reach	Donor	Management
FIRST Initiative	Financial 100%	Global	Multi	PMU under World Bank Trust Fund
LOU East	Macroeconomic 80% Financial 20%	Central Asia and SE Europe	Partnership SECO	IMF
LOU South	Macroeconomic 80% Financial 20%	7 SECO priority Middle Income countries	Partnership SECO	IMF
AFRITAC East	Macroeconomic 80% Financial 20%	8 East African countries	Multi	IMF
AFRITAC West	Macroeconomic 80% Financial 20%	10 West African countries	Multi	IMF
AML/CFT TTF	Financial 100%	Global	Multi	IMF (Topical trust Fund)
FPC CBP	Macroeconomic 100%	Africa 80% Latin America/Caribbean 20%	SECO	PMU

Counting the two AFRITACs programs separately (East and West are separately funded and there are other RTACs that SECO does not support), five out of the seven programs till now have been managed by the IMF and going forward, with the completion of FPC CBP, five out of the six programs will be managed by the IMF and one (FIRST) by the World Bank.

4.2 AGGREGATED RESULTS FOR MULTI L AND MULTI B PROGRAMS

Tables 4 and 5 indicate overall a very Satisfactory result for the programs supported by SECO. The only two scores in Table 4 that are a little below Satisfactory are for FIRST Outcomes and IMF LOU East Sustainability. For FIRST, part of the reason lies in the fact that many of its projects are of short duration as well as involved with capacity building. It is difficult to deliver easily measurable Outcomes from such projects. They are often filling complementary gaps in a wider TA program, or feed in to other donor supported programs (including some SECO interventions). In such circumstances, FIRST's contribution can only be assessed by analyzing the broader Outcomes, which has neither been done nor is practical. FIRST's external evaluation did not weight results to reflect the disproportionately successful Outcomes. For example, the India Housing Finance project that cost about US$500,000 had a measured impact of more than US$100 million, is still growing, and was rated at the top of the range (4). On the other

T4: Multi Programs - Aggregate Portfolio Ratings for DAC Criteria

Multi L & Multi B-Programs	Relevance	Effectiveness		Efficien-cy	Sustain-ability
		Outputs	Outcomes		
FIRST Initiative	3.3	3.6	2.7	3.0	3.0
AFRITACS E&W	3.2	3.9	3.2	3.0	3.0
AML/CFT TTF	3.0	3.7	3.7	3.5	-
Multi L scores	**3.2**	**3.7**	**3.1**	**3.2**	**3.0**
Multi L ratings	**S**	**HS**	**S**	**S**	**S**
LOU East	3.0	3.2	3.1	3.0	2.5
LOU South	-	-	-	-	-
FPC CBP	3.0	3.6	3.1	3.5	3.1
Multi B scores	**3.1**	**3.4**	**3.1**	**3.3**	**2.8**
Multi B ratings	**S**	**S**	**S**	**S**	**S**

hand, the South Asia Listing rules project costing US$63,000 had negligible Outcomes and was rated at the bottom of the range (1). Using only these two examples an overall rating would be 2.5 in the external evaluation thereby diluting one huge success with one modest failure. For LOU East, past projects have essentially been in a small number of Central Asian countries, with highly Satisfactory results in Kyrgyzstan and good results in Turkmenistan. However, these have been depressed by poor results in Azerbaijan and to some extent in Uzbekistan, largely due to a lack of ownership and commitment by the authorities. This issue has been addressed in the revised cooperation strategy between SECO and the IMF for Phase III of the program and for the recently launched LOU South.

T5: Multi Programs - Aggregate Portfolio Ratings for Effectiveness

Multi-Program	Outputs					Outcomes				
	Capacity Building	Diagnosis	Strategies & plans	Legal & Regu-lation	Overall	Embed. Practices & Proced.	Organi-zation	Financial Benefit	Stabi-lity	Overall
FIRST	3.6	3.0	3.6	3.8	**3.6**	2.9	2.8	3.1	2.0	**2.7**
AFRITACs East	3.9	4.0	4.0	3.7	**3.9**	3.2	3.5	3.1	2.3	**3.0**
AFRITACs West	3.9	4.0	3.8	3.7	**3.9**	3.4	2.0	2.6	2.7	**2.7**
East & West	3.9	4.0	3.9	3.7	**3.9**	3.2	2.8	2.8	2.5	**3.2**
AML/CFT TTF	3.5	4.0	3.5	4.0	**3.7**	N/A	N/A	N/A	3.7	**3.7**
LOU East	3.1	-	3.2	3.3	**3.2**	3.0	-	3.2	3.3	**3.1**
LOU South	-	-	-	-	**-**	-	-	-	-	**-**
FPC CBP	3.6	-	-	-	**3.6**	3.1	-	-	-	**3.1**
Portfolio scores	**3.6**	**3.8**	**3.7**	**3.8**	**3.8**	**3.1**	**2.6**	**3.0**	**2.8**	**3.1**
Portfolio ratings	**HS**	**HS**	**HS**	**HS**	**HS**	**S**	**S**	**S**	**S**	**S**

Chart 7 illustrates the relative importance of each of the above categories of Outputs and Outcomes that are targeted by each of the Multi L and Multi B programs.

Impact

Whilst we have not added an Impact column to the results chain statistics we did review for many of the countries covered in sub Saharan Africa GDP growth, domestic credit, gross capital formation and M2, which were broadly positive. Only revenue as a % of GDP was fairly flat. It was not practical to try to average indicators such as GDP growth for all the countries served by the various Multi L, Multi B and bilateral programs because there are so many of them with differing characteristics and data availability. We have based our Impact indicators around those achieved in most of the countries covered by AFRITACs East and West. Many of these countries are also covered by FIRST. We are effectively using this group of countries as a proxy[7]. The statistics are for the period to 2008 largely because, after that year, results could have been distorted by the global financial crisis and its recessionary impact.

4.3 KEY EVALUATION QUESTIONS FOR MULTI L AND MULTI B PROGRAMS

The Approach Paper put various questions for the evaluators to answer, in assessing SECO's interventions in accordance with DAC Evaluation Criteria. This section seeks to respond to those questions in respect of Multi L and Multi B programs.

Relevance

By and large the fit with country needs and objectives aligned with a defined financial sector reform strategy and priorities and also with global financial architecture' criteria for project support is well met, as indicated by our ratings for Relevance across all programs at 3.2 (better than Satisfactory) and none at less than 3.0. The reasons for this are largely due to two processes: at the global level SECO is supporting multilateral programs and bilateral partnerships with the World Bank (FIRST) and the IMF, both of whom are leaders in defining global financial architecture standards. Secondly, each of the

[7]Source of statistics was World Bank database of indicators

programs has its own processes for ensuring country needs align with the big reform strategy picture: FIRST is heavily involved with FSAP and ROSC follow up and cooperates closely with international standard setting bodies; the AFRITACs operate hand in hand with countries in the respective regions, with such countries being represented on the Steering Committees, are in regular communication through regional resident advisers (RAs), and projects are assessed against Poverty Reduction Strategy Papers (PRSPs); LOU East assessed Relevance highly on the criteria of consistency with Government priorities. The FPC CBP program did not appear to have a methodology for addressing this question of needs and fit (although the strong demand for TA under that program seems to endorse it) and the AML/CFT TTF program seeks to cover the issue through its diagnostic and risk assessment modules.

The evidence for level of ownership and commitment by recipient country/governments to the TA delivered is very strong for both AFRITACs and FIRST. Under FIRST this topic was specifically surveyed by the external evaluation with a good response rate and confirmation on the ownership issue. Under AFRITACs there was also a confirming survey response and the process of close engagement with countries in the respective regions supports strong ownership. There is less convincing evidence with the IMF LOUs, the AML/CFT TTF and the FPC CBP, but the latter two have shown strong demand for the TA (even after completion of the FPC CBP); and countries also made a substantial contribution to the cost of TA. The cooperation strategy under the LOUs (East and South) has been strengthened considerably and a key issue is to ensure consistency with Paris Declaration Principles on Aid Effectiveness[8].

All the issues raised by the question for complementarities, synergies, possible duplication and contradictions of SECO bilateral projects to other donors support (bilateral or multilateral) are to a large extent covered by the cooperation system: for example, SECO is closely consulted on all projects emanating from LOUs, is able to review all of FIRST projects as they pass to approval stage (whether or not the projects require Governing Council approval due to their size), was the sole donor and sat on the Steering Committee of the FPC CBP and is a lead donor for the AML/CFT TTF. As a consequence, SECO has been able to gain from Multilateral programs experience in assessing bilateral project proposals/applications and *vice versa* has been able to refer its experience back.

With respect to the comparative advantage and value added of SECO interventions, the organization is regarded by most recipients of its TA, either direct or indirect, as a neutral player. It has no foreign policy axe to grind and as a result its advice can be judged with a high level of objectivity. Secondly, SECO has carefully chosen to support multilateral programs and partnerships that are complementary, where it has strong policy influence, and at the bilateral level to focus on a few priority middle income countries; this structure or package provides SECO with a well-balanced tool-kit for finding workable solutions to regional/country needs. Thirdly, SECO has also contributed its own expertise and experience in influencing program strategies (especially FIRST, AML/CFT TTF and LOUs East and South), providing substantial feedback on project design (especially with LOUs East and South) and contributing its and Switzerland's expertise and experience in AML/CFT to the IMF's TTF.

There are substantial synergies between global, regional and bilateral programs and projects. There are many examples where SECO staff has leveraged off each of the programs for the benefit of any particular project and relayed their own experience back to multilateral and partnership programs. Specific examples include projects in Tanzania, Peru, Ghana, Colombia and Vietnam. There could be a more systematic reverse process between some of the multilateral programs (FIRST and AFRITACs) perhaps in engaging with SECO beyond simply informing on potential projects e.g. more active liaison and briefing at local level where SECO has representation.

[8] See OECD.org

With respect to adaptability to significant external impacts on the global financial system such as the financial crisis, SECO was a strong supporter, and contributed additional funds to, the Crisis Preparedness program launched by the World Bank using FIRST as the delivery channel. Some of the AFRITACs projects also addressed similar issues in, for example, Tanzania in problem bank resolution and stress testing.

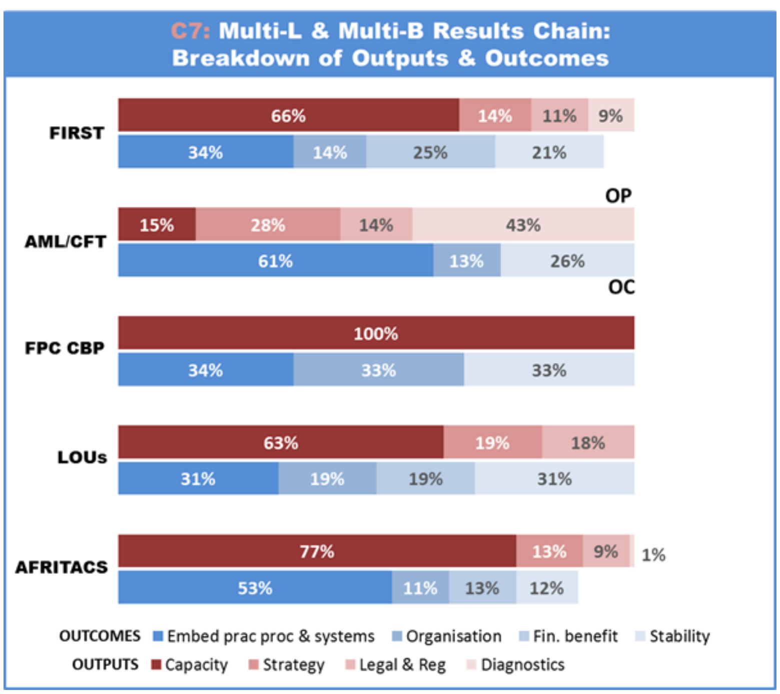
Effectiveness

Impact

As previously indicated, it is difficult to attribute positive impact to SECO or SECO supported programs at the Multi L and Multi B levels because so many other factors influence economic development and poverty reduction. Certainly, there are many examples in some programs, such as FIRST, that the financial sector has been deepened through development of new products and services (India Housing Finance, Mongolian livestock insurance and so on); in LOU East with broadening the government securities markets; and with AFRITACs through improving public financial management and revenue collection processes (tax and customs). For the bigger picture we can only cite largely steady GDP growth, moderate inflation, low budget deficits, declining external and domestic debt in the AFRITACs countries for the period 2004 to 2008 and for several of the Central Asian countries covered by LOU East. We could assume that the TA delivered by SECO supported programs during this period contributed to this relatively benign economic evolution. Efforts have clearly been made to reduce vulnerabilities to the financial crisis through FIRST's Crisis Preparedness window specifically supported by additional SECO funding, but it may be too early to judge its Impact since this activity was only launched in 2009.

Outcomes

We have attempted to address Outcome ratings on individual programs in Sections 4.4 to 4.8. To some degree evidence that Outcomes have been achieved in various areas is adequate, but what is not, is the lack of planned and measured Outcome indicators. The evidence for this finding is derived from the desk top exercise that included looking not only at the external evaluations and self-assessments but also at program annual reports and many individual projects.



As shown in Chart 7, most Multi L or Multi B programs have led to at least four types of Outcome that are in line with Output expectations: a) *Embedded Practices and Procedures:* training and related procedures have been embedded to some degree improvements in the working practices of the beneficiary institutions (the range varies from about 30% to 50% of all projects depending on the particular Multi L or Multi B program); b) *Organizational Change*, which may involve new structures, re-organization of functions, addition of functions, merger of functions, revision of responsibilities and powers, changes to reporting lines etc. has been an outcome in most projects (in the range 11% to 20% depending on the program); c) a tangible

Financial Benefit outcome, such as increasing the level of government securities in issue, has been an outcome in between 13 and 25% of all projects; and d) *Stability* outcomes, usually through strengthening of regulation and supervision of the financial sector, have occurred in between 12 and 30% of the cases. Some projects within a particular Multi L or Multi B program have delivered multiple outcomes.

With the exception of FIRST, these Outcomes were achieved with good Effectiveness ratings. It is probably a reasonable assumption that *Embedded Practices, Systems and Procedures* in the recipient institution combined with *Organizational Change* will feed through to more tangible results in terms of *Stability* and sustainable growth, so a high percentage in those two categories (61% combined) provides evidence that the TA has delivered the basic building blocks for such an achievement, although more sustained assistance may still be needed in many cases. The *Financial Benefit* column is simply to record Outcomes that have already achieved a likely result in terms of either revenue improvement or cost savings through Efficiency delivered by the TA. For example, under AFRITACs, the establishment of large tax offices and streamlined customs clearance; under FIRST, projects such as housing finance and bond markets; under LOU East, projects such as debt management and development of the Government securities markets. Supervision strengthening is likely to have a more immediate impact on financial sector Stability and includes TA in risk-based supervision of financial institutions, capital adequacy frameworks, payments systems, consolidated supervision, debt management, crisis management, pension reform and AML/CFT.

SECO has largely delivered TA on the development of market-based financial systems in priority countries either directly (Vietnam) or through partnership with the IMF in the LOUs. A key area for the LOUs has been development of domestic primary and secondary debt markets to engage with the private sector as investors. The FIRST Initiative has also engaged heavily in this area with financial sector deepening and broadening projects involving capital markets, banking and insurance.

With respect to strengthening standards setting and regulatory bodies by implementing FSAP/ROSC recommendations and AML/CFT standards set by FATF, clearly the former is a core activity of FIRST and the activities of the AML/CFT TTF are for the latter (AML/CFT was a core area also for LOU East prior to establishment of the TTF). A key Outcome indicator for the AML/CFT TTF program is achieving acceptable mutual evaluation reports from FATF or FATF Style Regional Bodies (FRSBs). The AFRITACs also cover regulation and supervision of the financial sector (mainly for banking) as one of their core areas of activity.

Strengthening the effectiveness of economic policies by developing the capacities of central banks to analyze and apply data derived from accurate economic and monetary statistics has been a core activity for both AFRITAC programs, but is not eligible for the LOUs East and South even though macroeconomic management is an area of focus. Evaluation of Effectiveness is more difficult because the statistics and analysis thereof are a building block towards implementation of sound economic policies; judging the effectiveness of economic policies was also difficult in this evaluation due to a lack of defined and measured indicators. The exception was the FPC CBP program where there was good evidence that the use of FPC statistics in policy formulation had been achieved in about 50% of the countries and was continuing to develop in that direction.

Outputs

Capacity Building is the largest output area for each program (60-100%), followed by *Strategies and Plans* (14-20%), *Legal and Regulatory* (10-20%) and *Diagnostics* (about 10% except for AML/CFT, which is still in a largely diagnostic phase for many of its multi-phase projects (see Chart 7 above).

The objective of prioritized action plans to support reform sequencing and implement standards and codes has been achieved through a variety of methods. Firstly, SECO itself is a leader in the field of AML/CFT that in turn deals with diagnosis and strategies for strengthening AML/CFT regimes guided by the 40+9 principles of FATF. Secondly, FIRST has always emphasized TA in support of FSAP and ROSC follow up and increasingly FIRST is filling the gap, as the World Bank and the IMF reduce FSAP work in developing countries, by providing TA for financial sector development strategies e.g. Rwanda, Nigeria and many other examples. The AFRITACs have also supported some FSAP and ROSC follow ups and in addition have assisted in developing a large number of action plans for narrower topics in areas such as improving revenue collection and debt management. LOU East has supported several narrower strategies in the Government Securities and Debt markets and four AML/CFT projects prior to the establishment of the AML/CFT TTF.

With respect to strengthening capacity in policy formulation, regulation and supervision and bank management, the whole thrust of the LOU and AFRITACs programs targets the first two areas. FIRST has also delivered a substantial percentage of projects in regulation and supervision strengthening and TATP has delivered TA in Central Bank management in several countries.

On the matter of development of in-country training skills in banking institutes, centers and universities, these are core bilateral products of SECO and have been addressed in Chapter 5 in the context of the Vietnam case study. The Multilateral programs have also engaged at several levels with the delivery of skills training in specific topics such as AML/CFT (SECO hosted together with USAID and Organization for Security Cooperation in Europe (OSCE) a large conference in Baku for Central Asian countries); FPC CBP through regional organizations such as MEFMI; credit reporting in Africa and Latin America through FIRST; and annual courses on various topics provided by the IMF Institute.

On dissemination of best practices, awareness raising and capacity building in reform and regulation, capacity building is at the heart of many of the programs supported by SECO: FIRST mainly focuses on shorter term more narrowly focused capacity; the AML/CFT TTF has its 'structures and tools' module (over 50% of its program in this area); the LOUs going forward will be giving high priority to longer term capacity building and the AFRITACs are also likely to give more focus in this area. FIRST has a strong web site and dissemination process. The AFRITACs have now agreed to issue TA Reports for wider dissemination in the future. The IMF web site is a good channel. SECO's own web site, which is subject to Swiss Confederation guidelines and restrictions, is less easy to use in searching for information on projects, except selected examples. Awareness has been delivered also through regional fora (viz. the AML/CFT TTF example cited above) and often in cooperation with regional organizations such as CEMLA in Latin America and through out-reach efforts such as those launched by FIRST in 2010 that involved targeting recipients on specific topics (such as financial sector strategies) and regular attendance at important regional events such as SADC meetings.

Efficiency

Overall we believe all programs have been managed and delivered efficiently. We have expressed concern over control and accountability for projects at FIRST due to the subcontracting of projects to World Bank Task Team Leaders, and some concerns over the stretched resources at the AFRITACs.

Regrettably it is not feasible to perform a demonstrable cost benefit analysis in a quantitative manner due to lack of measurement of Outcome indicators (and even lack of indicators). We do consider that Efficiency of process has been good and we also know that Outcomes have been achieved in many areas of work practices and procedures, organizational structures, levels of measurable (but not measured) financial benefit and influences on stability. The clear inference is that cost benefit is at least Satisfactory.

On the timeliness and flexibility of SECO's support, at the multilateral level SECO has been prompt in honoring its financial commitments but more importantly has exercised a strong policy influence on most programs including the multi-donor ones. SECO has been able to influence change in policy direction in response to changing circumstances, thereby helping the programs it supports to be flexible. Notably SECO has managed, after a considerable multi-year effort, to get FIRST and the IMF to adopt a RBMS that should substantially improve project design and subsequent monitoring of Output and Outcome indicators.

Internally, we saw little evidence of any negative impact of management processes on program/project results. Some project delays have occurred in FIRST due to lack of action by project officers and there have been some past delays in RA recruitment in AFRITACs. The lack of an RBMS has hindered quality project monitoring but this is now close to a solution at the IMF level. Positive factors include flexible response to changing circumstances (financial crisis), out-reach programs and awareness promotion.

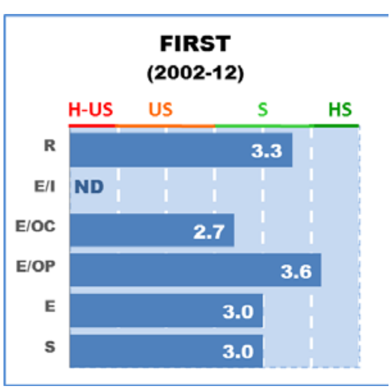
Sustainability

Overall we believe that historic results indicate a Satisfactory rating for Sustainability (although below that in the case of LOU East), but more importantly SECO's strengthening of the cooperation strategy with IMF seeks to place sustainability at the heart going forward. There are areas of concern at financial and technical level. Some projects can falter later because, for example, the country lacks the resources to sustain software or hardware. This was a concern with some of the FPC CBP countries. The bigger threat though relates to staff retention and this can be due to the competitive threat from the private sector in attracting key staff away from lowly paid public sectors once the staff has been trained in areas such as risk-based management. This risk can also be mitigated by, for example, building local consulting capacity (as in AFRITACs East and West) and by developing an institution's internal training capacity.

External Factors

The global financial crisis followed by the effects of global recession delivered a shock throughout the world and triggered volatility. Many developing countries were not immediately affected in their banking sectors, but later the recession affected trade and capital flows (not only FDI but also remittances and access to external debt) and in this way increased the vulnerability of the financial sector. Political issues have impacted some countries such as Kyrgyzstan, a priority country for SECO, but generally SECO is not presently involved to any significant degree with politically unstable countries or regions.

4.4 FIRST INITIATIVE



FIRST is a US$100 million multi-donor initiative whose over-arching objective is encapsulated by its Mission Statement: 'FIRST aims to support economic growth and poverty reduction in low and middle income countries by promoting robust and diverse financial sectors'. FIRST has developed a clear brand as a fast response provider of small TA projects that often fill gaps in the financial sector reform needs of a country. SECO has committed CHF 26.5 million to Phases I and II of the program.

Up till June 30 2010, FIRST had launched 340 projects in over 80 countries with US$63 million in commitments, of which US$49 million had been disbursed. 74% of the commitments have been to low income countries, of which about 37% of total commitments have been made in Africa (the largest recipient of FIRST TA). SECO's funding of US$21.8 million is allocated 45% to low income countries and 55% to middle income countries. By theme, the commitments may be grouped as to 35% for strategies, 26% legal & regulation, 20% supervision capacity building, 14% product development and 6% other. By sub-sector, the grouping is about 66% spread fairly evenly between banking (about 20%), insurance, capital markets and financial architecture. The balance is spread among multi-sectors, pensions and NBFIs, Crisis Preparedness (only from 2009) and access to finance.

We rated FIRST's *Relevance* at 3.3 (Satisfactory). The external evaluation did not rate Relevance. FIRST engages well with donors (including many not supporting FIRST with funding) during the due diligence stage. It also engages very closely with the World Bank on project relevance and design. The program has until now been focused to a large extent on FSAP and ROSC follow up. Projects are largely demand driven through either referrals or direct applications. All projects require a signed application from the recipient but there is a risk that supply driven projects can creep in, given that about 40% are World Bank referrals and about 11% is through a weak accountability sub-account with the IMF. SECO is the second largest donor to FIRST but has been even more influential on the program's policy than its financial contribution might suggest, especially in the past several years. FIRST has changed both its operational procedures as well as its strategy since the end of 2008. SECO provided the Chair of the Governing Council for 2008, 2009 and 2010 and a strong input into the change in FIRST's strategy, which included a narrowing of focus on the sub-sectors of the financial sector as well as geographically. In addition, during this period and for the first time a well-designed Monitoring and Evaluation Framework was introduced and SECO was strongly supportive of (and contributed funding to) the Crisis Preparedness window.

Effectiveness at *Outcome* level was rated at 2.7, close to Satisfactory (although *Outputs* were rated as Highly Satisfactory with a score of 3.6), largely because the external evaluators considered that evidence of Outcomes was both lacking and not even achievable given FIRST's projects were small and short in duration. We accepted the Outcome rating but consider it a little harsh because it did not sufficiently adjust for several outstandingly successful projects (see results chain comments in Section 4.3).

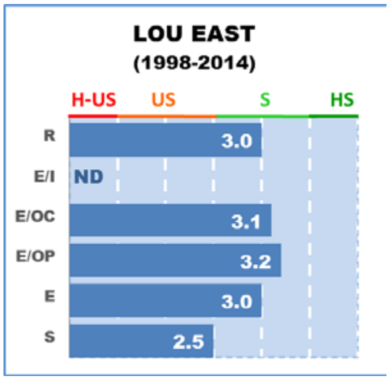
We rated *Efficiency* as Satisfactory (3.0).The commitment and disbursement rate took a sharp dip during the period 2007 to 2010 largely as a consequence of a severe staff shortage at the FIRST Project Management Unit (PMU), but this has now picked up and the PMU has a full staff complement. The program runs efficiently at a satisfactory level, although we question the lack of controls over the World Bank's Task Team Leaders, the accountability of the IMF over the sub-account and whether, given the largely administrative functions of PMU staff, such staff may be over-qualified and not cost-effective for their work.

The question of *Sustainability* was raised by the external evaluation, although it was not specifically rated. We believe this was also a little harsh given a lack of weighting between some highly successful projects and some of the less successful ones and we adjusted our rating to 3.0 (Satisfactory). Nonetheless, we agree that there is an issue with capacity building projects and closer focus on a programmatic approach may help address this issue.

LESSONS & RECOMMENDATIONS FROM FIRST

- There is a risk that FIRST projects are supply driven given the high referral rates from World Bank & IMF. Extra efforts need to be made through direct contact, and even, in some cases, PMU scoping missions, to ensure strong ownership and commitment from recipients and to lower the sustainability risk. FIRST should also continue with its own 2009/10 highly successful out-reach program which has generated an increasing proportion of direct demand.
- Many of FIRST's capacity building projects run the risk of limited Outcomes because of their size and short duration. For many of these projects a more programmatic approach is needed whereby FIRST identifies early-on a likelihood of other donor follow-on (important to engage with donors at project design stage including, where applicable, with donor local offices- such as SECO COOFs) or build in FIRST's own follow-on phases milestone by milestone.
- FIRST has narrowed its focus, as reflected in its latest strategy, although recently has gone back into the microfinance sector, but there could still be room for further focus especially perhaps by prioritizing countries where it has achieved notable and multiple success.
- The linkage between FIRST's follow-on to FSAPs is ill defined (many FSAPs are dated and often skate over many issues) and secondly, the FSAP process is now becoming restricted to the more advanced economies. FIRST should be clear on its linkage definitions for each relevant project AND should continue to build on the increasing number of projects in Financial Sector Strategy as a substitute for increasingly missing FSAPs.
- The external evaluation raised concerns over sustainability of many FIRST capacity building projects, also related to the size and short duration of projects. We share this concern and believe some steps can be taken to reduce (but not eliminate) the risk:
  - Careful assessment of recipient's absorptive capacity.
  - Careful assessment of the recipient's commitment and need for change (especially if organizational).
  - Coordination structures where several institutional recipient stakeholders need to be engaged.
  - Cost contributions.
  - Fit with other donor programs especially where follow-on is needed (e.g. strategy implementation).
  - Human resource policies including pay levels to mitigate high staff turnover.
  - If an overall risk rating of criteria such as the above is too high, FIRST should consider and document rejection of the project application.
- Project monitoring needs substantial improvement. Measurable Outcome indicators need to be defined at the outset together with a time for achievement. Resources need to be budgeted into the project to allow for *ex post* evaluation of Outcomes even if up to three years later. Reliance on periodic external evaluations for this process is inadequate and likely too costly, even though some independence of the assessment would enhance objectivity.
- Most projects are now outsourced for management post approval to World Bank officers. Often other priorities of the officers concerned have led to delays and a difficulty in timely monitoring. Projects managed by the IMF under FIRST's sub-account are also not well reported back. FIRST needs to strengthen its monitoring of outsourced projects and insist on better accountability. This issue also raises the concern that FIRST's own PMU staff are over-qualified and not cost-effective as their activities have increasingly become too narrowed to project administration and project promotion.
- There is also a question of responsibility. A very large proportion of FIRST projects are now fully managed by World Bank or IMF staff after their approval. It is unclear to us to what extent the FIRST PMU can be held accountable for any project failures, given that they have no influence or control over critical components of the project.

4.5 LOU EAST



The sub-account (subsequently formalized as LOU East) was established in 1998 and is the earliest of SECO's engagements in a Multi-B partnership with the IMF. LOU East was formed in order to achieve SECO's objectives for macroeconomic and financial sector reform, to target SECO's priority countries in the region and to leverage off, influence, and cooperate with, the IMF's core expertise in the targeted areas.

The program has been delivered in three phases: SECO funding has been US$8.4 million for the first two. Results in the phases were mixed with high success in Kyrgyzstan but weak results in Azerbaijan and some of the other three countries (Tajikistan, Uzbekistan and Turkmenistan).

LOU East is now in its third phase and there has been a shift in the partnership strategy during the three phases. Phase III covers the five-year period 2010-2014 inclusive with SECO committing US$10 million, bringing the total commitment to all three phases to US$18.4 million. The work plan has already identified US$7.8 million of projects, of which US$6.3 million is for South Eastern Europe (Bosnia, Kosovo, Serbia, Albania and Macedonia).

There are significant strategic changes in Phase III developed from lessons learned in the earlier phases and largely promoted by SECO:

- The length of the Phase has been increased from three years to five years to facilitate sustainable capacity building within a programmatic approach with a longer term perspective (Phase II had extensions).
- There is an extension of geographic coverage to include the South East European countries and Ukraine;
- The financial commitment is larger (US$10 million versus US$8.4 million) covering the 11 years 1998 to 2009.

The approach to project eligibility, design, delivery and monitoring has changed in several ways:

- At the heart is a focus on building long term sustainable capacity and strengthening the Impact dimension. This strategy lies behind the agreed length of Phase III and most projects will be designed to provide medium-term capacity building TA.
- Projects need to fit with a programmatic approach in order to avoid 'niches'. Every project will be conditional on a thorough needs assessment. Such an approach can be built into the TA work plan or it can be complementary with other reform programs in the countries concerned.
- Project reporting and monitoring is to be strengthened to incorporate annual work plans, annual reports, and results-based monitoring.
- TA must be aligned with the principles of the Paris Declaration. For example, SECO has promoted reporting on country ownership and more systematic coordination with donors on project and project risk issues.

SECO's objectives have also evolved during the past 11 years. In Phase I the focus was on economic stability and growth. By Phase III the objectives have shifted to specifically add sustainable development (macroeconomic and a market-based financial system) and integration into the global economy.

LESSONS & RECOMMENDATIONS FROM LOUs EAST AND SOUTH

External Evaluation

- Most of the recommendations have been adopted.
- One of the purposes of the program, which focused until 2010 on Central Asia, was to gain benefits such as economies of scale by using a regional approach to address common needs. This did not work well in the projects reviewed and the recommendation was to work at a country level.
- To ensure efficient coordination and continued buy-in to the projects each country was to appoint a National Program Coordinator who would be a senior figure in the economy. In practice this did not work well because the NPCs tended to be from outside of the executing agencies and lacking in sufficient influence.

Independent Evaluation

- Following from the points made above concerning the regional approach and use of NPCs, both these features are built into Phase III that started in 2010. We recommend that particular care is taken in SE Europe because recent political history (e.g. Serbia and Kosovo) risk jeopardizing a regional approach. Secondly, the lesson on using NPCs may also apply to SE Europe and it may be better to consider the establishment of country coordinating committees comprising senior representatives of key stakeholders.
- Project monitoring remains weak: IMF staff is still mixing up Outputs and Outcomes and no measurable Outcome indicators are set in advance, let alone any Impact indicators. We believe the IMF will finalize the introduction of RBMS very soon (encouraged by SECO) but suggest that some follow up workshops will be necessary to ensure all relevant IMF officers understand what is expected and how to deliver it.
- Given the likely size of Phase III projects we recommend that each project develops its own log frame (probably this will be a requirement of the RBMS once launched by the IMF).
- Sustainability remains an issue but given the relatively large size of the projects and the new cooperation strategy between SECO and the IMF, which places sustainability at the heart of future project design, there ought to be substantial improvement in this area.

Note: For LOU South the recommendations will be the same

The activities covered are macro-economic policy & management, public financial management (PFM), financial market development, central banking operations, AML/CFT and pensions systems. The US$7.8 million Phase III work-plan allocates 63% to PFM, fiscal policy & management and macro-economic policy and management, 21% to monetary and capital markets, and 16% for the other areas.

We rated *Relevance* as Satisfactory on the basis of past performance, with a score of 3.0. We noted that the IMF claims close consultation with recipient countries but we were concerned by the obvious lack of ownership displayed by some of them (e.g. Azerbaijan). We noted that the IMF does seek to avoid duplication by coordinating with donors active in areas such as customs, tax and PFM including USAID and the EU, but this has been more recent with the addition of South East Europe. We rated *Effectiveness* higher than the external evaluation, which did not differentiate between Outputs and Outcomes (*Outcome* has a score of 3.1 and *Output* a score of 3.2, both Satisfactory) and only covered two countries, by looking at more projects in IMF Reports and discussion with IMF staff. IMF employed high caliber HQ staff and a strong RA. We concurred with the external evaluation's lower rating for *Sustainability*, of low Satisfactory (2.5), due to lack of any other evidence and the mixed past results.

LOU South

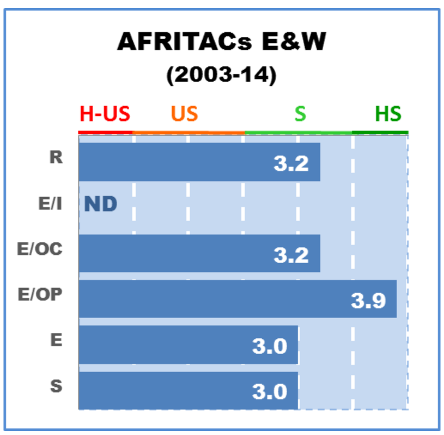
LOU South (South) should learn from the lessons learned and recommendations summarized for LOU East.

LOU South was signed in April 2010 with a design that mirrors the Phase III of the LOU East program. The latter was originally formed to enable SECO to deliver TA to priority countries in Central Asia. South was formed to deliver TA to its present group of seven priority countries: Ghana, South Africa, Egypt, Peru, Colombia, Indonesia and Vietnam. SECO's commitment is US$10 million.

The objective is the same as for East: to foster economic stability and sustainable growth thereby contributing to poverty reduction. The areas of activity are as for East with emphasis on SECO's strategic focus on public finance management, macro fiscal stability and fiscal administration with reference to WEMU's cross cutting theme of promoting economic governance.

It is too early to rate any of the projects at any level because the program is so new. We did learn from our meetings with IMF staff that some encouraging achievements are developing in Peru and South Africa. We note that cost levels as between countries appear skewed e.g. budgets in Thailand seem very large when compared to similar projects in countries like Malaysia.

4.6 AFRITACS EAST AND WEST



AFRITAC East (AFE) and AFRITAC West (AFW) were the first two RTACs established in sub Saharan Africa in 2002 and 2003 respectively.

No overall objective for AFE and AFW is stated in either their Annual Reports or the programs' external evaluations, although various levels of operating objectives are referred to in various documents. A distillation seems to be: 'to build the institutional and related human capacity of those institutions and agencies dealing with macroeconomic and financial sector analysis, policies, regulation and supervision (at both country and regional level) in order to promote sustainable macroeconomic and financial stability, economic growth, regional integration and harmonization and poverty reduction'.

The RTACs were established in part because the IMF believed that for some groups of countries there were added benefits from a regional approach to TA delivery. The broader integration and harmonization initiatives in both regions provide a framework for the AFRITAC's regional approach to macroeconomic management TA delivery.

AFE and AFW are multi-donor programs that comprise the African Development Bank (the largest contributor at US$6 million) and 13 bilateral donors, of which the two equal largest to date are SECO and DFID. They seek to achieve their objectives by designing TA that builds on Poverty Reduction Program Strategies, and focus on areas that come under the core areas of expertise of the IMF: monetary policy and operations and debt management; financial sector regulation and supervision; public sector financial management; revenue administration (tax and customs); and macroeconomic and financial statistics. Since commencement of operations AFE and AFW have delivered, through 2009, about 123 projects at a cost of US$38 million, at an average of about US$5.6 million per annum not counting the setup year.

SECO's cumulative commitment to AFRITACs East and West together with the next Phase is US$6.2 million as against an overall budget of about US$140 million.

LESSONS & RECOMMENDATIONS FROM AFRITACS EAST & WEST

External Evaluation (2009)

- Strengthen donor coordination even more through improved dissemination. The IMF states that it plans to disseminate TA Reports after every mission and improve web-site dissemination.
- Strengthen Sustainability through more project follow-on and implementation activities. We would add application of the Sustainability criteria described under FIRST above. The IMF states that it intends to strengthen follow-up TA and will also address ongoing support for IT, soft- and hardware and surveys.
- A plan is needed to address the organization, management and administration of the RTACs because these areas are insufficiently defined. The plan should also provide a clear definition of the roles of the Center Coordinators and the RAs.
- The OTM at the IMF should lead the preparation of a 10 year vision for the RTAC programs.

Independent Evaluation (2011)

- Up till 2009 almost 50% of all AFE and AFW projects were carried out in their respective host countries (Tanzania and Mali). We don't believe this is because the host countries had more pressing needs than the other 14 countries covered. Even in 2010 25% of AFE projects were in Tanzania. This apparent bias should be investigated and, depending on the results, the work plans should be adjusted to avoid any host-country bias in the future.
- Aside from IMF HQ missions, two thirds of TA is delivered by RAs and one third by external consultants. In AFW this means on average over a 3 year period (ignoring the bias above), an RA can only spend about 60 days in each country, covering about 5 key areas or about 12 days per area. It is hard to conclude that long term capacity building can be effective with these resources. Consideration should be given to narrowing the focus considerably to just one or two clear priority areas per country.
- Project monitoring needs substantial improvement (as indeed for all of the programs managed by the IMF in which SECO is engaged). There is still confusion among IMF officers as between Outputs and Outcomes and no measurable indicators are established. This should improve with implementation of RBMS at the IMF.
- Project budgeting is weak and it is difficult to compare budgets between apparently similar projects, because budgets are only prepared by resource (staff time and expenses) rather than by activity. Budgets should be built from the ground up by activity (e.g. drafting a new regulation, explaining the regulation, drafting implementation guidelines etc.) and then converted into a resource budget.
- Sustainability assessment also needs to take account of issues as outlined for FIRST including HR policies.
- Phase III is now for 5 years as compared to 3 years for earlier phases. In light of this we suggest the recruitment policy for RAs is reviewed from the present basis of annual contracts toward a tenure of 3 years. This might ensure better continuity and lower turnover of RAs.

AFW and AFE operate a structure that is close to unique in TA delivery by combining expertise from IMF headquarters with strong regionally delivered expertise. AFE is run out of offices in Tanzania and AFW out of Mali: each office is the base of RAs contracted in by the IMF covering the various topics referred to above, managed overall by a Center Coordinator (an IMF employee) and supplemented by recruitment of short term specialists (STXs) as needed. The approximate breakdown of expenditure is: 30% for Center management and IMF back-stopping, 43% for RAs and 27% for STXs.

The countries covered are:

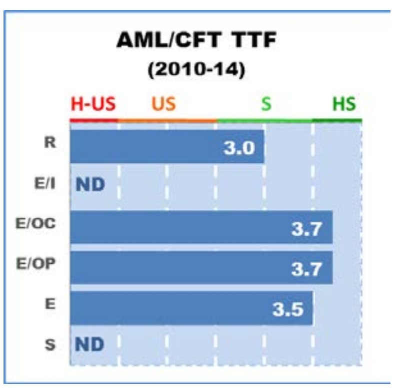
- AFE: eight countries comprising Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania (including Zanzibar) and Uganda (the last six of which are members of the East African Community: EAC).

- AFW: 10 countries comprising Benin, Burkina Faso, Cote d'Ivoire, Guinea, Guinea-Bissau, Mali, Mauretania, Niger, Senegal and Togo (apart from the two Guineas, the other eight countries belong to the West African Economic and Monetary Union (WAEMU)).

Relevance is well addressed and Satisfactory, with a score of 3.2. The ownership among the participating countries is high because of the regional location and continuity of RAs, and countries have a seat on the Steering Committees. The projects are demand driven. SECO is an important donor but it is not clear that it has much influence over policy, although its strong advocacy of RBMS is contributing to the program adopting an improved monitoring & evaluation framework. Donor coordination is strong: many of the leading donors in sub Saharan Africa including the AfDB contribute to the programs; the IMF holds regular donor de-briefings; close engagement with regional organizations (such as MEFMI and others); and there is also close collaboration with FIRST and the World Bank. *Effectiveness* is also Satisfactory overall, with *Outcome* receiving a Satisfactory rating and a score of 3.2, and *Output* a rating of Highly Satisfactory (3.9); the project themes are highly replicable, there are many success stories and use of local expertise has helped. *Efficiency*, rated as Satisfactory, has suffered to some extent due to high staff turnover of RAs, perhaps too much TA delivered in host countries (25-40% historically) and project monitoring appears weak. *Sustainability* is Satisfactory but there are issues of staff retention in recipient institutions and RAs are stretched for the number of countries participating. Both the latter criteria have a score of 3.0.

Real GDP growth in the regions between 2004 and 2010 has been healthy at 4% to 6% per annum[9]; domestic and external debt levels as a % of GDP have fallen sharply and Government deficits are for the most part under 3% of GDP. The one statistic that is questionable is the Revenue % of GDP which has only moved up by between 1% (WAEMU) and 2% (EAC), which seems modest compared to significant AFRITACs TA in customs and tax administration regimes and systems and taking account of the solid GDP growth.

4.7 AML/CFT TOPICAL TRUST FUND



The AML/CFT TTF is the first topical trust fund launched by the IMF and it should serve as a useful precedent for other planned TTFs. The idea of TTFs is to focus on particular and narrowly defined topics such as natural resource management or post conflict countries.

The TTF was launched in 2009 as a multi-donor program with an initial funding of US$30.5 million of which SECO is the largest donor, committing US$5 million. SECO had already engaged with AML/CFT projects in Central Asia under its LOU East with the IMF, with notable success in both Kyrgyzstan and Turkmenistan. Switzerland had developed a strong know-how in AML/CFT through SECO and the Swiss Ministry of Finance and was a founder member of FATF. Switzerland also has a good record in asset sequestration, having restituted about CHF1.6 billion. With this background SECO was an early champion for the TTF, hosting a donor conference on the topic in September 2008 and serving as the first Chair of the TTF's Steering Committee.

The objective of the TTF is to 'strengthen national and regional efforts to address ML/FT risks and challenges in a significant, sustainable and measurable way'.[10] The program got off to a fast start; by the date of the first progress report of

[9] All statistics in this paragraph are drawn from IMF's Regional Economic Outlook for sub Saharan Africa
[10] TTF log frame

March 2010, the program had already committed US$9 million, with US$1.9 million disbursed. The pipeline is robust with 47 projects in the work plan for 2011 and several additional projects to commence in 2012.

Three RAs have been appointed to cover Latin America and the Caribbean, Asia and Africa.

AML/CFT regimes require several structures to be effective:
- Laws, regulations and guidelines
- Regulatory bodies to include FIUs
- Enforcement bodies.

The measures needed to address AML/CFT risks and challenges are:
- Data and measures in the countries where such funds originate as well as in the countries where they end up; hence the essential need for international cooperation.
- Reporting through investigations leading to criminal cases.
- Detecting, freezing, seizing and confiscation of assets.

LESSONS & RECOMMENDATIONS FROM AML/CFT TTF

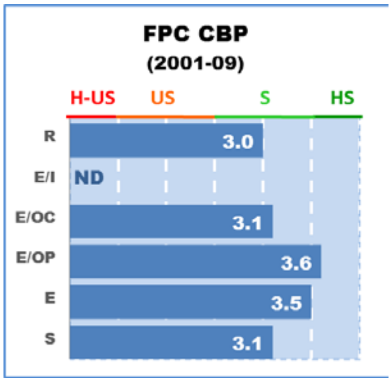
It is too early to learn many lessons from the achievements so far because with few exceptions the TA is still a work in progress and only a few small projects, such as diagnostic ones, have been completed.

- Incorporation of budget narratives, accompanying the annual work plans, would explain apparent large variations between similar countries for the same module (e.g. Thailand and Malaysia).
- Log frames need to separate Outputs from Outcomes. These are often mixed up and Outputs are claimed as Outcomes. The implementation of RBMS by the IMF is likely to address this issue.
- Consideration should be given to developing some templates, especially for the legal and regulatory module, which can be adapted to the particular jurisdiction. This recommendation is designed to save costs and improve efficiency of delivery.
- The program has a research budget and has been attempting to assess to what extent ML/FT impacts on macroeconomic and financial sector stability: so far this attempt has failed due to difficulties in data collection. We recommend discontinuation of research on this issue because it may not be practical at this stage. It may become clearer once TA has been delivered to a wider number of countries, especially under the risk assessment modules.

The *Effectiveness* of the regimes and measures can be assessed by FATF or its regional evaluation bodies, FSRBs, against international standards (FATF's 40+9 principles) through a mutual evaluation process (MER). One of the key Outcome indicators for the success of the TTF will be that countries receive a pass rating by their MERs. The TTF will not be providing TA to FATF members on the grounds that they have already reached the international standards required. *Outcome* and *Outputs* have both been rated as Highly Satisfactory, with a score of 3.7.

We have attempted to rate the few projects that have been completed but obviously any conclusion cannot be better than a 'good start' has been made. Based on the program design and the description of donor coordination activities so far we considered it was possible to provide a preliminary rating for *Relevance* (3.0), Efficiency (3.5) of Satisfactory, and *Sustainability* as Not Demonstrated at this stage.

4.8 FPC CBP



The FPC CBP program is a US$7 million program that focused entirely on monitoring and analysis of foreign private capital flows in order to inform macroeconomic policy and management. The program was completed and not extended in 2009 by SECO, largely because it had successfully achieved its mandate by building sustainable capacity in this area in 16 countries.

The program's objective has been stated as 'to improve the management of international capital flows to and from developing countries in order to promote sustainable pro-poor development'. These flows derive from a variety of sources (corporate, investment funds, banks, foreign governments, diaspora, and others) and in a variety of forms (equity, short and long term loans, grants, remittances, retained versus repatriated profits and others). The sources and forms may have variable impact on a country or region's vulnerability to macroeconomic or financial sector shock, for example the effects of the recent global financial crisis. The consistency and volatility of these flows need to be measured and analyzed in order for the authorities (usually central banks and Ministries of Finance) to build FPC into their strategies for macroeconomic and financial sector management.

The program manager, Debt Finance International through its affiliate Debt Relief International (DRI), had been active in the FPC area since 1996. The donor supported program started in 2001. There have been three phases with varying levels of donor support, although SECO has been involved throughout, initially with DFID and then in Phase II as the largest donor, and finally in Phase III as the sole donor.

The program has worked through Regional Organizations (ROs): MEFMI (East Africa), CEMLA (Latin America), WAIFEM (Anglophone West Africa) and from halfway through Phase III with BCEAO (francophone West Africa) and BEAC (francophone Central Africa); and in cooperation with them to member countries.

A key element in the structure of the delivery was to establish a National Task Force at country level to comprise all key stakeholders (central banks, MoFs, Investment Promotion Agencies, Statistics Offices, private sector organizations) and then commence a staged capacity building program to develop data collection (by surveys), analysis of data, dissemination of data (a cycle) and finally feed into Policy Action Plans for the country. The TA strategy was to gradually devolve program management and technical capacity to the ROs and finally to the member countries. The TA involved substantial capacity building, including training, installation and operation of software to assist data assembly and analysis.

The achievement of capacity sustainability at country level, whereby the process at least comes within reach of international standards and produces reports on a timely basis (12-15 months from start to finish), needs, on average, the completion of three cycles. Each cycle costs about US$50,000 (although this varies from country to country).

We consider the FPC CBP program as an excellent example of a long term capacity building project that has worked, perhaps because of the very narrow focus and the time dedicated to building success over a multi-year effort but certainly also because the recipient stakeholders were well coordinated from the start at country level and overseen by regional organizations to which they belonged.

LESSONS & RECOMMENDATIONS FROM FPC CBP

The external evaluation of 2009 made five recommendations but we have not summarized these here partly because we did not agree with two of them and mainly because the program has now ceased.

- We consider the FPC program has been highly successful and our single recommendation is to learn from its approach and structure for other SECO supported programs:
  - A relatively small program totaling about US$9 million spread over 7 operating years with more than 25% of cost contributed by the recipients and with 100% recipient self-funding in most cases since the end of the project. This helps the case for recipient contribution as well as the justification that successful capacity building needs a medium to long term effort.
  - Substantial achievement in building sustainable capacity largely due to the buy-in achieved.
  - Heavy reliance on regional organizations, actively cooperating with member countries in the management and delivery of the TA.
  - A four-part structure to the TA: international consultants (gradually phasing out input over time), ROs, National Task Forces to ensure commitment, as well as oversight and coordination of major stakeholders and implementation teams (usually within the central banks).
- This approach to steady and consistent capacity building recognizes that medium-to-long term TA can produce results, if the effort is needed and sustained for each country over perhaps three years or more.
- We believe that, whilst there is a growing demand for FPC TA, SECO's exit strategy was sound. A self-sustaining capacity at both technical and financial levels had been largely achieved and SECO's support had largely achieved its goal. An *ex post* evaluation may derive valuable findings as to the level of sustainability achieved on a regional and country level.

We rated the program's *Relevance* as Satisfactory (3.0) because of strong country and regional ownership, and strong evidence of demand. Donor coordination was good: the program coordinated closely with the IMF Statistics department and ensured no overlap with AFRITACs' work in statistics modules. Essentially FPC was the only program addressing the issue of capital flows. SECO, as the eventual sole donor, ensured that this important gap in informing monetary policy was filled. We rated *Effectiveness* highly (3.6 (Highly Satisfactory) for *Outputs* and 3.1 (Satisfactory) for *Outcomes*) because the TA delivery process was methodical and replicable and there was clear evidence that the data collection and analysis techniques had been well absorbed and in 50% of the countries (and growing) the analysis was being used to inform monetary policy. *Efficiency* was highly rated (low Highly Satisfactory with a score of 3.5) because the process worked well with regional organizations and countries and was well coordinated at those levels (National Task Forces at country level). The *Sustainability* rating was Highly Satisfactory at the level of data collection and analysis but brought down to Satisfactory (3.1) because by the end of the project only about 50% of countries were using the analysis in policy formulation (but there is encouraging evidence that this percentage is rising).

5. EVALUATION RESULTS FROM VIETNAM CASE STUDY

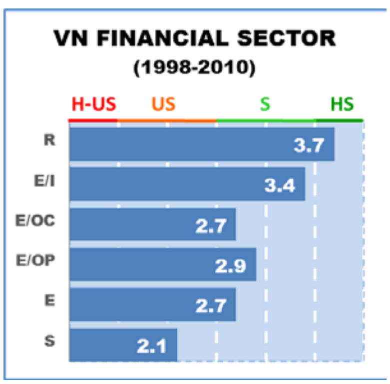
5.1 INTRODUCTION

Although SECO has been involved in the Vietnamese financial sector since 1994, its intensive engagement started in 2004, at an important juncture of the sector's development. The private sector of the banking industry was taking off and the government was starting to reform the SOCBs and prepare them for equitization. SECO selected a number of key project areas for assistance, the choice of projects partly guided by SBV.

In the event the banking sector developed rapidly. The JSBs have been the main drivers, but the SOCBs have also been reforming, often with the aid of donor funds. A slowdown in equitizations has affected the sector, as well as the outcome of many donor projects. Similarly, the slower than expected reform in regulation and supervision has exposed the sector to higher risks. Nevertheless the sector has performed very well, aided by wider strong economic growth. Growth in bank credit has been one of the main drivers for the high domestic demand in the Vietnamese economy, fuelling its rapid growth.[11]

Donors have been very active in the sector, and broadly between 2000 and 2010 injected an estimated US$380-400m of mainly loan TA funds for financial sector development. SECO is one of the largest bilateral donors. As Chart 8 in the next page shows, donors are active across all the segments of the financial sector. The government has also injected substantial funds to recapitalize the SOCBs. More importantly, the private sector, both local and to a limited extent foreign investors have also injected capital and know-how.

5.2 SECO'S WORK IN THE VIETNAMESE FINANCIAL SECTOR



Relevance

It is clear that the projects approved by the 2004 program (and TATP III prior to it) targeted key challenges facing the banking and financial sector at the outset of the projects: SOCB reform and equitization; skills training; and strengthening the development and implementation of monetary policy and the capacity of the central bank generally. Progress, however, in SOCB equitization and development of an independent and effective monetary policy has been slower than would have been expected. The SOCBs have undertaken reform to varying degrees in the interim, with the assistance of donors such as SECO, World Bank and AsDB. However, the pace of reform has been slowed down by continued government ownership and influence, and the focus of donors and other stakeholders has changed from having equitization as a goal to strengthening the SOCBs operationally so that they can operate effectively and thus 'prepare for eventual equitization'. Similarly, in the area of monetary policy, a continuing lack of SBV independence, its continued diffused mandate, and institutional barriers between it and other government Ministries have held back reform. Nevertheless, areas such as skills training are still priorities. Thus, although some policy initiatives have not been implemented at the pace they were anticipated, to the extent needed Outcome objectives have been adjusted and Relevance maintained.

[11] Finance & Development, IMF. September 2008.

C8: Activity of major donors in Vietnamese financial sector

STRUCTURE & GOVERNMENT

- **SECO:** *MHB; BRWs: Equitization;*
- **WB/ADB:** *Various projects under Governance and Operations for SOCBs that will also assist in their equitization*
- **GiZ:** Assistance with equitizations

MONETARY POLICY

- **SECO:** *TATP: SBV* Capacity building
- **IMF:** Various workshops, advice; TA on forecasting calculations and monetary framework; monetary and BoP statistics; OMO, TB and money market operations; draft forex ordinance;
- **GiZ:** OMO, refinancing; discounting, overnight lending; training on forex management and exchange reserves;

NON-BANK & CAPITAL MARKETS

- **SECO:** *SSC SRTC:* Training capacity building
  SECO Multi L: *FIRST*: Insurance supervision
- **ADB:** *FSPL I:* development of diverse institutions & markets;
- **ADB+AFD:** *FSPL II:* legal & regulatory for insurance; leasing; promoting interbank and money market development; FSPL II I SP 1: capacity building for capital markets; SP2: government debt markets, investor protection in securities markets; SSC; insurance supervision; roadmap for developing financial sector over med/long term; *Microfinance* sector projects
- **GiZ:** Bond market – restructure bonds; securities settlement;
- **IFC:** Bond market development.
- **USAID:** *US SEC* partnership with SSC

GOVERNANCE & OPERATIONS

- **SECO:** *BTC, JSBs:* Strengthening JSBs through training; *MHB:, EXIMBANK* Strengthening operations; *BRWs*
- **WB:** *RF II:* TA to VBARD and BIDV; SOCBs application of international accounting standards; RFIII: capacity building at financial institutions for on-lending. 2nd *Payment system & Bank Modernization Project: TA* to implement core and electronic banking systems at SOCBs
- **ADB**: *FSPL I:* CB at SOCB; Corporate governance & risk management at VBARD;
- **JICA:** VDB: CB especially credit risk management.
- **GiZ:** internal audits; risk management
- **AFD:** MHB: support for implementing IT.

MONETARY POLICY

FINANCIAL STRUCTURE

GOVERNMENT INVOLVEMENT

GOVERNANCE & OPERATIONS

REGULATION & SUPERVISION

INFRASTRUCTURE & ENVIRONMENT

REGULATION & SUPERVISION

- **SECO:** *TATP:* SBV capacity building ; *BRWs*
- **CIDA:** *BSRP:* SBV capacity building and legislations
- **ADB:** *FSPL I*: laws & regulations for commercial banking; *FSPL II:* financial sector vulnerability assessment; AML;
- **IMF:** Risk based bank supervision; moderniszng SBV; BSA risk based supervision pilot;
- **JICA:** review of SBV and banking supervision law; modernization of issue and vault operations; risk based banking supervision;
- **GiZ:** SBV Executive training; SBV regulations on bank internal audits; draft regulations for risk management
- **WB**: strengthening supervisory framework (financial disclosure);

INFRASTRUCTURE & ENVIRON.

- **SECO:** *BTC, BUs, Directors Training:* Bank training capacity building
  SECO Multi L: *FIRST:* TA to CIC
- **ADB:** *FSPL I:* Deposit insurance; registration system for secured transactions; CB at State Auditors Office. FSPL III SP 3: accounting and auditing standards & practices; Bankruptcy law revision; CB for secured transactions;
- **ADB+AFD:** *FSPL II:* Deposit insurance, auditing & accounting, secured transaction systems; FIU; strengthening VAA; DIV legal framework.
- **IFC:** secured transaction legal framework review; **JICA:** Payments system business continuity plans;

Source: Financial sector donor matrix, information from donors

Vietnam is a popular country with donors. In 2009, it received ODA amounting to US$3.7 billion, of which bilateral donors' share was 57%. This compares with net private sector flows of US$1.7 billion. Between 2008 and 2009, the 'Economic Infrastructure and Services' segment of the Vietnamese economy, which incorporates the financial sector, received over 35% of bilateral assistance, making it the most popular segment among donors.[12]

With respect to donor coordination in the Vietnamese financial sector, although there are some overlaps, our review suggests that information sharing is strong, and actual coordination is effective among a core group of donors. The government keeps strict control over donor coordination, and donors may sometimes have little choice and also can suffer delays. As our evaluation demonstrates, both at the financial sector level and at specific institutional level, there is complementarity between SECO and other donor work. We have seen some limited evidence of results of coordination between SECO's financial sector work and SECO's other bilateral work in Vietnam and its Multi L and Multi B programs. These programs nevertheless complement WEMU's projects.

In the scale of support that the Vietnamese financial sector has received over the last decade, SECO's contribution is relatively small. SECO's investment of approximately US$11.9 million should be seen in the context of an estimated US$400m-plus TA contribution over the review period (see Chart 9). There have been clear complementarities between donor activities and as Chart 8 shows, all key areas requiring reform were targeted. This would have enhanced the effectiveness of SECO's projects, although it is difficult to identify precisely how various projects may have interacted to realize the Outcomes.

Given the structure of donor contributions, SECO is one of the most active bilateral donors in the Vietnamese financial sector[13] and has built up a reputation based on:

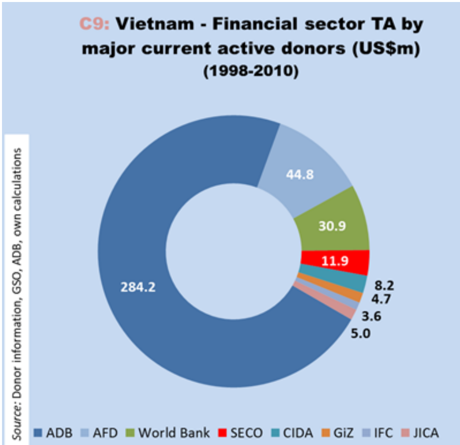
- Quality of its work
- Flexibility
- Political neutrality
- Increasingly over the recent past on strong project design and management
- Particular strength in banking sector training.

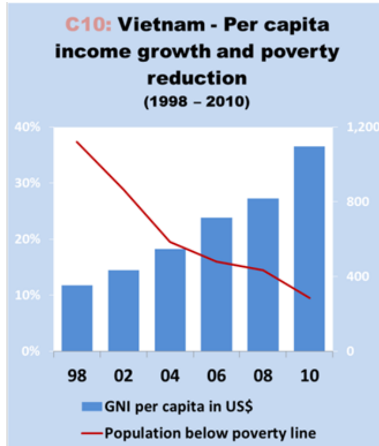
In addition, the work it has carried out during the period under review has developed confidence among Vietnamese stakeholders, as a result of which it can undertake politically and policy-sensitive projects such as the Banking Sector Strategy project.

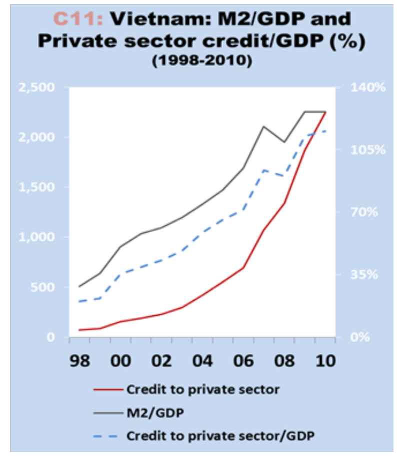
On balance, we rate the *Relevance* of achievements at the Vietnamese financial sector level as Highly Satisfactory, with a score of 3.7.

[12] Source: OECD, World Bank

[13] The donor TA contribution chart (Chart 9) has been constructed from various donor sources. It concentrates on TA and includes both loans and grants. For some donors, e.g. the World Bank, we have estimated the TA component of a larger banking sector loan. AsDB's contribution mainly relates to three financial sector program loans, earliest of which started implementation in 1997. AFD's contribution includes 35m Euros (cUS$42m) of co-financing for one of AsDB's program loans. The chart excludes cUS$150m loans from World Bank for IT procurement in SBV and SOCBs. It also excludes on-lending facilities. Data was not available for certain donors, principally USAID, that were active in the financial sector earlier in the review period, but are not as active now.







Effectiveness

In this section, we assess:

1. To what extent have SECO's goals been achieved in Vietnam, at the Impact level?
2. To what extent has the Vietnamese financial sector developed over the period under review and sector-level Outcome objectives (which we have had to construct in the absence of *ex ante* elaboration) been reached?
3. To what extent might have SECO's projects have contributed to the objectives at the financial sector Outcome level?
4. To what extent Outputs from SECO's projects may or may not have made a contribution?

Impact

SECO's ultimate goal in the Vietnamese financial sector is to reduce poverty and foster economic growth. As Chart 10 shows, this has clearly been achieved, with the general poverty level down from 37.4% in 1998 to 9.5% in 2010[14]. During this period, Vietnam has been one of the fastest growing economies in the world. As indicated in Section 2.5 in relation to the design of the Vietnamese financial sector results chain, the link between economic growth, poverty reduction and financial sector development is not direct. Factors outside the country's financial sector: for example, performance of the wider domestic economy and the Vietnamese government's liberalization initiatives in boosting it; effectiveness of government and donor policies more directly aimed at reducing poverty; and positive global influences such as those flowing from the US BTA and entry into WTO partially counterbalanced by those from the global financial crisis during the period under review, have additionally contributed to economic and poverty-related performance.

The subsidiary goals at the Impact level are deepening of the financial sector, and reduction in its vulnerability. The financial sector's depth has increased substantially over the period, with private sector credit to GDP increasing from 20% in 1998 to 115% in 2010 (Chart 11). Although the correlation between financial sector depth and economic growth and financial sector deepening is well established, evidence of causality is just emerging. Nevertheless, we have looked at the financial sector depth of other countries at a similar stage of development and compared them with that in Vietnam. The nearest country in the region with income levels similar to that of Vietnam is the Philippines, with a GDP/capita of US$2,007 (vs Vietnam's US$1,100). For the latest year data was available, 2008, Domestic credit/GDP in that country was 50.6%, compared with Vietnam's 126.2%[15] for that year. Deposits per capita were US$1,287 in Vietnam in 2010, vs

[14] General Statistics Office of Vietnam. www.gso.gov.vn. General poverty rates have been estimated by monthly average expenditure per capita according to the poverty lines by GSO and WB with different standards as follows: 1998: 149k Dongs; 2002: 160k Dongs; 2004: 173k Dongs; 2006: 213k Dongs; 2008: 280k Dongs. 2010 estimate: en.baomoi.com 31 May 2011.

[15] AsDB country summaries.

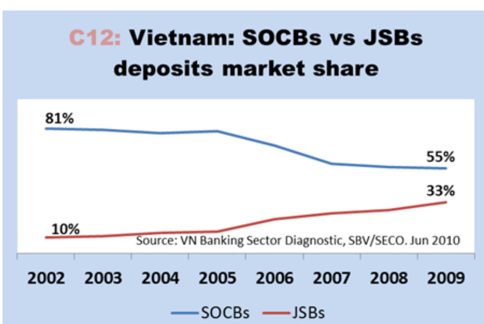
Philippines' US$713.[16] As our analysis at the Outcome level suggests, the rapid growth of credit in the economy has left imbalances in the banking sector (for example, low penetration levels), a still relatively narrow financial sector with disproportionate level of reliance on banks, and capacity that needs further strengthening. Nevertheless, our review of both macro level data and structural changes in the financial sector (see analysis below) suggests to us that its depth has indeed increased significantly between 1998 and 2010 and the development of financial sector is relatively advanced for the country's GDP/capita level. The picture is more mixed in respect of banking sector vulnerability. Given the fast pace of growth in the financial sector, capacity, both within banks as well as in regulation and supervision has lagged behind. We have concluded that in many ways the banking sector is more vulnerable now than in 1998.

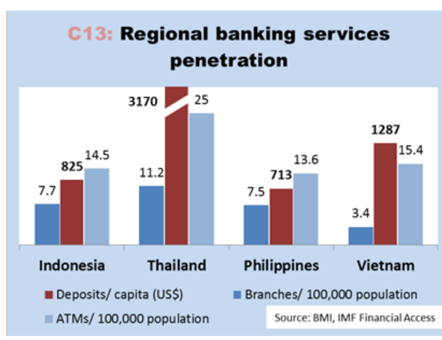
Taking into account the above factors, our assessment is that SECO's *Impact*-level goals at the Vietnamese financial sector level (albeit with significant contributions from external factors) have been substantially reached. This has been mitigated to an extent by our assessment of the financial sector's fragility. We therefore rate this as Satisfactory, with a score of 3.4.

Outcome

At the Outcome level, we have assessed how the key components of the financial sector have developed over the period under review.

The banking sector's *structure* has strengthened considerably, with the development of new products and services. Although the sector is generally still undercapitalized, substantial capital has been invested, with total banking sector capitalization of US$16bn in 2009[17]. The albeit limited entry of foreign banks has also improved standards, and 2011 has seen considerable impetus in their growth. Concentration has reduced sharply, with the lending and deposit market share of the largest four banks (the largest SOCBs) reducing from over 70% in 1998 to 40% in 2010 (Chart 12). The number of branches now total over 4,000 (although over 50% of these are owned by the State-owned Agribank), and the number of ATMs per capita has increased from 1.47 in 2004 to 15.36 in 2009 (Chart 13). These positive developments are partly mitigated by the overly competitive nature of the market, the lack of deposit growth to keep pace with loans (loan/deposit ratios are over 120%[18]) and ensuing narrowing of margins especially affecting the smaller banks, which are fighting for market share (bottom 15 banks with less than 4% of market share[19]). Bank penetration is still low, with 35-40% of branches in Hanoi and HCMC. Only 10% of the population is estimated to have bank accounts. Nevertheless, given the state of maturity of Vietnam's economy, the wider banking and financial sector structure is relatively well developed. SECO's *BRWs, BTC and MHB* projects will have contributed in this area, and the *BSS* project should have strong impact in the future. We rate improvements in the banking sector *Outcome* as Satisfactory, with a score of 3.3.





[16] BMI. Vietnam Commercial Banking Report Q1 2011.
[17] BMI, Vietnam Commercial Banking Report Q1 2011.
[18] BMI, Vietnam Commercial Banking Report Q 2011.
[19] Moody's Global Banking. Vietnam Banking System Outlook. August 2009.

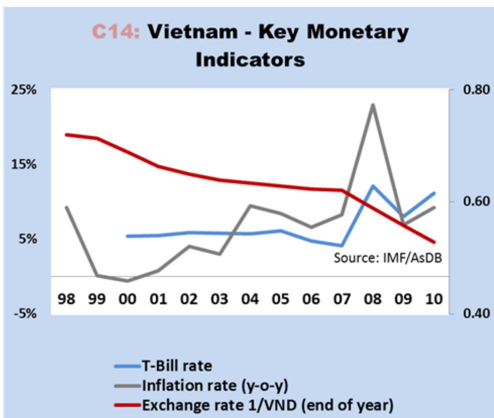
On the other hand, *government involvement* in the sector has not reduced to the extent that SECO would have anticipated at the outset. At the time the program was being approved, there was strong momentum for reform. Although the government is pursuing a model similar to the Chinese in keeping control or influence over key economic sectors, there would have been reasonable expectations at SECO and other donors that the government would move quicker and more effectively in commercializing the banks and giving more independence to the SBV. The government's financial sector roadmap from 2006 anticipated the equitization of four of the SOCBs by the end of 2010. Only two banks have been equitized to-date. The 2008 Global financial crisis was not foreseen, but it is generally accepted the delays have been exacerbated by government ambivalence towards equitization of the banks[20]. Similarly, the 2005 SBV Development Plan foresaw the central bank getting considerable independence by 2010, which did not happen. Nevertheless, the distorting effect of continued government ownership and influence over SOCBs has been mitigated by the faster than anticipated relative growth of the private sector banks, and the resulting decline in SOCB market share. As a net result however, this has diminished the Outcome from SECO's projects with *MHB, BRWs* and, if the situation does not improve reasonably soon, the on-going *Bank Directors Training* program. We give the achievements in the objective of reducing government involvement in the banking sector a rating of Unsatisfactory, with a score of 1.6.

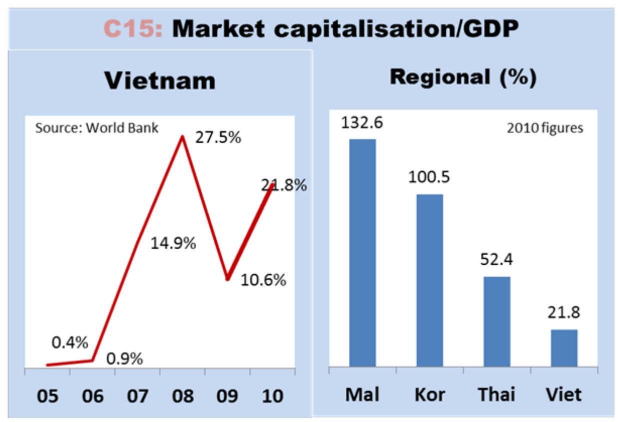
Governance and operation at banks show mixed results. Operations have improved considerably in many banks, with core banking systems being implemented in many of the largest ones, including the SOCBs, with private and donor funds. Most banks place a premium on training their staff and the larger ones have almost all established in-house training centers. The largest banks are among the most efficient in the region[21] and many have developed innovative and profitable strategies. On the other hand, achievements are mitigated by the fact that risk management standards have not kept with the increase in operations and have exposed the banks to vulnerability. Non-Performing Loan levels, although reportedly low at around 2%, are of major concern and are likely to be significantly higher if international standards (IFRS/IAS) are applied[22]. Governance is weak: The SOCBs are still influenced by government. Many of the private banks, especially those that are owned by private economic entities, show potential vulnerability to diversion of bank depositors' funds for their own use particularly in an environment of weak regulatory oversight and underdeveloped Board structures[23]. The Outcome of projects such as *BRWs, BUNIs, BTC and MHB*, to the extent they were also trying to address these issues, will have been affected. On balance, our assessment of the operational improvements in the banking sector is positive and we give this a rating of low Satisfactory, with a score of 2.9.

Regulation and supervision had, until recently, fallen behind the sector considerably. The passing of a number of new interim regulations since 2008 and the implementation of the Banking and Central Banking Acts since January 2011 (after a two-year delay) will address many of these weaknesses. Banking supervision still continues to be weak for various reasons. A proposed CIDA project aimed at strengthening the 2009-established BSA's[24] capacity will help in this regard, although notably over a five year horizon. A 2007 self-assessment against BCPs found the central bank materially non-compliant and not much progress has been made since then. Supervision is still compliance based and relies on manual reports from banks. More importantly, SBV's independence is yet to be achieved and it still plays multiple roles as owner, administrator and supervisor of the banking sector. Responsibilities between various institutions involved in supervision the sector, especially the deposits insurance agency (DIV), is diffused. To the extent that SBV's effectiveness remains suboptimal, the achievements of the *TATP III* project and *BRWs*, aimed at strengthening the regulatory and supervisory framework, have been diminished. We have rated the financial sector level *Outcome* in strengthening banking sector regulation and supervision as low Satisfactory, and scored it as 2.5.

[20] Various IMF Article IV Consultation reports over the period.
[21] Vietcapital Securities. Vietnam banking sector: Industry Update. January 2011.
[22] Taking Stock. An update on Vietnam's recent economic developments. World Bank. December 2010.
[23] IMF Article IV Consultation Report. 2007.
[24] SECO is also providing support through the UNODC mentor program

The banking sector's *infrastructure and environment* has strengthened considerably over the period[25]. Although data is difficult to access, the growth in banking industry staff numbers (currently over 200,000, having grown at around 7% per year[26]) will have a positive impact on overall capacity as more training infrastructure comes on stream. As indicated above, there is a strong in-house training culture among banks. In addition, BTC, for example, has seen the number of courses it has sold increase more than three times, from 67 in 2005 to 271 in 2009. International ratings show that other areas in the banking sector infrastructure and environment, reinforced by the government's wider economic reform agenda, have also improved well. The country has improved its World Bank Ease of Doing Business Ranking from 99 in 2006 (earliest year rankings are available) to 78 in 2011. Within that, Ease of Credit rankings have improved from 83 in 2007, to 15 in 2011. However, the main external influence on the banking sector's performance has been strong economic growth, which averaged at over 8% per year over the five years leading up to the global financial crisis. We believe that the progress in this area, a focus segment of the financial sector for SECO, has been more positive than in others. We have rated this as Highly Satisfactory, with a rating of 3.7.





In *Monetary Policy Management*, however, problems continue (see Chart 14). There are mitigating factors such as a high degree of dollarization in the economy, level of gold, and openness of the Vietnamese economy. Nevertheless, institutional issues such as the sharing of responsibility in this area between the SBV, MoF and MPI; weak capacity at SBV; and its diffused objectives between growth and inflation targeting (as evident from the liquidity squeeze followed by large stimulus in 2008-09) have meant that monetary policy management continues to be weak. The SBV Development Plan had envisaged that the central bank would achieve by 2010 at least a substantial degree of independence in determining monetary policy objectives and implementing appropriate action under a National Monetary Policy Committee to be chaired by the SBV Governor[27]. In the event, this did not take place and monetary policy is still determined by the National Assembly, with advice from a consultative committee that includes the SBV, Ministry of Industry and Trade (MoIT), economists, MoF and the MPI. Although the new central bank law gives the SBV a clearer mandate to target inflation, it still needs to target the exchange rate and has to pursue the government's wider socio-economic objectives, and is dependent on other State bodies for monetary policy implementation. Difficulties in implementing an effective monetary policy are exacerbated by a lack of co-ordination between fiscal policy, public investment and monetary policy. The SBV is still intervening directly in the banking system with interest rate caps, subsidies and caps on credit growth. The annual

[25] Vietnam: Financial Sector Diagnostic 2008. IFC.

[26] BTC information.

[27] Moving Toward an Effective and Sound Central Bank in Vietnam in the New Era. SBV. May 2005. P 6: …Requirements for establishing central bank model: 'Regulations to allow the SBV determines by itself in choosing and using monetary policy instruments for implementing its target from time to time or choosing and using special policy measures to implement its targets in special circumstances.'

inflation rate rose from 11.7% in December 2010, to 20% in May 2011, the highest in Asia[28]. Although *TATP III* has made some contribution in strengthening staff capacity at SBV, wider issues such as those highlighted here will have affected monetary policy performance. We have rated achievements in this area as Unsatisfactory, scoring it at 1.8.

With respect to the capital markets and financial sector diversification, despite what we assess to be limited contribution from SECO's *SSC SRTC* project, the capital markets have developed considerably over the period (August 2010: 586 stocks; capitalization of US$33.2 billion[29]) having started from scratch in 2000 and despite the development and bursting of a bubble over the last three years. Stock market capitalization/GDP at 22% (down from peak of 28% in 2008[30]) is reasonable given the state of the maturity of the economy. The market's infrastructure has also developed thanks partly to donor support, but substantial further work is needed. On the other hand, there is little debt issuance and capital markets regulation continues to require strengthening (Vietnam is non-compliant with IOSCO principles[31]). The financial sector also lacks any meaningful diversification, with for example depth of insurance penetration low.[32] A wider range of institutions and markets is missing. On balance, we score Outcome achievements at the financial sector level on capital markets and financial sector diversification as a low Satisfactory and have given a score of 2.7,

Table 5 summarises our Outcome-level ratings and scores on the development of various components of the financial sector over the 1998-2010 period. SECO projects that are expected to have made a contribution are shown for each of the Vietnamese financial sector level Outcome indicators, along with our ratings and scores based on the previous analysis. The resulting average score at the *Outcome* level for the Vietnamese financial sector is 2.7, or Satisfactory, which we feel also reflects broadly the performance of the SECO portfolio. There have been some exceptional projects and some projects have not gone well, but overall the performance at SECO Vietnamese financial sector portfolio level, and for the financial sector as a whole, has been Satisfactory.

C16: Vietnam - Contribution of SECO Projects to Outcome Level Achievements

	HI	MED	LO
TATP III (2003-10) BUDGET: CHF0.9m ➢ MP, RS		●	
MHB (2006-08) CHF1.3m ➢ BS, GI, GO		●	
BTC (2005-09) CHF0.95m ➢ GO, IE	●		
SSC SRTC (2008-09) CHF1.1m ➢ IE, CMD			●
BUNIs (2008-09) CHF1.2m ➢ GO, IE			●
BRWs (2004-10) CHF0.5m ➢ BS, RS, GO	Not Demonstrated		

C17: Vietnam - Summary of Ratings and Scores at FS Outcome Level

Excludes on-going projects	HS	S	US	ND
Banking sector structure (BS) ➢ BTC, MHB, BRWs		3.3		
Government involvement (GI) ➢ MHB, BRWs			1.6	
Governance and operations (GO) ➢ MHB, BRWs, BTC, BUNIs		2.9		
Regulation and supervision (RS) ➢ TATP III, BRWs		2.5		
Infrastructure and environment (IE) ➢ BTC, BUNIs, SSC SRTC	3.7			
Monetary policy (MP) ➢ TATP III			1.8	
Capital markets and diversification (CMD) ➢ SSC SRTC		2.9		
Overall		2.7		

[28] Bloomberg News. 22 December 2010, 1 June 2011. Highest among 14 Asian countries tracked by Bloomberg.
[29] USA Today. 23 August 2010
[30] World Bank Database
[31] The International Organization of Securities Commissions (IOSCO), the international standard setter for capital markets, has laid out Principles that capital markets regulators should seek to comply with in order to achieve international best practice standards.
[32] See Financial Sector Diagnostic 2008. IFC.

SECO's Contribution to Vietnamese Financial Sector Development

At US$11.9 million, SECO's financial contribution is estimated to have been between 2 and 3% of total donor TA contribution in the Vietnamese financial sector over the review period. The banking sector's capitalization stands at US$16bn and much of this, plus capitalization to offset SOCB losses from the Vietnamese government, will have been injected over the period by investors, in addition to investments into other parts of the financial sector. For reasons stated earlier, given SECO's relative contribution, and the results of the projects completed to date, it is therefore difficult to attribute the achievements of the Outcomes at the Vietnamese financial sector level directly to SECO's projects. However, we can to some extent assess whether the latter have made any contribution (see Chart 16). In doing so, we also need to take into account the relative size and scope of the project, as a proxy for which we have used project budget. There is a high degree of correlation between a project's Outcome rating, and that for the corresponding segment at sector level. This suggests that, given the relatively small size of the projects, most of the project Outcomes were at least partly affected by factors outside SECO's control. For example, the two areas that have seen the lowest scores at the financial sector level, i.e., *Government Involvement* and *Monetary Policy*, have also seen the projects that were involved in those areas: *TATP III and MHB*, receive relatively low scores. On the other hand, infrastructure and environment has received the highest scores, and so has the *BTC* project. The two projects that suffered from specific issues: *BUNIs and SSC SRTC*, will not have contributed as much to sector level Outcome, especially as they were train the trainer projects and take time for results in terms of trained students' employment and subsequent productive work to feed through to sector performance. The *BTC* project has made, we feel, a strong contribution given the relative success of the project and also the strong position BTC enjoys in training a high share of managerial staff in the banking sector. Our assessment of *MHB's* contribution reflects that the bank's performance has kept pace with the sector's development in terms of assets growth. *TATP III's* contribution, in our view, has been mixed for reasons elaborated in Section 5.3. Given the workshop structure adopted for the *BRWs* and their diffused Outcome, we cannot reasonably assess their contribution to Vietnamese financial sector development and have rated this as Not Demonstrated.

Outputs

For reasons explained in Section 2.5, it is very difficult to construct a manageable range of Output indicators at the financial sector level, and we have not sought to do so for the Vietnam case study. Generally Outputs of SECO projects were Satisfactory. Outputs of three of the projects, BTC and the two on-going ones[33], BSS and Bank Directors Training, received ratings of Highly Satisfactory. BRWs received a rating of Unsatisfactory, mainly reflecting our view that although the presentations may have been individually of satisfactory or strong quality, taken as a whole the individual workshop programmes could have been more focused and they didn't deliver any discernable results. The Outputs of the remaining projects were rated as Satisfactory. The average of *Output* level score of SECO projects is 2.8, or a rating of mid-Satisfactory. We feel this is a good reflection of the SECO Vietnam portfolio's performance on this criterion.

Efficiency

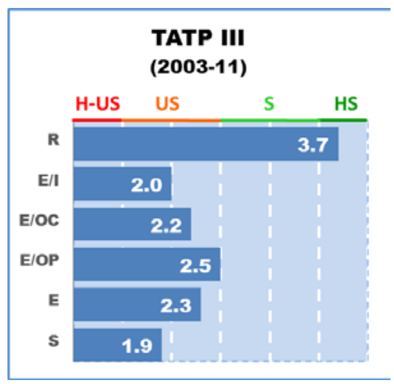
The overall *Efficiency* of the program was affected by two projects, BUNIs and SSC SRTC, both of which were training courses with poor attendances. Overall project management within WEMU and COOF has been strengthening and we believe that similar instances are considerably less likely to arise in the future. We believe that SECO has achieved strong results for its investment, especially given the many factors beyond its control that have affected its results. For *Efficiency*, a score of 2.7 is a mathematical average of the results of SECO projects giving a Satisfactory rating, which we feel is a reasonable reflection of how much SECO achieved for its money in the projects we have evaluated.

[33] Interim assessments

Sustainability

We did not rate the BRWs for Sustainability as they were in practice a series of workshops with no apparent design or objective to make them sustainable. Of the projects we rated for this criterion, the lowest scores were for the two train-the-trainer projects, at SSC SRTC and BUNIs that suffered from poor attendances, although the new ACIIA initiative at the former project elaborated later, if successful, may enable the achievement and enhance the sustainability of some of its original objectives in the future. With respect to TATP III, in our view certain project design and management issues may have affected its sustainability, but the main influence will be the pace at which wider government policies develop. At present, SBV cannot operate effectively in the areas SECO targeted without on-going donor support and much of SECO's work is in progress. We have rated MHB and BTC's financial and overall Sustainability at the same level, as Satisfactory. Much will depend on the strategic choices they make, but we feel that BTC stands better prospects of achieving this as it has what we assess to be better management, and is not subject to government policy as much as MHB. The portfolio's sustainability is also affected by the high number of training-related courses, which are generally difficult to sustain without supporting institution building. Although individuals participating in train the trainer courses may have upgraded their knowledge and, to the extent they can apply it, training techniques, without an integral system for renewing the knowledge and upgrading curricula in a fast moving field such as finance it is difficult to conclude positively on Sustainability. Our score for *Sustainability* of 2.1, or at the higher end of Unsatisfactory, reflects these issues.

5.3 TATP III



The CHF900,000 project, which is a component of a wider multi-country TATP program managed by the Graduate Institute of International Studies (GIIS), was approved in December 2002. The project was a follow up of TATPs I (1996-98) and II (1998-2001) and it was envisaged that this third phase would be implemented over three years (2003-5), but this was extended on a number of occasions until 2011. The project focused on three broad areas:

1. Improved capacity at the SBV to implement its Development Plan, principally by:
    a. Implementing a management development program
    b. Implementing a modern HR management system
2. Implementing a new monetary policy framework
3. Strengthening the SBV's Banking Institute by upgrading curricula in various areas and training trainers to deliver the new curricula.

The project suffered from delays, that caused it to be extended by over five years; only CHF663,327 of its original budget was used; and a number of its Outputs and Outcomes are yet to be realized. We understand that the extended period was considered necessary to develop a relationship between the consultant and the SBV and gain their trust, and that the delay should be considered an 'input'. Nevertheless, we have had to take into account that: a) TATPs I and II had been implemented between 1996 and 2001 (five years) by the same consultant in the same areas of SBV, and TATP III was essentially an extension of these projects; b) a further extension of over five years in a three year project can be considered to be disproportionate; and c) even after 15 years of TATPs I , II and III, the majority of the project's objectives, in our opinion, have not been achieved. The implementation of the SBV Development Plan did not essentially start until 2008, significantly later than envisaged[34]. These delays were exacerbated by bottlenecks at SBV, which was also seeking

[34] The Project's Decision Note stated the SBV Development Strategy would be approved in 2003, and there was an Implication that implementation would start soon after.

to co-ordinate a large number of donors (major ones being the World Bank, IMF, CIDA (which had a US$8 million SBV project), AsDB, GTZ, and USAID) active in the institution, often in areas being targeted by SECO. The project's external evaluation report also points out constraints in availability of call-down consultants and the program manager at the implementation agency as a contributory factor to delays. We also feel the project's approach of relying on SBV staff to implement the projects may have been an added factor. In our opinion, more hands-on TA at least initially and albeit supported by workshops would have been appropriate in this case because of: a) the low absorptive capacity of the SBV staff especially in light of the feedback from the TATP II evaluation; b) the technical and organizational complexities involved in developing essentially from scratch the areas such as monetary policy and HR; and c) the feedback we have received from SBV staff that the workshops were not necessarily tailored to their needs, and they couldn't apply large elements of the teachings. These factors, despite successful initial steps notably in the field of management development, reflect our ratings and scores for this project.

The results of our evaluation are broadly consistent with that of the TATP III's external evaluation[35]. The main area of difference lies in our belief that the major contributory factor to delays and realization of objectives was the slow speed of change in Vietnam generally and within SBV, rather than issues relating to the project's management. We have also rated the project's Relevance higher (Highly Satisfactory vs Satisfactory), as we have given more weight to interventions carried out by other donors in other core central bank functions, rather than expecting the TATP to cover all these areas. Our assessment of Output levels are similar, both being Satisfactory. At the Outcome level both ratings are Unsatisfactory. At the Impact level, both our ratings are Unsatisfactory, although both evaluations acknowledge that SBV has found the TATPs useful.

Moreover, many of our findings echo those of the external evaluation of TATP II in 2001, which although arriving at a more positive conclusion highlighted many of the issues that were found in this evaluation. Both evaluations conclude that overall, SBV staff find the TATP to be useful. However, when it comes to practical use of the mainly workshop-driven approach, various drawbacks were highlighted by the earlier evaluation. For example, at that time, the majority (51%) of staff found the applicability of the TATP workshops to their day to day work to be low, and 67% felt that they had experienced difficulties in applying the consultants' recommendations. There were also concerns expressed at the workshops being sub-optimal because of participation from mixed levels of staff and the lack of tailoring of workshops to the Vietnam context. It additionally found the linkages between training and institutional development to be weak. Our findings below echo similar conclusions.

SECO is redesigning its approach to TA to central banks and many of these lessons are being incorporated in the new design.

Our assessment of TATP III's relative contribution to Vietnamese financial sector level Outcomes for *Monetary Policy* and *Regulation and Supervision* is between Medium and Low.

Objectives

In the project's log frame, the *Goal* (Development Objective) of the project was defined as 'sustained macroeconomic and financial sector stability as well as sustained economic development and development of a market-based financial system'. The immediate objective (*Outcome*) was 'central bank that conducts sound indirect monetary policy and ensures financial sector stability and the development of a market-based financial system.' The Indicator (not clear whether this was for Outcome or Impact) was: 'Successful management of monetary policy will sustain inflation rate below 5%'.

[35] External Evaluation of the Frame Program of the Graduate Institute of International and Development Studies (IHEID) to Support the Development of sound Financial Systems in Developing Countries. BSS Economic Consultants. October 2010

For the purposes of this evaluation, we have combined both these objectives to assess the project at the Impact level, and then looked at achievements at individual project levels for Outcome and Output assessment.

Relevance

The project addressed various key areas relating to the strengthening of the SBV that are at the core of its priorities of modernizing and becoming a more effective central bank. Other core areas, such as banking supervision, and payments systems, were adequately covered by other donors such as CIDA and the World Bank. We would rate this as Highly Satisfactory, with a score of 3.7.

Effectiveness

The project has demonstrated limited Effectiveness to date.

With respect to the implementation of the SBV Development Plan, a key objective of the project, a review of the Plan against actual achievements suggests that a large number of structural changes envisaged have indeed happened since 2008. One of the achievements has been the establishment of a Statistics, Analysis and Forecasting Department, partly from TATP advice. Nevertheless, a large number of important objectives of the Plan, such as central bank independence and branch rationalizations, are yet to be fully realized. The new departments established as part of the Plan are yet to start functioning effectively. In supporting the Development Plan, TATP's main focus was on management development and developing a HR information system. SBV have indicated that the project has had a significant influence on management thinking, with focus of personnel assessment having shifted from seniority based to that based on contribution to objectives. Implementation of this concept is however still a work-in-progress, with job descriptions for all position being targeted for completion by end of 2011. Significant work still remains to be done in establishing a management system and culture of international standards. On the HR information system that was an objective of the project, TATP produced a diagnostic for the proposed system. However, this component was taken over by CIDA and the system has started being implemented in 2010. SBV stressed that the TATP diagnostic was a valuable input into commissioning the CIDA system. A strong management training curriculum has been developed, as envisaged in the log frame (in partnership with GiZ), although local trainers have not taken over as envisaged. However, lack of institutional changes to date has meant that managers have limited opportunities to apply the range of management techniques. Thus, this element of the project log frame objective of 'Job descriptions and performance appraisal system introduced and used', key to achieving a performance based management system, is yet to be realized.

Achievements have been extremely limited on TATP's objective of assisting the SBV in the development and implementation of a monetary policy framework[36]. Achievements include strengthened staff capacity and progress in applying models for econometric analysis. However, the TATP III Decision Note did not highlight as risk factors in achieving the project's objectives any of the organizational complexities surrounding implementation of monetary policy in Vietnam, or that achieving the project's stated objectives in this area was beyond SBV's immediate remit. With hindsight, Outcome level objectives should have been set at the level where SBV has control (e.g., quality of monetary policy analysis and advice produced by the SBV) and dependencies/assumptions for achieving impact clearly identified. We have assessed the project on this basis at the Outcome and Output levels.

[36] The project's Decision Note stated: 'The immediate objective of the phase III of the TATP is to contribute to the establishment of a modern central bank able to conduct sound indirect monetary policy….'

Feedback from participants in macroeconomic practices workshops suggest that they are of high quality, but that they are not adequately contextualized and can be too theoretical. They are also difficult to translate into action. Staff is able to make analyses using relatively basic models, but these require substantial further development and gathering reliable data for the models still faces many barriers that are being gradually addressed. Thus, the project's log frame objectives of: a) [new] Monetary policy [indirect] framework approved and applied (this has not happened: SBV continues to use direct controls, such as deposit rate ceilings, credit growth caps, and interest rate subsidies); b) staff uses empirical methods in their day-to-day work (progress, but substantial work needed to improve reliability and timelines); c) monetary survey and reporting in line with international standards and practices (very limited progress) have been met only partially. SECO contribution is a work in progress, with the general consensus among external stakeholders being that substantial capacity building and institutional development (such as the establishment of a Research Department) is still needed at SBV in this area.

In respect of the Banking Institute (Bank Training School), of the 70-100 courses it runs for SBV staff per year, SECO is participating in management skills training by having developed the course and trained the trainers on one module (another five management training modules being funded by GiZ). SECO also provides training on technical matters (mainly monetary policy analysis, as highlighted above) for managers. Test results from the 2010 management training course show good scores. The management training courses are well received (partly because of the quality of the international trainer), and the perception at the BTS indicates that at SBV HR these courses are contributing to the gradual modernization of banking practices at SBV. TATP is also supporting the Bank Strategy Institute on a number of initiatives. Training has currently been suspended due to disagreement on approach between another donor and SBV. At the activity level, the general perception is that TATP consultants are of high quality. The workshop mode of delivering TA is appreciated, but Effectiveness is adversely affected by participants of different experience. To the extent that mentoring is available post workshops, this helps, but implementation is sometimes delayed due to lack of availability of consultants.

At the *Impact* level, we concur with the external evaluators' assessment that the rating should be Unsatisfactory, and have scored it at 2.0.

At the Outcome level, the implementation of the SBV Development Plan is still a work in progress and the TATP's key objective of contributing to the establishment of 'a modern central bank capable of conducting sound indirect monetary policy' are yet to be realized. Relatively little has been achieved in the monetary policy area (accounting for 47% of the project's initial budget). Although SBV staff is better able to understand monetary policy concepts and principles, quality and timeliness of monetary data requires further improvement[37]. The recent reorganization of SBV's organizational structure could, combined with appropriately targeted further Technical Assistance, contribute to more positive results in the medium term. In HR, a job description and performance appraisal system has not yet been implemented, although it appears it will be by 2012 (vs the project's target of 2005). For training courses, at the Bank Training School, management training is seen as a strong course, but local trainers have not yet taken over. For reasons cited earlier, the Effectiveness of the other technical courses is assessed as weak. We therefore rate performance at the *Outcome* level as Unsatisfactory, with a score of 2.2.

[37] Vietnam: 2010 Article IV Consultation. IMF. July 2010. P23: 'The authorities should improve the quality and timeliness of data, especially in the monetary, international reserves, fiscal, SOE, and banking sectors.' Worth noting part of the problem is SBV is data still dependent on other institutions/ministries and also its mixed objectives of balancing monetary stability and growth hampers its objectives relating to monetary stability.

LESSONS & RECOMMENDATIONS FROM TATP III

- Framework contracts such as TATP III provide flexibility in responding to fluid situations, and do not require tight project design. However, they require substantially greater investment during the project implementation phase. They should also enable quick response, and therefore require more standby implementation resources. To have any discernable impact, the project's Outcomes need to be very carefully defined, with flexibility in Output and Activity. They also require closer monitoring.
- Whilst having staff at the client institution implement projects does increase the effectiveness of capacity building and enhance ownership, we believe such an approach should be used selectively. The main determining factors should be the:
  - scale and complexity of the task.
  - capacity of the staff involved to carry out the activities involved.
  - availability of time, resources and incentives for staff to prioritize the project over their daily work.

  In most simple projects, an initial period of technical assistance supported by training, followed by a mixture of remote and field advice can be sufficient. For larger, more complex projects more long-term consultant engagement is likely to be needed, the resource commitment and length of consultant engagement depending on the above three factors.
- In a large and complex organization like a central bank, especially one undergoing major reform, it may be more effective to focus resources on a narrow objective, rather than seeking to assist in a number of areas. In addition to yielding greater discernable impact and Outcomes, this could facilitate securing for SECO an 'exclusive' mandate over a function and thereby more control.
- Whilst focusing on providing TA on an institution-specific basis (in this case SBV) it is critical to assess up front that the objectives targeted are deliverable within that institution's mandate. To the extent they are not (as in the case of monetary policy and SBV, where MoF and MPI are also critical stakeholders) risks need to be carefully identified at the outset and the project should be designed to address or at least mitigate them.
- Even more so than general training courses, workshops or training intended to provide guidance on implementing a project needs to be tailored to the country context, and preferably be institution-specific. Terms of reference should ideally specify this explicitly and provide budget for the tailoring task.

At the Output level, we feel that there have been some successes (such as the management training course, developing capacity of staff to conduct monetary analysis), but this is offset by the feedback we have received on the shortcomings highlighted earlier. On balance, and without weighting the lack of achievements at monetary policy higher to reflect its higher proportionate budget, we rate TATP III's Effectiveness at the *Output* level as Satisfactory, with a score of 2.5.

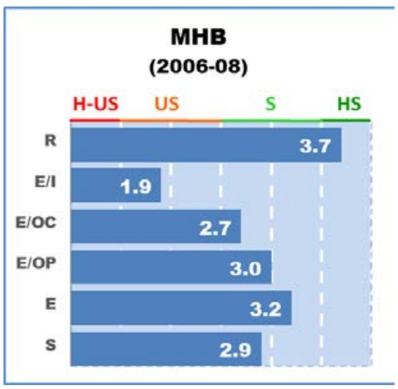
Efficiency

Although the project only spent 74% of its initial budget over seven years instead of three, this was at the expense of achieving the envisaged results. We have also indicated our views about the applicability of the project modality of relying on SBV staff to carry out the projects on their own, which would have saved costs but may have been better done selectively. Project management could have been stronger with local presence. The length of the project, extending over eight years (15 years if Phases I and II are taken into account) is extremely long. On the other hand, the project did not waste resources given the external factors affecting its performance. The GIIS program manager's focus on only supporting viable projects with clear institutional ownership would have helped in this regard. On balance we rate *Efficiency* of this project at the high end of Unsatisfactory, with a score of 2.3.

Sustainability

Although progress has been made, SBV is not yet in a position to develop further on its own in any of the areas covered by the project (and more so in other areas). It still needs substantial external support to become an effective implementer of indirect monetary policy. It also needs continued donor support to fund the 32 donor funded training courses it is conducting. Management development has yet to tackle the critical issues of moving in practice to a performance based system and culture and will need donor support. Indeed SBV has asked for continued SECO support in these areas. Our rating for *Sustainability* is Unsatisfactory, with a score of 1.9, i.e., although the effect of some of the achievements of the SECO project will last into the future, SBV will not be able to continue to operate without external support.

5.4 MHB



MHB, a SOCB, was established in 1997. Originally oriented towards 'residential housing development and socio-development programs in the Mekong Delta', MHB had evolved into a more all-round, universal commercial bank by the time that SECO commenced its project. A CHF1.3 million technical assistance project was approved in June 2005, due to be implemented between 2005 and 2007 (over two years), but in reality was implemented between 2006 and 2008. The project design was based on a 2003 diagnostic of the bank commissioned by SECO, supplemented by subsequent technical assessments by the project design consultants. A key reason for choosing to partner with MHB was because it was seen as a dynamic young bank, with reasonably clean finances (confirmed by a World Bank funded audit in 2005), and it was earmarked as an early candidate for equitization. The project covered technical assistance to all key functions of the bank.

In our view the project was relatively successful and MHB is in a considerably stronger operational position than it would have been without SECO's assistance. However, we feel that the project's initial goals of having a demonstration effect and judging the results by industry leadership standards were too ambitious. In our view MHB is now at a crossroads. It has expanded its staff numbers and branch network rapidly without yet differentiating itself as a brand or having any products that position it competitively against its competitors (needs that were highlighted in SECO's 2004 diagnostic and, more recently, the project's external evaluation report[38]). This, exacerbated by a highly competitive, low margin, government intervened market has meant that it has been unable to grow at a similar rate to its peers, leaving it with a disproportionately high cost base, lack of scale and lack of a deposit base[39]. It needs to develop a competitive strategy, significantly restructure its operations, roll-out attractive products, and train customer oriented staff in order to realize its potential. Without addressing these major issues first, and getting a full understanding of its equitization plans and assessing its achievability, in our view any further support to MHB focused on its internal operations will most likely show limited results.

The project's external evaluation questioned the Relevance of assisting such a small SOCB, especially as it was leaving its niche to become a generic commercial bank. We rate project Relevance highly for reasons stated below. We are in broad agreement with the evaluator's overall assessment that the project's Outcomes were mostly achieved (scored as B+ by the evaluator, Satisfactory by us) and that less was achieved at the Developmental Impact level (C+/Unsatisfactory). The

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38 External Project Evaluation of the SECO Technical Assistance and Capacity Building Support for the Mekong Housing Bank. International Finance and Development LLC. Draft May 2010. Executive Summary . August 2010.

39 According to the 2009 Annual Report, 49% of MHB's funding needs were borrowed from other banks, with 51% only coming from customers. We understand that this ratio has improved more recently.

reasons for attributing our scores sometimes differed. Also, our assessment at the Outcome level, with the benefit of a further year's performance and opportunity to implement the project's recommendations at MHB, is more conservative. It's also worth stressing that the external evaluation relied on project related documents, and MHB management interviews, and did not seek to independently verify any of the assertions/comments about implementation of recommendations.

Our assessment of the MHB project's contribution to the Vietnamese financial sector level Outcomes for strengthening *Banking Sector Structure*, reducing *Government Involvement*, and improving *Governance and Operations* is assessed on average as Medium.

Objectives

The main objectives of the project were to strengthen MHB operationally and improve its management and thereby facilitate its equitization[40]. The project's log frame stated that the Impact indicator for the project would be 'successful privatization of MHB' and the means of verification would be 'listing on HCMC stock exchange'. There was an added expectation that the SECO project would enable MHB to contribute to the strengthening of the financial sector and have a demonstration effect for the equitization process.

Relevance

Assisting one of the three pilot SOCBs in the equitization process, an achievement that would have been at the heart of government policy for the banking sector at that time, was highly relevant. The choice of MHB, being the smallest SOCB, with only slightly above 1% market share, would have limited the Impact. On the other hand, the SBV saw TA to the bank as a priority and there might have been reasonable expectation that it would be easier to implement changes in a younger, smaller institution potentially without legacy issues and create the 'demonstration effect'. AFD, although it partnered MHB later in the process, has we believe complemented SECO's activities in providing 2 million Euro funding for training staff on MHB's new Core Banking System and also 20 million Euros of on-lending funds. The World Bank funded financial diagnostic helped at the start of the project. We would rate the project's *Relevance* at Highly Satisfactory, and give a score of 3.7.

Effectiveness

To the extent that one of the key objectives of the SECO project was to prepare MHB for its equitization (originally scheduled for 2008), this is yet to be proven. Two other banks, Vietinbank and Vietcombank have been equitized in the interim. To a degree equitization has been delayed due to adverse market conditions or change in government priorities. We understand from MHB management that the bank is preparing for equitization in 2012. Given the circumstances, we have adjusted our assessment to that of how prepared MHB is for operating as an independent commercial bank in Vietnam. In order to do that we have looked at the Bank's financial performance in relation to other SOCBs[41] and other similar sized banks (necessarily JSBs)[42]. MHB's relative performance is not favorable. Given this and the bank's continued

[40] The project's Decision Note further elaborated: 'The project aims at helping the MHB, a small but fast-growing, niche-player SOCB with high potential, to shape its organization in line with more state-of-the-art banking procedures and standards, upgrading its major areas of operation and business activities and adopting policies and procedures compatible with a sustainable growth in the medium to long term.'

[41] Draft Vietnam Banking Sector Roadmap. SECO funded project. Oct 2010. 2009 numbers: 4 largest SOCBs – Return on Assets (ROA) at 1.2%, Return on Equity (ROE) at 22.9%, Net income/employee VND220m; MHB (evaluators' calculations) – ROA at 0.15%, ROE at 5%, Net income/employee VND19m. Other SOCBs are much larger and enjoy benefit of scale and established client base.

[42] In the absence of 2010 financials we conducted a comparison with the 2009 performance of SeABank, a JSB with a similar sized asset base as MHB now, as it was in 2003, at the time of SECO's diagnostic of the bank. This showed the former is almost 10x more profitable, and with a cost base of less than half of MHB. We believe that the gap would have widened in 2010. A comparative analysis with another similar sized JSB, Saigon-Hanoi Bank, yielded similar results.

relatively weak performance compared with what it did historically[43], and with the sector[44], we rate the project as Unsatisfactory at the *Impact* level, with a score of 1.9.

With respect to reviewing the Outcomes of the project at the functional level, we sought to review for Outcome seven of the eight functions where SECO had provided support:

- *Strategic planning.* Discussion with the Strategy Coordinator suggested that the strategy development exercise had improved, with inputs from branch level based on broad guidelines from Head Office. We cannot comment on a fully informed basis on the bank's ability to develop an effective strategic plan given information constraints (see Appendix II). Nevertheless, a review of industry data, branch visits at MHB and its competitors, and market feedback indicates that MHB is yet to implement a strategy that gives it a sustainable competitive edge over its competitors.
- *Human Resources and Organization.* As far as we can see, HR constitutes the major real success achieved from the SECO project to date. We understand that over 100 job descriptions have been prepared, with KPIs for each description; monthly staff assessments; performance related pay systems have been implemented; and a large majority of staff is below the age of 35. The recommended organization restructuring to narrow down the number of reports to the Board and speed up decision-making, however, has not yet been implemented, a major concern also of the external evaluator. Staff productivity is very low.
- *Marketing.* A marketing department was indeed set up pursuant to SECO consultant advice, but it mainly handles customer queries and complaints and commissions mystery shopping[45] to monitor staff performance. We were unable to assess the bank's marketing strategy, but we understand that limited advertising is commissioned and PR events are planned around product launches. MHB does not enjoy any brand or product differentiation but is seeking to differentiate itself from its competitors through superior service quality and creating 'Extra Smiles'. New products are, we understand, in the pipeline.
- *SME lending.* A SME unit was set up two years ago following the SECO project, and the PricewaterhouseCoopers consultant advising the bank on the project engaged to head it. Its original mandate was to look at SME product development, credit appraisal, and market research. To-date they have been pre-occupied with only approving credit proposals presented by branches, essentially a back-office credit function. An international consultant, also part of the SECO project, has been engaged on a short term basis to assist with SME product development, staff training and help set up two SME service centers. Products and the SME centers are in the pipeline but currently MHB has no products or services specifically aimed at SMEs.
- *Credit.* Discussions with the Head of credit suggests that the separation of the back and front office was a key achievement of the SECO project, and that they are still using the credit manual left by the SECO consultant and are in fact in the process of updating it. The bank is also using credit scoring techniques. MHB is still in the process of building up its overall institutional risk management capabilities. Non-Performing Loans are at industry average level. 95% of loans are secured by property. Based on the information made available we were unable to make a full assessment of the bank's credit assessment capacity, but rate progress as reasonable.
- *MIS:* AFD has provided MHB with a soft loan for training abroad on the bank's Core Banking System, which is helping improve its operations. We were unable to assess the bank's capacity in this area given information constraints, however we note that its published annual reports had to be revised in both 2008 and 2009.
- *Treasury:* We understand that many of the recommendations from the consultants' report were implemented, at least substantially, especially in relation to organization of the activity.

[43] The SECO diagnostic report stated that in 2002 the bank's ROA was 0.8%. In 2006, the year prior to SECO's project, this was 0.47%. In 2009, this fell to only 0.15%. Pre-tax profits in 2006 were 102.9bn Dong. 2009 pre-tax profits were 56.6bn Dong

[44] Banking Sector Analysis Report. MHB Securities, May 2009 (in Vietnamese); supplemented by evaluators' analysis.

[45] Tool used in retail services whereby a 'mystery shopper' tests out service levels, sales techniques, etc. by posing as a customer.

LESSONS & RECOMMENDATIONS FROM MHB

- Capacity building projects generally, but especially when they are large scale and require institution-wide transformations, should incorporate an implementation component whereby support or mentoring can be given to the staff involved in implementing any recommendations.
- Particularly when an institution is seeking to transform itself from a government or donor-owned one (see BTC, Section 5.5) to that which will operate under private ownership, its financial sustainability and its access to financial resources should be an important consideration in engaging with it as a donor. The risk is that at worst if the government is resource constrained, it will simply merge the bank with another institution. Alternatively, there is a risk that the institution may not have adequate resources to implement the project's recommendation (e.g., a marketing budget). In either case, the results of the project will be impaired.
- As in the case of the MHB project, a detailed diagnostic does help with project design and is to be highly recommended. However, a) a detailed diagnostic may not be feasible in all situations; b) it won't necessarily provide guidance on the best implementation modalities. Therefore detailed diagnostics should be used selectively, based on the complexity of the issues to be addressed, the information available from alternative sources, and balanced against cost and time to implementation. In the case of MHB, a diagnostic was appropriate, although the three year gap between the diagnostic and project implementation, albeit supplemented by subsequent project preparatory reviews, would have lowered its value.
- SECO may wish to review the need to more explicitly define the support and information sharing responsibilities of aid recipients in its cooperation agreements, so that it can adhere to its accountability responsibilities.

Our scores at the Outcome and Output level reflect the achievements of SECO's project compared with where MHB would be today without it, rather than necessarily the project's ambitious *ex ante* goals. At the *Outcome* level, we would rate the project at the low end of Satisfactory, with a score of 2.7. Our rating reflects that MHB has survived and developed as an institution, and is keeping pace with the market at least in terms of asset growth. It is however still to implement many of the key recommendations from the SECO project and its performance of key SECO targeted functions, to the extent we were able to assess them, ranges from relatively strong (e.g. HR), average (e.g. credit and treasury) to weak (SME, marketing, and organization). We do not believe that this rating would change appreciably with time. MHB needs further extensive donor support or a strategic partner, and needs to implement an effective strategy for this to take place. At the *Output* level, we would also rate the project as Satisfactory, with a slightly higher score of 3.0.

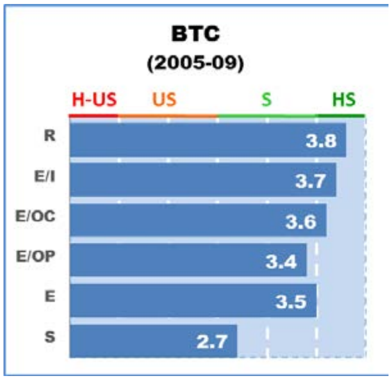
Efficiency

Given the scope of the project and the Outputs and potential (and actual) Impact, the project was cost effective (actual spend was CHF1.2 million, vs budget of CHF1.3 million). As indicated previously, with hindsight perhaps the project design could have usefully incorporated an implementation phase (also a recommendation of the external evaluator) and project monitoring and management might have been more involved to react to changes more quickly. This is only possible with staff on the ground and the situation is now much stronger in Vietnam, with additional COOF resources. We would rate *Efficiency* as Satisfactory, with a score of 3.2.

Sustainability

We believe that the results of the project achieved in this area to date are reasonable and MHB is sustainable at the moment. However, the bank still needs external support to develop as an organization. Given its lack of scale it is exposed to a downturn. Partnership with a strong strategic partner as part of an equitization process would help improve this area. We would rate *Sustainability* as **Satisfactory**, with a score of 2.9.

5.5 BTC



BTC was established in 2001 as a private sector focused provider of professional training and consultancy services to Vietnamese commercial banks by the IFC funded MPDF program. Following successful engagement with BTC on a number of TA and training projects for its partner Vietnamese banks since 2002, SECO initiated a more substantive project in 2005. The project, *entitled 'Capacity building for commercial banking system through the Bank Training Centre'* was planned to be implemented between 2005 and 2007 (completed in 2009 after extensions), in partnership with IFC who would directly manage its implementation.

The project's components were:

- Supporting training of JSBs through gradually reducing fee subsidy, to facilitate BTC's transition to a self-sustained institution under private ownership (ownership assumed by 10 JSBs).
- Supporting consultancy services from BTC to JSBs, mainly in credit and risk management, and human resources, partly through subsidies.
- Course development at BTC.
- Subsequently added, TA to develop strategy and build capacity at BTC.

At the point SECO intervened with BTC, the organization was struggling to successfully transform itself from a donor program to a self-sustaining private sector institution. SECO ensured BTC's survival. The project, steered by strong BTC management, and with separate assistance from IFC and FMO, has helped the institution build itself into a highly regarded quality training provider for banking professionals. However, in a difficult market environment that is likely to get tougher, BTC is actively searching for a business model that will give it sufficient scale and profitability to grow sustainably and the transformation is still a work-in-progress. We believe, nevertheless, that the SECO project has largely been successful in meeting its objectives and our ratings and scores reflect this view.

The project's external evaluation[46] rated overall project Effectiveness as Satisfactory. All principal rating criteria were rated as Satisfactory, except for Relevance, which was rated as Highly Satisfactory. Of the individual project components, training needs assessment and BTC's capacity building was rated as Highly Satisfactory, subsidies for specific bank training and training material development as Satisfactory, and subsidies for consultancy as Unsatisfactory. This is broadly in line with our assessment. We assess project Impact as Highly Satisfactory: the score of 3.7 (range 3.6-4.0) at the lower end of the scale reflects the relative impact BTC has achieved by training a substantial share of senior managers in the industry and its market positioning in the training industry. At the Outcome level, our score of 3.6 is at the margin between Highly Satisfactory and Satisfactory. Our ratings are the same as the external evaluation for Relevance, Outputs and

[46] Final Evaluation of BTC. Frankfurt School of Finance & Management, MCG Management Consulting. March 2010.

Sustainability. We have not downgraded the project for the consulting component, which was aborted and the project redesigned, because we feel that it was the appropriate action to take in light of market reaction.

Our assessment of the BTC project's relative contribution to the financial sector level Outcomes of strengthened *Governance and Operations*, and *Financial Sector Infrastructure* is High.

Objectives

The Decision Note for the project set ambitious goals, including:

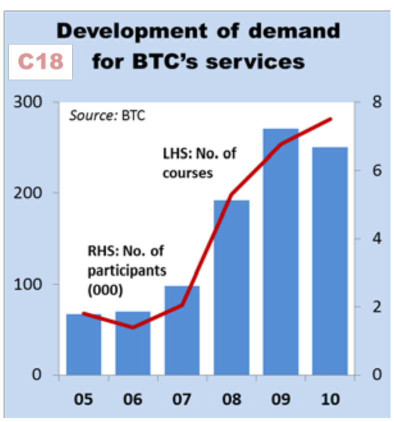
- Assisting the Vietnam government in modernizing financial sector.
- Increasing financial support for the private sector through strengthening JSBs.
- Upgrading skills at SOCBs earmarked for equitization.

We believe that these goals are unrealistic given the relative scale of BTC, and the changed scope of the project. The revised indicators at the Impact level are outlined below.

Relevance

Our review and discussions with industry participants lead us to concur with the conclusion of the external evaluation that the SECO project has been highly relevant to the development of the Vietnamese bank training market and to the development of BTC. Given the rapid growth of the Vietnamese banking sector and the ensuing need to develop banking skills capacity, the project has facilitated this at a critical time for the sector by enabling BTC to become a bank training provider meeting international standards. Importantly, critical changes were made during the tenure of the project to ensure that the project remained relevant. Moreover, SECO effectively coordinated its work with that of IFC and FMO, two other donors working with BTC, to ensure that the institution used donor funds optimally. We would rate *Relevance* of the project as Highly Satisfactory, and give it a score of 3.8

Effectiveness



The conclusions of the external evaluation and our discussions with industry regulators and bankers suggest strongly that BTC has made a positive contribution to the Vietnamese banking sector. Its high quality, international standard courses will have benefited course participants as well as contributing to higher industry training standards. Being a pioneer in practical banking training courses, and still being a market leader, has contributed signaling effects in the sector. Although BTC estimates that it has a share of only around 5% (recent estimate given by management was 15%, but this needs confirmation) of the bank training market, the fact that it has a disproportionately high share of the more senior-level executive training market leverages its impact. On the other hand, the premium pricing strategy (which is being partly addressed now) and general lack of demand for its courses aimed at more junior levels limits it. The generally acknowledged to be high quality Training Needs Assessments carried out in 13 banks under the scope of the project until the end of 2009 (although these are commercially unviable) will also have had a compounding impact at the sector level, assuming a reasonable level of follow-up implementation of the TNA recommendations.

We believe that a reasonable target for Impact assessment for a project of the size and scope such as SECO's with BTC is that it makes a meaningful contribution to the development of human resource capacity in the sector. This will be difficult to measure and attribute but given the evidence and feedback we assess the project's Effectiveness at the *Impact* level to be Highly Satisfactory, and with a score of 3.7.

Providing subsidies to enable BTC to transition into a '*financially sustainable'* organization was a key objective of the project. BTC has indicated to us that they are profitable without taking into account any donor contributions, and relying on shareholder bank students for only 30% of its revenue. It has distributed a dividend to its shareholders last year. However, BTC needs further investment to develop courses, or to grow. This suggests that BTC is financially sustainable at present. Going forward a clear and effective strategy is needed to realize the institution's potential.

In 2008, lack of demand for its *consulting services* and recognition by BTC that it lacked the necessary resources to provide quality advice led it to terminate its consulting activities. Upon consultation with IFC and SECO, the unspent budget for this component was reallocated to engage a Technical Adviser to assist it on various capacity building activities.

LESSONS & RECOMMENDATIONS FROM BTC
▪ When SECO wishes to partner an institution evolving from a donor funded or government owned institution to that which is preparing to operate in the private sector, assessment of management and proposed strategy should be key components of its due diligence exercise as these are likely to be key determinants of the success of any intervention with that organization. ▪ IFC is a long term strategic partner of BTC and played an active role in managing the project. This is likely to have helped in the project's achievements. SECO might consider partnering with other similar institutions for other bilateral projects.

With respect to *strategy and capacity building* within BTC, the project aimed at developing a vocational training component of the organization's strategy. The recommendation of transforming BTC into a Vocational Institute of Banking, Insurance and Securities has not been implemented to date, although management has not yet ruled out this option. Operational capacity to design and develop courses, and capacity to conduct TNAs has on the other hand been strengthened. We agree with the external evaluators' opinion that further detailed market research should be conducted before pursuing this strategy. We understand from BTC management that it is exploring various options in this regard, with some successes to date.

The training material is of generally high quality and clear to understand. However, our review and scoring of training materials from two of the courses, supported by the participant survey carried out by the external evaluators, suggest that they need further tailoring to the Vietnam context.

For reasons stated above, we rate the project at the *Outcome* level to be at the low end of Highly Satisfactory, with a score of 3.6, with the major uncertainty being on future sustainability. At the *Output* level, we rate the project as a high Satisfactory, with a score of 3.4.

Efficiency

We believe that the project has been conducted efficiently. At a cost of CHF910,000 (v budget of CHF950,000) SECO has ensured the survival of a model training institution in Vietnam and helped it develop courses and capacity to grow at a time training is critical for the development and strengthening of the Vietnam banking sector. The timing of the capacity building element at the end of the project may be questioned, as it would have been better positioned at the beginning. However, we understand, given BTC's priorities in the face of limited budget, why they might have at the outset preferred developing a consulting practice to generate additional revenues. The combination of IFC and SECO monitoring has been effective, enabling the project to evolve with the changing needs of the institution in a dynamic environment. We believe that the extension of the project was understandable, to accommodate the redesigned project component. On balance, we would rate Efficiency as Satisfactory, with a score of 3.5.

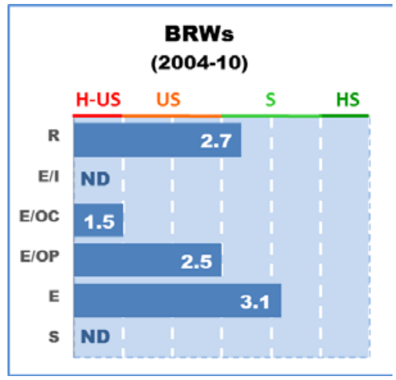
Sustainability

For reasons stated above and the need for an effective strategy going forward, we would rate *Sustainability* at the low end of Satisfactory, with a score of 2.7.

5.6 BRWs

The BRWs have been a series of 'policy implementation' workshops jointly hosted by the SBV and SECO and conducted between 2004 and 2010 on the following topics:

- Best practices in bank restructuring, December 2004.
- Risk management in the banking sector, March 2007.
- Equitization, January 2008.
- Global financial crisis and implications for regulators and for banks' risk management/governance, September 2009.
- Healthy and effective development of Vietnam's rural financial markets, November 2010.



The workshops have been highly valued by the SBV and the topics covered in the presentations and participants' discussions have been consistently rated very highly by the participants. However, we feel that there has been a disconnect between the stated headline objectives of the BRWs and their actual conduct. As the this section shows, a range of objectives have been stated at different times, but a consistent theme has been that the BRWs have been intended to be a series of 'policy implementation' workshops aimed at 'providing tangible (and measurable) expected outcomes' for the SBV in providing input to or recommendations on specific policies, regulations, or legislation. Instead of aiming to deliver such specific Outcomes, the objectives (where stated), structure and contents of the individual workshops were more appropriate to achieve general awareness and sensitization goals. Also, there was a disproportionate bias toward industry/bank specific issues, rather than on policy matters. We understand that this was intentional and SECO latterly decided to provide bankers workshops on what they needed to discuss for their development or growth, and that these were to be fed into the SBV for their policy input. Our ratings of the BRWs have been affected by the need to measure against their stated objectives. The rating for Outputs would have been higher if the objectives of the workshops were simply to increase awareness or sensitize participants to some of the key issues, in which case we wouldn't have sought to measure their Outcome.

We assess that the BRWs relative contribution to its target financial sector level Outcomes of stronger *Banking Sector Structure*, *Regulation and Supervision*, and *Governance and Operations* cannot be assessed and we have rated this as Not Demonstrated.

Objectives

The 2004 Vietnam financial sector TA program Advocacy Note envisaged that these would be a series of programs aimed at politicians and policymakers to provide a forum for dialogue to facilitate the SOCB restructuring process. It also envisaged that this would be a forum where speakers primarily from other transition countries and local speakers from domestic institutions that have done particularly well would be invited to share their experiences for aiding policy formulation in this area. Later in 2007 it was also envisaged that the SBV needed to set a tangible (and measurable) expected Outcome from the discussions that are conducted during the workshop (internal recommendation to management on the way forward in the topic selected, draft law, etc.[47]).

The Decision Note for the penultimate 2009 BRW stated that: 'Assessment of the entire series of workshops will focus on the practical impacts of the workshop series on the Vietnamese banking system and on SBV, and the sustainability of the benefits and results through ongoing SBV programs and operations.' The Decision Note then went on to state that SBV had committed to produce a '*concise but thorough memorandum*' addressing the above points to facilitate the assessment of the BRWs, in particular focused on what practical actions have flowed from each of the BRWs.

The stated objectives of the individual BRWs, whilst still addressing issues relating to banking reform in Vietnam, have over time broadened to varying degrees from the initial idea of a forum to provide input into policy formulation in SOCBs reform. Nevertheless, one consistent objective has been, it seems to us (at least explicitly from the third workshop onwards), that the workshops should produce clearly identifiable tangible and measurable Outcomes in terms of policy, law, regulations, or, latterly banking practice.

Relevance

The topics selected for the BRWs were highly relevant for the prevailing agenda for policymakers in Vietnam and addressed many of the priorities for policymakers in reforming the country's banking system. However, as highlighted below, they did not necessary meet the need to develop or provide input into specific policies. Moreover, often a range of different topics were covered within the same workshop, not necessarily directly related to the workshop theme. On this basis we would give Relevance a rating of Satisfactory and a score of 2.7.

Effectiveness

We believe that the Effectiveness of the BRW program has been limited. Feedback from SBV organizers and participants suggests that the workshops did increase general awareness among the participants of some of the main issues involved in addressing the topics covered by the workshops. They also found the forum to share thoughts and experiences with international practitioners and local policymakers and banking industry professionals valuable.

Nevertheless, there has been no concrete action or inputs into policy or practices that have ensued from the workshop at SBV or elsewhere. Interviews with SBV organizers and workshop participants generally confirmed this, as did our review of internal SBV notes post the workshops. The internal notes mainly highlight how participants benefited from attending the workshops.

At the input and activity level, the presentations and related structured/informal discussions, although individually of generally high quality, well received and scored highly by participants, aimed at addressing a very diverse range of topics within and sometimes outside the overall subject matter. This was rather than being focused on achieving the particular objectives implicit in the workshop titles, or as stated in the Decision Notes. The 2007 BRW, entitled '*Risk Management in*

[47] May 2007 letter from WEMU to SBV.

the Banking Sector in a Transition Environment', illustrates the point. The presentations reviewed covered a wider range of topics without necessarily focusing on the key issues bankers faced, and without any presentations from any practicing bankers on risk management in their banks. We understand that some of these issues were addressed during workshop discussions. The later workshops were generally more focused, and we believe the presenters briefed on the Vietnamese environment for at least the discussions. Moreover, during the 2009 and 2010 workshops were more structured with provision for group and plenary discussions. Nevertheless, we believe these could have been more focused in scope and developing clear Outputs given the BRW objectives.

Given the initial overall objectives of the BRWs being 'Policy implementation workshops', there was a disproportionate emphasis on issues that would be relevant for individual banks, rather than at an industry and more importantly policy level. As stated earlier, SECO management has indicated to us that the later workshops were intended to be more industry oriented. Also, the workshops are not going to continue.

LESSONS & RECOMMENDATIONS FROM BRWs

- The objective of each workshop needs to be defined as precisely as possible at the outset. Even if it is general awareness/sensitization, the specific subtopics need careful definition. Although focus improved in the later workshops, each of the topics covered by individual BRWs was very wide and a series of workshops could have been conducted on each area. The need for specific definition becomes even more critical when a workshop is intended to provide tangible input into specific policies or practices, as the BRWs were intended to do even after redefinition of their objectives.
- For workshops aimed at providing identifiable and tangible inputs into policies, it is preferable that at the outset investment is made to identify which specific policy, legislation or regulation is to be targeted and what particular aspects would benefit from, say, foreign input. This could then more effectively help shape the workshop agenda and identify the speakers. Of course, this type of workshop is different from those that are aimed at canvassing stakeholder views on specific policies, regulations or legislations that have already been formulated and are presented at the workshop for views.
- A workshop aimed at delivering tangible Outputs should ideally be tightly designed, with clearly identifiable Outputs, structure (e.g., consultations on different recommendations in parallel groups, presentation at plenary, etc), and responsibilities. In particular, the recommendations should be collated at the end and as an integral part of the workshop, even if it requires subsequent refinement. This further suggests need for more investment at the design and preparation stage.
- Finally, a clear follow-up action plan should be incorporated at the design phase to ensure that workshop recommendations are dealt with appropriately.

Overall, SECO managed the logistics and participation of the workshop well and reacted quickly to address problems, for example, when in the earlier workshops a disproportionate number of SBV participants were in attendance (60-70%), this was quickly raised with SBV. The final workshops showed a better balance (SBV: 35%; commercial banks: 32%).

Our conclusion is therefore that the BRW series did succeed in raising or reinforcing awareness among attending banking industry policymakers and practitioners on pertinent issues for banking industry reform and provided a useful forum for discussion. However, they did not achieve the objective of providing identifiable inputs into specific policy initiatives at SBV, or directly led to changes in any industry or institutional practices.

We do not believe it is practical to assess the BRWs' results at an *Impact* level, and would rate that as Not Demonstrated. At the Vietnam country level, the BRWs may have made some contribution to overall development of the banking sector along with other SECO projects, but as this cannot be assessed we have also rated its impact at the Vietnamese financial sector *Outcome* level as Not Demonstrated. We would give the project's Effectiveness a rating of Unsatisfactory and a score of 1.5 at the *Outcome* level. At the *Output* level, in light of the fact that no identifiable Outputs were defined aligned with the workshop objectives, and that we have not been able to identify any, would cause us to assess the Effectiveness of the workshops as low. This is reinforced by our assessment that the workshop agenda could have been more focused, especially in earlier cases. We have nevertheless taken into account WEMU's assertion that the objectives of the workshops were latterly changed to that of industry discussions. We have been able to get no evidence from SBV, on the other hand that they made any use of the workshop material or discussions. On balance we rate the *Outputs* of BRWs as Satisfactory, with a score of 2.5.

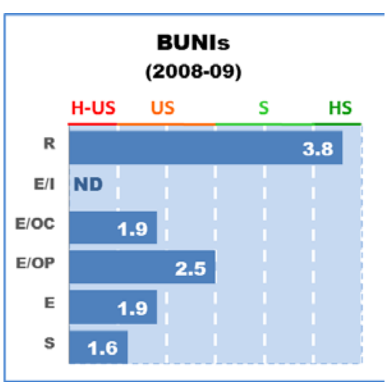
Efficiency

The BRW series was overall conducted relatively efficiently. The actual costs of the five workshops, at CHF322,000 (vs budget of CHF500,000) is reasonable given each was conducted in two different cities and had a large proportion of international speakers. The workshop approach was appropriate for the objectives, although we feel the way they have been structured could be further developed to ensure their results are more aligned to the objectives. Overall the organization and logistics of the workshops were handled well. However, with respect to project management and monitoring, perhaps effectiveness would have been enhanced if WEMU exercised greater pro-active control and closer monitoring of the participant list and any follow-up actions. Our rating for BRWs Efficiency is Satisfactory, with a score of 3.1.

Sustainability

To the extent that the knowledge gained from the presentations and discussions during the BRWs have raised the participants' awareness of pertinent issues, it is possible that the benefits of the workshops will last for some time. However, given the breadth of topics and lack of a follow-up mechanism, it is difficult for us to assess the status of this criterion. On that basis we would give the BRWs a *Sustainability* rating of Not Demonstrated.

5.7 BUNIs



The CHF1.1 million project aimed to build capacity at the Banking Academy in Hanoi and the Banking University in HCMC. It was approved in July 2007, for implementation between January 2008 and June 2010 (in reality finished by December 2009). The aim was to impart skills to trainers at these two institutions in topics ranging from training methods, to seven practical subjects covering the spectrum of banking activities. Additionally the project aimed to build the two institutions' capacity.

The project delivered generally high quality material to the trainers at the universities, and the trainers are using some of the training material and techniques currently. However, the project was affected by, among other matters, low attendance, that has impaired its Effectiveness and Efficiency. Moreover, the project's design didn't cater for an institution-building component, so the sustainability of its benefits is not assured.

We assess the project's relative contribution to achievement of financial sector level Outcomes of strengthened *Financial Sector Infrastructure* and *Governance and Operations* of Banks as Low.

Objectives

At the Impact level, the project had ambitious goals, extending from improving banking industry standards to sustained economic development and improvements in Vietnamese living standards. To the extent that these courses are intended to be taught to University students before they may or may not get a job in a bank, we believe the impact will take some time to be perceived, even if it can be discerned. We believe that a lower level objective, of strengthening the capacity of the institutions and trainers to deliver more effective training, is an appropriate measure at the Outcome level.

Relevance

Given the rapid growth of the banking sector leading up to the project and since, training on technical banking subjects was correctly identified as a priority. Although the choice of the Banking Academy and Banking University was influenced by their linkage with the SBV, we believe that their reach in terms of throughput of students trained justified the choice. Although they have both had support from other donors (see below), SECO's project complemented other donors' activities. We would on that basis rate the Relevance of the project as Highly Satisfactory, and score it 3.8.

Effectiveness

We do not believe that it is realistic to expect Impact at the financial sector level, at least so early (i.e., students from the courses being taught pursuant to the SECO project may not have joined a bank as yet). So our rating at the *Impact* level is Not Demonstrated.

At the Outcome level, our assessment is that the result has been weak. This has been partly contributed to by issues during project implementation, in particular relating to low attendance.

Approximately 443 certificates were issued for a minimum 80% attendance rate and passing a test at the end of each module. However, this includes many trainers who received more than one certificate. At BA, out of a total of 600 lecturers (banking covers 50% of the students) less than 10 lecturers attended all modules, and approximately 30 lecturers did so selectively. Between 70 and 80 lecturers (out of 250) selectively attended the courses at BU.

At the institutional level, we have not been able to detect any improvement in capacity as a result of the SECO project. All seven participating trainers interviewed were asked how BA or BU might have benefited from the training program, and we had nil responses. Nor have we been able to identify any discernable enhancement in external perception of the institutions as a result of the SECO course. Although for example the entrance score at BU is at the higher end of the range, it has not shown any changes pursuant to the SECO project. Association with SECO's brand will help, although BU has already benefited, for example, from a US$5 million CIDA grant between 1992 and 1997 that helped in its establishment. They regularly partner with foreign institutions on courses. Both Universities have collaborative courses with foreign universities.

At the individual instructor level, the results are more positive and trainers thought the course material was helpful. The project's senior counterparts from BU and BA both indicated that they felt the lecturers were more effective at teaching after the train the trainer course (although 20-30% were already trained abroad and benefited less). Our interviews with the trainers confirmed that they are applying the teaching methods learnt and course material obtained in their work, albeit more selectively than envisaged at the time the course completed (for example, selected slides have been used to supplement their existing courses). They have pointed out that case study and discussion-oriented teaching methods are difficult to apply to a class of 70-100, sometimes larger. The training material is often limited by the lack of Vietnam context. They have indicated that the main benefit is that they can refer to international standards when teaching. Based on our sample of seven interviewees, it was difficult to determine exactly how, and to what extent professional development has occurred, but all the indicators suggest that the SECO project has helped the trainers in their work.

At the Output and Activity level, post course participant feedback suggests that for the substantial majority of the courses, the teaching material was of high standard, and the vast majority of teachers were well qualified. The former conclusion is confirmed by our scoring of the training materials.

LESSONS & RECOMMENDATIONS FROM BUNIs
▪ Low attendance rates is a pervasive risk in the training of trainer projects in Vietnam (see also the SSC SRTC project), and it poses a serious risk to project success. Perhaps more formal commitments could be secured from hosting institutions, such as an explicit demonstration of how they will schedule their candidates' work commitments over a training period, with a confirmation that the plan has been activated before the training starts. Additionally, more tangible incentives could be considered (such as staff bonuses, rather than simply certificates) to encourage attendance. In addition, SECO might consider agreeing 'trigger points' on attendance levels with the recipient and the consultant, whereby escalating action will be taken quickly leading to the suspension or postponement of the program. This could be incorporated as a *force majeure* condition in the consultants' contract. This will at least leave open the possibility of re-running the program at a more opportune time or redesigning it. This needs to be reinforced with close, pro-active monitoring. ▪ To the extent feasible, train the trainer courses should automatically incorporate the component of the trainer of trainer joining and providing guidance to trainers (perhaps selected trainers, observed by other trainers) in a practical teaching environment in the country/institution. In addition to enabling a more thorough embedding of techniques, it will give both the student trainer and his/her trainer an opportunity to face any practical difficulties in implementation (e.g., class sizes) and develop solutions together. ▪ It is extremely difficult to achieve institutional capacity building, or sustainability, from a stand-alone train the trainer course. Simply capacity building of the course participants could be an objective by delivering a one-off program, but may not be cost effective. In order to ensure institutional capacity building, therefore, there needs to be a more direct linkage between the train the trainer course and institutional-level action, for example upgrading of curricula. Moreover, the prospects of sustainability would be enhanced if a medium or long term partnership between the delivering and hosting institution could be designed into the project. Nevertheless, SECO should be cognizant of the fact that training institutions such as BA and BU are already successful in developing partnerships with foreign counterparts on a commercial basis (although these are mainly for higher degrees at present). In our opinion, a clear market gap should be demonstrated by proposers of further assistance in this area. ▪ One of the consistent themes across all the training projects has been the importance of contextualizing training materials for the country. This does not necessarily mean that entirely new courses need to be developed. The feedback we have received suggests that course participants value international experience. However, to the extent that local content and case studies could be added, and detailed treatment of material that is clearly not applicable in the country reduced (but not necessarily eliminated), it would substantially meet this objective. The practice of teaming up local and international presenters that SECO has incorporated is a useful support for this objective. ▪ Given many of the modules and course contents of banking programs are standard across countries, and the substantial cost is incurred in paying for 'developing' the content, SECO might explore the feasibility of incorporating an 'option' in training projects, where it has the right to engage the consultants to re-run the courses by paying only for tailoring and delivery costs.

The main shortcoming of the project related to low attendance. Compared with initial expectations of 35-40 for each class, an average of 35 students per class registered, but the actual average turnout was 28. More importantly, this hides a wide variation in attendance between the modules. For example, the Marketing course only attracted 18 participants at BU and 23 at BA. For the Risk Management Module, of the 33 registered at BA, only 24 attended regularly and at BU, of the 42 registered, only 28 received certificates. The main reason given was pressure of work, despite efforts being made to hold sessions over the weekends and over the summer vacations to accommodate work commitments. One, perhaps linked issue is that the course was aimed at a level where some participants found they were not learning anything new, whilst others thought the material was too technical. Based on the above, our rating of the project at the *Outcome* level is **Unsatisfactory**, with a score of 1.9; and our rating at the *Output* level is **Satisfactory**, with a score of 2.5.

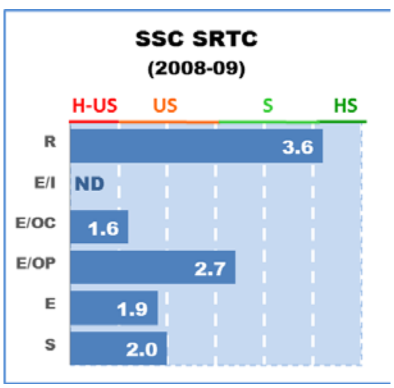
Efficiency

The budget of CHF1.2 million (actual spend CHF1.1 million), as originally conceived, was perhaps appropriate, at approximately CHF1,700 per candidate, per module, assuming an average of 40 at each university. To the extent that significantly fewer students than originally planned for reduces Efficiency (almost CHF2,500 based on an average of 28). Moreover, the fact that turnouts were so low on some courses suggests that there wasn't full alignment between the priorities of SECO, the consultants, the hosting institutions and course participants. On this basis, we would rate the Efficiency of this project as **Unsatisfactory**, with a score of 1.9.

Sustainability

Although at an individual level, some of the participant lecturers may continue to use some of the training material and techniques imparted for some time, institutional capacity has not been created to ensure these are renewed and sustained over time. The design of the project did not provide for this. As a result, we would rate *Sustainability* as **Unsatisfactory**, with a score of 1.6.

5.8 SSC SRTC



The CHF1.1 million project entitled '*Capacity building program for the State Securities Commission*' was approved in October 2006. Implementation period was envisaged to be between 2007 and 2009. The TA consisted of a train the trainer program for SSC training institute instructors and other key SSC staff organized around ten thematic modules covering essential securities industry subjects, with a strong focus on investment analysis and investment management. Each of the topics would be covered at a Basic and Advanced level. The most successful candidates would complete a final module in Switzerland. AZEK, the organization selected as the training provider, is a sponsor of an international qualification for investment industry trainers (ACIIA), and would therefore offer an internationally recognized qualification for investment professionals, the CIIA, to the successful candidates who passed the advanced level of the examinations.

Although a project with great potential, the training courses were poorly attended for reasons outside of SECO's or the training providers' control. None of the candidates passed the Final exams (although one has passed since). SSC, however, has incorporated elements of the training course contents into one of the modules of its securities industry licensing examinations. SECO has also agreed to, *inter alia,* finance SSC's membership and participation in ACIIA, and pay SSC staff candidates' examination fees. These corrective steps may in future result in the project yielding some results. The ratings below indicate our assessment of the position as it stands now.

We assess the project's relative contribution to the strengthening of Vietnam's *Capital Markets* as **Low**.

Objectives
The project log frame indicated its goal to be the improvement of the knowledge and skill base of SSC SRTC trainers. The indicators for achieving the goal would be: Knowledge and skills base expanded and enhanced; more uniform skills level; improved teaching capabilities; more uniform comprehension of securities markets concepts and terminology: and market recognition of SSC expertise.

Relevance
We believe that training among SSC SRTC trainers in the investment management field was indeed a priority at the time the project was conceived and contributes strongly to the project's high Relevance. We can also understand why industry capacity building in investment analysis and management would be a priority area for the regulator at that time. We have therefore given the project a rating of Highly Satisfactory, and given it a score of 3.6.

Effectiveness
At the start of the train-the-trainer program's implementation, the expectation was that up to 50 students, mainly full-time trainers, but also other key SSC staff would be trained, with the basic and advanced level having between 20 and 25 students each. Knowledge absorption would be tested through Foundation and Final exams. The top 15 successful students from the first 10 modules would be invited to participate in module 11 in Switzerland. In the event, for reasons described below, attendance levels were extremely low, at 10 to 15 instead of 50, with only around five to six students attending regularly. In the examinations held at end of the program (between March 2008 and September 2009), only two of the 19 students who sat the Foundation level exam passed it. The only candidate who took the Final level exam failed. Since then we understand that several candidates have passed the Foundation level examinations; three candidates have passed two of the seven papers at Final level; and one candidate has passed the final examinations. These events have fundamentally affected the project's Effectiveness .

Various factors have been attributed as the causes of the above, the main one being that the training program coincided with an unprecedented boom in securities listings and the SSC staff selected for the courses were distracted by their work commitments. Another related factor that has been mentioned is that there was a long period of lag between the project's conception (2001) and its implementation (2008). This delay was substantially contributed to by changes in Vietnam whereby SSC's reporting changed from that to the Prime Minister's office to the MoF, and the latter needed three years to sign the necessary MoU. During this period, we understand that almost 100 full time SSC SRTC trainers left the institution for the securities industry, which was expanding rapidly. As a result, the course was filled with a disproportionately large number of candidates from SSC's functional departments, rather than full time trainers (less than 10 full time SSC SRTC trainers attended) and this contributed to the problems. Project management weaknesses at SSC have been highlighted by a number of parties, including weaknesses and delays in communications. Participants interviewed as part of this evaluation have indicated additional reasons, including the lack of awareness of the CIIA qualification at that time, and the difficulty of the program and contents. Correspondences between WEMU and SSC at that time indicate that WEMU expressed concerns about the situation on a number of occasions, were promised by SSC that the problems were being addressed, but that these continued over the six month period over which the program was delivered.

Since the completion of the course, SSC SRTC has incorporated elements of its contents into one of the modules of the five modules of its licensing courses (asset management). In addition, SECO has agreed to finance SSC for a period of three years: SSC's membership of ACIIA; SSC delegates' attendance in ACIIA Annual General Meetings; and examination fee for all SSC staff CIIA candidates. In addition, AZEK, the implementation agency for the original SSC SRTC training course and a founding member of ACII, will provide SSC with marketing material to raise awareness of ACIIA in Vietnam. SSC is also awaiting accreditation from ACIIA to deliver localized CIIA courses in Vietnam.

At the Output and Activity level, our interviews with course participants suggest that the quality of training material and trainers was strong. There were reservations, however, about the applicability of the content in Vietnam. All confirmed that they had benefited personally and professionally by attending the program, but could not identify any benefit accruing to SSC. Our scoring of the training material suggested that the quality of the training material was not strong (2 out of 5); relevance to subject matter was high (13/15); relevance and applicability to Vietnam low (9/15); and appropriateness to the level of student knowledge average (6/10).

Given the circumstances, our rating for *Impact* level is Not Demonstrated and that at the *Outcome* level is Unsatisfactory, with a score1.6. At the *Output* level, our rating is Satisfactory, with a score of 2.7. We have taken into account the participant feedback of the lectures and our review of the course material, although this has been partially offset by the poor attendance and exam performance. This assessment may improve over time, should the proposed initiatives relating to ACIIA succeed.

LESSONS & RECOMMENDATIONS FROM SSC SRTC

- Suggestions for addressing the low-attendance risk are provided with our recommendations on the BUNIs project in Section 5.7.
- Although WEMU reacted to the situation and sought to correct it, we believe that the intervention might have been more effective had there been stronger local monitoring and project management presence. To the extent this is now available, and has been seen to work in relation to, for example, to issues arising from the Bank Directors Training program, the problem has been addressed. However, please refer to our recommendations in relation to the role of COOF.
- When a substantial gap exists between a project's conception and its approval, SECO may consider carrying out a project validity review prior to finalizing the project and engaging and deploying consultants to ensure that the project's original needs and assumptions still hold.
- Our discussions with senior staff from three of Vietnam's largest brokerages showed little or no awareness of ACIIA or the CIIA qualification. Feedback from SSC trainers suggests that the qualification is likely to be helpful in the country, but they are unable to say whether there will be any industry demand for it. Particularly as it is focused on a relatively small segment of the securities industry, investment management, rather than the securities market as a whole, there is cause for uncertainty. Our recommendation is that the SSC is encouraged by SECO to undertake an awareness exercise, conduct a survey and assess demand for the training (and price expectations), and undertake a feasibility study to establish the viability of the initiative.

Efficiency

Budget for the project was CHF1.1 million. Actual spend was CHF732,000, before SECO contribution for the ACIIA initiative. The relatively few candidates trained and even fewer passing the exams impairs considerably the cost effectiveness of the project. SECO management did intervene when systematic lack of attendance became apparent, but SSC couldn't meet its undertakings that attendance levels would improve. We believe more proactive on-the-ground project management presence may have been more effective in taking timely action. Moreover, it seems to us suspending the course was never considered seriously as an option[48]. These issues are mitigated by the fact that some of the training material is being used and some of the project budget remaining will be used for ACIIA (although in our view the results of this initiative are yet highly uncertain) lead us to provide *Efficiency* with a rating of Unsatisfactory and a score of 1.9.

[48]See Lessons and Recommendations

Sustainability

Some of the project's training material has been incorporated in SSC's industry licensing curriculum as part of an optional paper and will be useful until they require updating. The project, as it currently stands, has little *Sustainability* and is rated at the mid-range of **Unsatisfactory** with a score of 2.0. As with the other evaluation categories, this assessment may change in the future in light of the results from the current initiatives.

5.9 ONGOING PROJECTS

There are two on-going projects in Vietnam within the scope of the Evaluation:

1. The CHF1.9 million (CHF2.1 million including local contribution of CHF200,000) *Capacity Building Program for Bank Directors*, in partnership with SBV and the Vietnam Banking Association, which was approved in November 2008. The project Decision Note expected this three year project to complete in June 2011, with a formal Evaluation in 2012. The project aims to improve senior management capabilities among director-level managers of state-owned banks in Vietnam through the delivery of technical training seminars by the Swiss Finance Institute (SFI) over a period of roughly thirty months, comprising 13 training modules covering all aspects of banking.

2. The CHF1.3 million *Banking Sector Strategy Development, Monitoring and Capacity Building Project*, which was approved in March 2010, and is expected to be implemented between April 2010 and December 2015. The project aims to support the SBV's Banking Strategy Institute to develop a strategy for credit institutions to cover 2011-2020. It will also provide support during the following monitoring and implementation phase and strengthen BSI staff capacity to carry out the work by themselves.

The *Bank Directors Training* program is undoubtedly a very high quality executive training program. We have heard some relatively minor concerns from participants about the structure and content of the program, which we outline below. The applicability of the lessons, at least in the short term, is heavily dependent on the candidate's position and ability to make changes. Our main concerns relate to the project's cost effectiveness (at CHF30,000/US$35,000 per candidate and CHF420,000/US$490,000 per bank to train an average of 14 managers), its long term impact on candidates' institutions, and its sustainability as it is currently structured.

The *BSS* project has to date produced a high quality diagnostic and roadmap for the banking sector. SECO has been able to overcome institutional barriers and catalyze wider stakeholder consultation and ownership. The project, which goes to the heart of government policymaking, is an endorsement of the confidence that SECO has been able to generate among its Vietnamese counterparts and has in turn elevated its profile among the local donor community and wider Vietnamese policymakers. The fact that capacity building and development of a monitoring structure has been incorporated in the project's design is a further strength of the project. We have, however, commented later on the project's overall design and gaps surrounding the implementation framework for the strategy (essentially, in our opinion, the project/strategy design should have incorporated the implementation framework at the outset, albeit actual responsibility for implementation would lie with SECO's Vietnamese counterparts).

It is too early to assess the contribution of these projects to the development of Vietnam's financial sector.

Objectives

For the *BSS project*, the objectives are defined as being to assist SBV to develop a strategy, and to assist BSI to develop a monitoring framework and to build capacity to carry out the monitoring. For the *Bank Directors Training program*, the objective is defined as the improvement of know-how of management of SOCBs. Please see the Recommendations section for our thoughts on the scope of these objectives.

Relevance

We assess both the projects as highly relevant, addressing key priorities in the banking sector, and have rated them both as Highly Satisfactory. To the extent that the *BSS* project goes to the heart of formulating a coherent policy for the sector, and is much needed, it has a slightly higher score of 3.8, against a score of 3.6 for the *Bank Directors Training program*, where the results are more dependent on wider institutional reform within the SOCBs.

Effectiveness

It is too early to assess Effectiveness at the *Impact* or *Outcome* levels for both projects.

For the *BSS* project, Outcome will critically depend on the development of an effective implementation framework to ensure that the strategy recommendations are carried out. The draft strategy we have reviewed does recommend the creation of a committee to oversee implementation, but we believe that further detailed and explicit planning, allocation of responsibilities and ownership will be needed to link the strategy with the implementation and monitoring process. In addition, the quality of monitoring and ability to take well considered action in light of monitoring results will require strong capacity among the BSI team. BSI has already established a department, the Banking Strategy Monitoring Department, to undertake this task and its seven/eight staff who will be responsible for different aspects of monitoring identified. We have reviewed the profiles of the staff and they appear to have adequate academic qualifications for the work. However, substantial analytic, theoretical, technical and soft (e.g., teamwork) skills would need to be developed.

With respect to the *Bank Directors Training program*, the critical ingredient for success (as defined in the project objectives) will be the candidates' ability to apply the lessons learnt, most visibly through the implementation of the 'project' submitted as part of the training program. Our interviews with candidates suggest that much will depend on the scope of their authority: generally Heads of Departments at Head Offices are more likely to be able to implement changes than those at branches. Critically, in the medium term, the pace and degree of the SOCB's equitization will have an important role in realizing a successful outcome.

At the Output and Activity level, for the BSS project, both the initial diagnostic and the strategy are of high quality and have been well received both at SBV and among donors. They address the main issues facing the sector. The preferred mode of integrating the banking strategy (sponsored by the SBV) and those of the capital markets and other subsectors (sponsored by the MoF) are well understood and the efforts by SECO to overcome institutional barriers and develop a degree of inter-ministry coordination, even at a late stage is commendable. We have some observations about the structure and scope of the strategy and have included them in our recommendations.

For the Bank Directors Training program, the course material reviewed was of a very high quality. The material scored maximum marks for almost all the modules in respect of 'quality of presentation'; the modules on corporate finance, enterprise risk management, ALM and IT received an average 10 or less out of 15 in respect of relevance to subject; only strategic management, corporate finance and sales management and marketing scores higher than 10 (out of 15) for 'relevance to Vietnam'; and all the modules scored highly on 'appropriateness to student knowledge'.

With respect to participant feedback (eight participants interviewed) the main strengths of the program were perceived to be the quality of presentations and lecturers; and in particular the modules Leadership and Sales management, especially with respect to the novelty of the material and applicability in Vietnam. We nevertheless received comments from participants about limits to the course material's applicability in Vietnam; disproportionate theoretical information for the executive level the course is targeted at; length of the program being too long (13 modules over two years: one suggestion being candidates should be able to choose a maximum/minimum number from a choice of modules); and inappropriateness of needing to submit a project before the course is complete. Participants were happy that they could apply the lessons in their daily work to the extent possible (e.g., leadership), but were silent on the extent to which they could achieve institution-level changes following the course.

Two tests have been conducted to date, covering Modules 1 to 4, and Modules 5 to 8 respectively. Of the 72 candidates sitting both the tests, 68 and 64 passed respectively. Average scores were between 4.0 and 4.5 out of 6 for both tests, with the second test being slightly lower within that range.

Our interim rating for Effectiveness at the *Output* level for both the projects is Highly Satisfactory, with a score of 3.6 for both projects.

Efficiency

We believe it is too early to reliably assess the Efficiency of either project. However, for the Bank Directors Training program, where, as indicated previously the overall cost is over CHF30,000 per candidate, much will depend on the candidates' ability to implement the lessons they have learnt. In addition, the project hopes to leverage the investment by training the candidates to be trainers for other staff at their institution (initially VNBA, SECO's Vietnamese counterpart, had indicated they would provide appropriate trainers for this purpose, but the current plan was activated when this did not materialize). Our discussions with course participants suggest that they do engage in training staff at a bank-wide or branch level. However, the frequency of the training they can conduct will necessarily be limited (and will vary between candidates) and they have generally indicated that they will be selective about what they disseminate. Dissemination of course material within the banks was also raised as a possible leveraging option, but we understand that SECO would need to negotiate with SFI for this to take place.

Sustainability

It is too early to assess the Sustainability of either project, but we have highlighted some risks for the Bank Directors Training program.

LESSONS & RECOMMENDATIONS FROM BSS & SOCB DIRECTORS TRAINING

BSS

- Where SECO is engaged in a strategy development project such as the one relating to the Vietnam Banking Sector Strategy, to the extent feasible the project design should also seek to at least mitigate implementation risk by incorporating the implementation framework in as much detail as possible. For a strategy development project, we believe that Outcome should be at the level of successful implementation of the strategy. This would then focus design on all the three key components: Strategy; Implementation; and Monitoring, even if the project doesn't tackle all three components itself. The BSS project design missed out dealing with the implementation issues. This is now being addressed as a follow-up extension to the first phase of the project.
- Sectoral strategies (as is the case for businesses) should ideally be designed with reference to Output level targets such as, for the case of banking, assets/GDP, deposits/capita, distribution points/capita etc. This would enable monitoring of the sectors' development and success of the strategy more effectively (only input/implementation driven monitoring, though also necessary, risks not identifying unforeseen problems that may impede financial sector development). We understand that a follow-up component of the project is now developing milestones. In our view, these should have been the starting point.
- To the extent possible, banking or financial sector strategies should be placed in the context of the development of the wider economic subsectors and their likely demand for different types of products and services (e.g., infrastructure, trade, mass market deposits, rural finance, etc.), rather than simply focus on the banking sector, which the project has done (we understand time/resource constraints may have contributed to this). This is particularly important for developing and transition countries, where strategies should also incorporate development activities to fill in gaps in products, services and reach, as well as addressing reform needs for what is there already (e.g., policy action needed to improve access to finance, rural finance development, transaction products aimed at certain segments, etc). Unlike developed country central banks, those in developing countries have a development mandate, as well as their regulatory and supervisory responsibilities.

Bank Directors Training

- In seeking sustainability of training programs through train the trainer initiatives, it is generally much more effective, efficient and sustainable to partner with a professional training institution than to rely on banking practitioners to carry out repeat training. We appreciate that the current design of the Bank Directors Training program is a fall-back option, but this is likely to diminish the project's results considerably. The effectiveness of train the trainer programs is determined principally by the trainers: a) availability; b) effectiveness as a trainer; and c) desire/willingness/lack of opportunity to move to another institution. This is likely to be a higher risk when using practicing bankers, without professional teacher training, and who have just learnt the teaching material themselves.
- SECO may wish to consider and if appropriate present to the Bank Directors Training program candidates for their views on the following options:
    - Mentoring from SFI lecturers on their institutional projects
    - Dissemination of course materials in Vietnamese, on a selective basis, within their banks (assuming this can be negotiated with SFI)
    - Board level workshop for participating banks to sensitize them on the main practical teachings from the program.

6. KEY LESSONS LEARNED AND RECOMMENDATIONS

6.1 SECO'S FINANCIAL SECTOR AIMS AND EVOLUTION OF APPROACH 1998-2010

Many of our recommendations relate to strengthening areas that SECO already recognizes as important and before listing them we are setting the scene with our understanding of SECO's approach so far.

SECO (and Switzerland) is one of a few European bilateral donors to focus on financial sector reform: the others being Germany, Sweden and the UK. Interestingly all four of these countries contribute to some of the same financial sector focused multi-donor programs: FIRST and AFRITACs. SECO's broad policy goals for the period 1998-2010 have been focused around economic and financial sector stability to foster economic growth and reduce poverty. There has been some evolution especially in the past few years, in so far as some elements have been made more explicit in the policy goals but more importantly, the strategy for delivering those goals has been strengthened considerably.

The policy goal has now been further defined to be more explicit on strengthening the financial sector infrastructure (including regulation and supervision) and building regional and global harmonization in standards and practices in order to achieve developing country integration into the global financial system.

At the strategy level, SECO has sought to achieve its goals through several methods:

1. To optimize its resources in three ways:
   - Direct bilateral support in carefully selected priority countries: the seven referred to elsewhere that includes the country with the widest and longest engagement: Vietnam (starting before 1998).
   - Bilateral partnerships with the IMF that focus on functional areas of SECO priority as well as the priority countries (the seven in the South) and several in Central Asia and SE Europe. LOU East was signed in 1998.
   - The Multilateral, multi donor programs that focus on the financial sector: FIRST, AFRITACs and AML/CFT TTF (starting back in 2002/3).

2. This three pronged approach enables SECO to:
   - Leverage off specialist or core expertise of other programs e.g. the IMF in the monetary policy area, FIRST for FSAP/ROSC follow up assistance, AML/CFT (again the IMF but in a field in which Switzerland also makes a substantial contribution of expertise).
   - Learn from and contribute to these programs by exploiting synergies in information and instruments used.
   - Achieve a substantial leveraged influence over program policies.
   - Optimize SECO visibility with beneficiaries of technical assistance and other donors and IFIs.

   Especially in the last three years SECO has re-defined its strategy for intervention and used its growing influence to alter the intervention approaches of the Multi L and Multi B programs it supports. The planks of the strategy are now:
   - A coordinated approach to financial sector reform that involves all relevant stakeholders at the beginning build ownership and commitment, continuing to partner other donors and IFIs to leverage resources and ensure a more programmatic approach that supports a sector-wide strategy and a comprehensive reform plan at country level.
   - A recognition that capacity building needs a long term horizon built on strong and agreed policies. LOUs East, South and AFRITACs have now been extended to five-year phases.

- Clear categorization of interventions as between those that build stability (monetary policy, analysis, risk management and human resources); those that strengthen public finances (fiscal reform, expenditure management, debt management, macro-analysis); and those that build a sound financial sector infrastructure (financial sector regulation and supervision).
- A much stronger emphasis on optimizing sustainability of capacity building recognizing the longer term effort needed above but also other aspects of project design, contextual analysis, engagement with stakeholders, better phased project monitoring and an assessment of beneficiaries' financial resources to manage sustainability post project.

6.2 WEMU RESOURCES AND RESPONSIBILITIES

WEMU/COOF Resources

Switzerland lacks an established development consulting industry, and usually has to field foreign consultants to provide TA on SECO projects. Under the circumstances, SECO's branding and visibility as a 'Swiss' donor comes from the quality and robustness of project design, management and monitoring. It is evident from the evaluation exercise that this is the major factor in SECO's value-added to financial sector projects and programs. This is an area where there has been significant strengthening in recent years, both in Multilateral projects, and, with an additional (part time WEMU) resource in Vietnam.

WEMU's influence in Multi L projects, and its ability to effectively manage Multi B programs and bilateral projects, is dependent on the quality and level of its resources. In particular, we feel that more proactive management of programs and projects will enable SECO to realise more of its objectives. Additionally, we believe areas such as project design, monitoring and budgeting require further strengthening. Our assessment is that WEMU staff is highly competent and professional. However, it appears to us that resources at Head Office and COOF are stretched, and further strengthening will require additional resources.

We understand that WEMU's budget is around 2% of commitments – this appears low to us compared with other donors. The number of programs/projects managed by team members also appears high. Given the current level of bilateral commitments, most of the work will continue to be done at Head Office. Nevertheless, additional responsibility could be devolved to COOF, which in any event in Vietnam at least needs more resources to proactively monitor and manage projects to avoid some of the problems faced by SECO's projects historically.

We recommend that SECO carries out a benchmarking exercise of the level of commitment of management resources of other similar donors, allowing for the mix of bilateral projects (that require more resources) and Multilateral programs. This benchmarking, combined with an analysis of WEMU's future strategy and resource intensity required to implement the project management cycle, will give a starting point for budgeting for additional resources.

Allocation of financial sector work between WEMU and WEIF

Our understanding is that WEMU is responsible for financial sector TA relating to financial sector infrastructure and monetary framework, while WEIF is responsible for projects relating to financial sector deepening. We believe SECO should explore the possibility of combining these streams under one unit. Our reasons for this recommendation are:

- In reality, WEMU is already undertaking financial sector deepening work, both bilaterally (e.g., with MHB in Vietnam), and in a number of Multilateral programs (e.g., through FIRST housing finance, bond market development, etc.). Combining all financial sector deepening work under one unit would provide greater efficiencies and learning.
- In practice, financial sector regulation and supervision work is closely related to that of financial deepening. Regulations need to be developed for new products and markets and central banks play an active role in creating

them in developing and transition countries. There are many complementarities between these two elements of financial sector work and the same people doing both (e.g., in a SECO target country) will provide additional efficiencies.

- Combining both aspects of work will give a more critical mass of projects under one unit and provide for more efficient deployment of project management resources.

6.3 STRATEGIC RECOMMENDATIONS

Portfolio Allocation

Based on the programs and projects we have evaluated, SECO's portfolio allocation over the 1998-2010 period was: 43% Multi L, 42% Multi B programs, and 15% Vietnam bilateral projects. In fact, the current allocation for bilateral projects is even less, as many Vietnamese projects included in the above calculation have been completed while the Multilateral programs, other than FPC CBP, continue.

We feel that to remain a credible donor in the financial sector, SECO needs to allocate a reasonable proportion of its commitments to bilateral projects. Such projects give SECO greater control, more visibility, and better access to senior policymakers in its Focus Countries. Equally important, direct experience of designing and managing projects is critical if WEMU staff is to play an effective and credible role in guiding and influencing Multi L and Multi B programs.

There is however, a minimum threshold required to develop a bilateral portfolio in a country, so that good projects can be identified, designed well and managed proactively, ideally with presence on the ground. We estimate this to be around CHF5-10 million over, say, a five year period, in order to justify the investment needed to execute projects effectively. In addition, we feel that SECO should seek to target at least two-to-three countries for bilateral work, in order to have a diversified base.

Beyond the bilateral projects, SECO's portfolio allocation between Multi L and Multi B programs would depend on the relative opportunities and priorities it has from time to time. With respect to Multi L programs, our recommendation is to contribute greater proportional funds in more focused programs (such as the TTFs) so as to have greater influence. As our recommendation under 'Diversification of Partners' below suggests, these do not need to be with the IMF, or necessarily another IFI. In fact, SECO can take a lead in establishing programs where it has a particular interest.

A critical element for implementing these suggestions will be the availability of project management resources at WEMU.

Focus

WEMU is highly focused, but we consider there are areas for further development that could be considered.

At the Multi L and Multi B level:

a. FIRST: SECO was strongly influential in FIRST adopting a narrowed focus both functionally and geographically as reflected in FIRST's approved strategy document in 2009. But there have been changes since then: a Crisis Preparedness window was established in response to the global financial crisis and supported with additional funding from SECO and some other FIRST donors; an important out-reach program by the PMU has helped develop more purely demand driven projects; and there are now more projects in micro-finance and in preparation of country financial sector development strategies. Moreover, the flow of FSAPs is drying up as the World Bank and the IMF change their priorities away from low income countries.

We believe SECO policy towards FIRST should be to continue to support the next phase and recommend strong encouragement of the TA on country level financial sector strategies, now that FSAPs are drying up, and help support the donor coordination needed to ensure that such strategies can receive follow on funding. We believe that SECO should also challenge FIRST's move back into the micro-finance area: a strong case needs to be made to justify any added value from FIRST given the wide coverage of this sector by other donors.

b. AFRITACs East and West: SECO is also planning to commit substantial funding to the other RTACs established in sub Saharan Africa and Central Asia. These are multi-donor programs that focus on the macroeconomic and financial sector priorities of SECO and for that reason would seem a good fit with SECO's goals. These programs seem to be very popular with the countries engaged. Among their strengths is the ownership and commitment they are able to achieve through operating in the regions and involving country representatives on their Steering Committees. Our concern is that they are too stretched to cover all the countries and areas targeted. By way of illustration AFRITAC West has a TA Delivery budget (ignoring program administration costs) of US$40 million for the period to 2014 to cover 10 countries and five main areas (Revenue, PFM, monetary ops, financial sector supervision, statistics and macro-analysis). 53% of that budget is in revenue and PFM. The effect of this on average is that each area in each country will receive TA to the value of about US$160,000 a year. A further analysis would indicate that Revenue and PFM would attract about US$400,000 a year per country but then financial sector supervision would only attract about US$90,000 a year. Compare this with the average size of FIRST projects at US$215,000 for financial sector supervision; that of FPC CBP at about US$400,000 per country (plus substantial cash contributions from the beneficiaries); of LOU East and South programs going forward based on their work plans (covering similar areas to the AFRITACs) at about US$700,000 per country; and the average size of SECO's projects in Vietnam at US$1 million.

   We suggest SECO consider using its influence, with the RTAC programs it supports, to adopt a strategy more in line with the one they have developed with the IMF in LOUs East and South and focus on a few projects well delivered in reform committed countries at the expense, if needs be, of dropping some projects from the work plans. Secondly, in the past in the case of AFRITACs East and West a disproportionate level of TA has been delivered in the host countries. Resource allocation is not clear in the plans going forward so we recommend this issue is raised to encourage a more geographically balanced TA delivery.

c. The LOUs East and South are at an early stage in their latest phases (Phase I for LOU South and Phase III for LOU East). The new cooperation strategy developed by SECO and agreed with the IMF is a significant development that should strengthen coordination, commitment and sustainability of projects carried out and already provides SECO with much greater input to project design and monitoring.

Vietnam:
From the Vietnam case study, the need for focus comes up at two levels:
- Strategic, and
- Project level.

With a relatively small budget of around CHF10 million, SECO has implemented projects in areas that cover much of the spectrum of the banking sector, as well as a project in capital markets (contrast this with CIDA, which is deploying US$10 million in a single department of the central bank). Most of SECO's projects have been short-to-medium term. Our assessment suggests that although these projects have been well targeted, the sustainability of the impact of most of them is uncertain. SECO is in the process of identifying new projects that are consistent with its more focused future Vietnam financial sector strategy, that flow from the recommendations of the Banking Sector Strategy exercise. Assuming a similar level of budget as has been available is to be committed, we believe SECO should focus on a smaller number of larger projects, concentrated on a smaller number of segments of the banking/financial sector. In addition to increasing the prospects of creating more sustainable impact by deploying more resources over a longer period, the demand for project management resources would be reduced.

We also feel that projects can be designed to be more focused. For example, the TATP III program had extremely ambitious goals, of creating a new monetary management framework, developing a new management model at SBV, building a training curriculum, and assisting the BSI, with a very limited budget and even less consulting resources. The BRWs have been, in our view, unfocused as a series and also at the individual workshop level. The Bank Directors Training program is targeting only between 1 and 2% of the SOCB directors and managers at that level. We feel that whatever area SECO focuses on, it should seek out projects with a realistic, achievable outcome, in a relatively short period, with as few assumptions and dependencies as possible, and ensure that project resources are effectively deployed to achieve it. Where longer term engagement is needed, a phased approach should be adopted, with clear interim milestones.

Sustainability

This is the area that received the weakest ratings in all programs and projects (even if overall it seemed satisfactory). Some external evaluators gave Sustainability a lower weighting than other assessment criteria and this lessened the impact of the weaker marks on the overall score. To our mind whilst all criteria are important and feed into each other, the end result, and arguably the most important, is Sustainability. Many factors may contribute to Sustainability risk:

- Insufficient ownership, commitment and involvement with the key stakeholders at the project design stage. Confirming strong recipient commitment and ownership as a pre-condition to submitting a project for approval. This concept is readily accepted in all programs but procedures for evidencing it are often weak. It is too easy to claim, for example, that because a project is demand driven this demonstrates ownership. There are several examples of projects under LOU East, AFRITACs and FIRST where a project failure was largely attributable to lack of ownership, despite this claim. The 'ownership' confirmation procedure should be evidenced in each project proposal for all programs. Ideally, this needs to go beyond simply a letter from the recipient accepting the TA proposal. The risks in this area are higher in global or regional programs where there is pressure to deliver the same package of TA to a number of countries.

- Ownership and continuity of commitment is strengthened where the process for stakeholder engagement is formalized and especially where several beneficiaries are involved e.g. the central bank and Ministry of Finance, or Customs Administration, Tax Administration and Treasury.

- The biggest challenge to sustainability of human capacity building appears time and again to be staff retention. Each project should specifically state the detail of the Sustainability risk together with policies or actions to address it. Possible ways to ameliorate the risk include addressing pay levels (not always easy if fellow bureaucrats are low paid), performance pay (might work where it is easily measurable such as tax collections and tracking money launderers), ensuring that adequate training manuals exist, developing a local training capacity (often also face the retention risk if the trainers are in the same institution as the trainees). The risk may be less in broadly based, well-staffed organizations but often these are not to be found in small developing, low income countries. SECO focuses its bilateral activities on middle income countries but some of the programs SECO supports have a high and deliberate exposure to low income countries. FIRST, for example, aims to direct about 70% of its funds to low income countries.

- Assumptions about the absorptive capacity of the beneficiary needs to be realistic and carefully assessed so that project design takes this issue into account.

- Financial sustainability needs to be analyzed and anticipated at the project design stage and monitored thereafter. There have been examples where the beneficiary has lacked the resources to continue to sustain capacity, for example, maintaining hardware and software, operating without ongoing subsidy and so on. Uncertainty relating to financial sustainability has also affected our assessment of two of Vietnam's capacity building projects.

- One recommendation from the Vietnam train-the-trainer projects is that building human capacity by training trainers is by itself a good objective, but without a long-term partnership that ensures skills are upgraded, curricula updated, etc., sustainability will not be achieved.

- Cash contributions from the beneficiary tend to under-write commitment.

We recommend that a systematic process is engaged in to address each of the Sustainability risks early in the project cycle perhaps even using a Sustainability Score[49]. We also recommend that SECO adopts a ruthless approach (or encourages the Multi L and Multi B programs to do so) of rejecting project proposals that do not meet a minimum risk score, unless special dispensation is obtained to pursue them.

Regional Approach

This is a feature of the intentions behind LOU East, AML/CFT TTF and AFRITACs. A regional approach has several features:

a. Serving a need that is common to several countries at a similar level of capacity with respect to that need e.g. risk-based supervision of banks, tax collection, national expenditure budgeting, managing foreign private capital flows
b. Geographic proximity
c. Ease of communication (languages)
d. TA delivery usually located within the region (RAs) perhaps supported by peripatetic consultant visits
e. Regional for certain issues such as strategy or training workshops and in-country TA delivery for related capacity building.

FIRST has also engaged in some regional projects. There are obvious economies of scale as well as advantages for networking and regional integration and harmonization. On the other hand the regional approach did not work well for some projects in Central Asia. There are concerns about the efficacy of a regional approach in South East Europe given lingering political animosity between some countries in the region. It did not seem to work well with the BEAC in the FPC CBP program.

We suggest that a regional approach has value where there is a satisfactory to high degree of commonality between regional countries but the case needs to be explicitly made up front. At a minimum, sufficient due diligence should be undertaken to ensure that barriers do not exist that would render a regional approach ineffective.

[49] A Sustainability Score could be developed by listing the factors that enhance and detract from sustainability and giving each of the factors an appropriate weighting. A minimum score should be established above which projects would be undertaken (or special dispensation obtained). Above the minimum score projects will carry different degrees of risk and depending on the level of risk, the project could be designed to mitigate the risks to the extent possible.

Program Role Model

The FPC CBP project yielded some good lessons.

a. It built a high level of sustainability with a growing use for monetary policy;
b. It was delivered regionally;
c. It established early on a National Task Force of multiple stakeholders for each country;
d. It worked through regional organizations such as MEFMI, CEMLA and BCEAO;
e. It required, and obtained, escalating financial contributions from the recipient countries,
f. It delivered long term capacity building with a highly replicable product;
g. The project was also very narrowly focused; and
h. It reached a point where sustainability was such that the donors (only SECO for the last phase) could exit gracefully.

We believe this program carries design lessons for SECO and some of the other programs it supports. For example, if this is tied in with the sustainability concern described above, this could be a lesson relevant for AFRITACs whose resources are very stretched across 18 countries and only 16 RAS. Sometimes it is better to complete a few projects with real results than scatter resources widely but achieve little in any particular case. Buy-in is also likely to be enhanced wherever a good coordinating task force (if applicable) is established in the recipient country. The idea of a high profile local coordinator has been used in some IMF programs such as LOU East, but in practice this has not worked because such a person is almost by definition already outside the loop of power. A coordinating committee of active stakeholders with influence and a real stake in the project's success is much better.

Program Strategy Influence and SECO Visibility

As noted above SECO's influence over program strategy has increased substantially in the past several years and remains strong over the Multi B programs with the IMF (LOUs East and South) and over two of the multi-donor programs: FIRST and AML/CFT TTF. As a consequence all of these programs also afford SECO a high level of visibility with developing countries. The policy influence has been at its weakest with the AFRITACs. SECO is reducing its funding support for AFRITACs East and West but making substantial contributions to the new RTACs including the one for Central Asia (previously a focus for LOU East).

We recommend that SECO leverages its larger contributions to the new RTACS to exert more policy influence in areas such as 'focus' referred to above and in project monitoring.

Diversification of Partners

Apart from FIRST (administered as a World Bank trust fund) and TATP (GIIS) all of SECO's Multi L and Multi B interventions are with or through the IMF. This relationship has proved to be effective with a true partnership relationship evolving between the two organizations. The partnership with IMF should be continued and measurement of successful achievement should be strengthened further as the IMF implements the RBMS.

SECO's near term future funding obligations to Multi L and Multi B programs may now be committed. There may come a time when further diversification of program support is feasible. At that time SECO may wish to consider partnering with other donors focusing on narrow topics; for example, the FPC CBP was initially a partnership with DFID and achieved notable success. Non-IFI donors do have a record of developing successful initiatives ahead of the IFIs even if these have later engaged with the IFIs; FIRST is an excellent example of this in DFID's case.

In Vietnam, there are a number of potential partners for SECO. The positive results with the BTC project, we believe, have been contributed to by the presence of IFC, both as a project management resource and also having historically provided substantial core funding for the institution. We believe that SECO can leverage the impact of its resources by complementing bigger donor programs, such as, for example the AsDB or the World Bank. A closer linkage with a bigger program is likely to lower project risk and make tangible results easier to achieve.

Strategic Risks and Opportunities in Vietnam

Our assessment of the banking industry in Vietnam suggests that its rapid growth has led to an unbalanced development of the sector. Regulation and Supervision has been lagging behind, as has been technical capacity. The broad areas that require addressing by donors, such as banking supervision, are already being covered by multiple donors. We feel, however, that there are likely to be niche opportunities at the margins of the banking sector, such as related to developing or strengthening aspects of the banking sector infrastructure, which could yield suitable projects. Additionally, the immediate boundaries of the banking sector, at the interface between, say capital markets and banks, or between banks and insurance companies, often require strengthening and barriers (legal/regulatory; technological; products/service gaps, etc.) need to be removed to ensure that the financial sector can work with proper linkages. The Vietnamese financial sector is a crowded one for donors, so we feel that SECO might find better projects outside the core of its main segments.

The biggest risk for SECO, as is evident from the assessment of the banking sector and SECO projects themselves, relates to the slow and uncertain pace of implementation of reform plans by the government. To the extent possible, SECO should seek to balance its portfolio of projects away from projects where their outcome is dependent on government decisions. The BSS project is a case in point. In our view, although the project is not designed as such, SECO's investment in the project will not be realized on the strategy's approval, but when the strategy is at least substantially implemented. Given past experience, there is great uncertainty around this. This does not of course mean that an important project such as the BSS should not be undertaken. Our suggestion is that SECO's portfolio should have a mix of projects and its composition should reflect the relatively high level of government-related risks.

6.4 PROGRAM AND PROJECT DESIGN AND MANAGEMENT ISSUES

Program and Project Monitoring

Monitoring needs to be substantially improved in all Multilateral programs. This has been recognized by SECO. The IMF, in response to SECO pressure, is close to finalizing and introducing a Results Based Management System (RBMS). The IMF has also in the past 18 months improved its reporting through the TAIMS; but it remains clear that staff mix Outputs with Outcomes; rarely (except the AML/CFT TTF) quantify any Outcome indicators; rarely propose means of verification of indicators; and never propose any Impact indicators. We noted, for example, that despite substantial investment by the AFRITACs program, over a period of five to seven years, in technical assistance to improve revenue collection (tax and customs) that the Revenue to GDP percentage had barely moved at an overall level. FIRST is a little better in its project submissions but weak in its self-assessment project completion reports, which often disconnect with the project submissions. FIRST has also recognized its weakness. It is possible that in the rest of 2011 and into 2012 project monitoring will improve. But the gap will still remain in measuring Outcomes that are not realistically expected to show for two years or more after project completion. We suggest the following for consideration:

- A short two day workshop for IMF and FIRST staff on log frames, setting of realistic quantifiable indicators and time frames for assessment. This could benefit all programs supported by SECO as well as providing a good networking opportunity across the programs.

- Building into project budgets an Outcome indicator measurement task, even if it is two to three years after project completion. Essentially we are proposing a budget line item, in each project, to cover the staff cost and any related travel to carry out an *ex post* evaluation to determine to what extent Outcome indicators have been achieved. This need not add significant costs: for physical visits it could be built around missions to the country/region for other purposes, it could be conducted by telephone, and it could be conducted by survey. Relying on external evaluations to do this job every two to three years is not satisfactory especially as they tend to rely on statistically unreliable sampling.

Our assessment of the Vietnam portfolio confirms that although monitoring has improved considerably over the last few years, monitoring reports are still focused on input/activity, rather than being output/outcome oriented. We recommend that log frames of projects should be considerably more detailed and quantified, and provide for a detailed reporting and monitoring regime. SECO might wish to consider introducing a checklist for monitoring projects, with a number of core issues that must be reported on, with the scope for tailoring at the margins.

Budgeting

Budgeting for programs and projects is weak (especially at the IMF). Most of the programs tend to be budgeted in relation to line item costs such as personnel (internal and external), travel, accommodation, and so on. There seems little to no budgeting by activity e.g. different steps in drafting a regulation, explaining the regulation with guidelines, training the supervisor in analyzing and monitoring the compliance, training the sector in the regulation and compliance.

We propose that budgets should be built up by activity; this will naturally lead into a resource based budget, but it will allow ease of comparison as between projects. If a pension reform law costs US$200,000 in country (A) why should it cost US$400,000 in country (B)?

Moreover, we believe that comparing budgets with actual spend, based on activity, should be a project management task that should be carried out periodically and at the project's end. Such analyses often give valuable information on how a project is running and also valuable lessons for designing and budgeting for future projects.

Similar considerations apply to establishing and monitoring activity-based budgets at bilateral project level.

Resident Advisers for Multi L and Multi B projects

RAs need to be more carefully monitored. We found it incredulous that over 50% of all projects prior to 2010 in AFRITACs were carried out in the host countries. We also noted that Kyrgyzstan benefited enormously from being the base of the RA (the external evaluator noted this and suggested further that there should be a RA for Azerbaijan to restore some balance).

Synergies between Programs and Projects

There is evidence that there are synergies between SECO funded programs and its bilateral TA and that SECO does seek to leverage off the various programs it supports for its bilateral interventions and *vice versa*.

There is also some evidence that each of the multi-donor programs have crossed each-others' paths. But, we have not seen a great deal of evidence from our Multi L and Multi B program review that this process is systematic between programs. As far as SECO is concerned it doubtless receives regular project information and requests for comment from each program but each program does not inform each other program to the same extent. SECO has office representation in many of the countries in which the various programs also deliver TA. So there could be built some routine practices at negligible cost: cross program data dissemination (to identify functional and or geographic overlap) and briefing the local SECO representative during field trips. Secondly, there could be more routine cross-referral between programs on areas which overlap: for example, FIRST engages in financial sector regulation and supervision and so does AFRITACs and the LOUs East and South. A formal information exchange rather than reliance on web-sites should be developed. Thirdly, the IMF should be encouraged to be more open not only with programs supported by SECO but also in its other activities where there is overlap; for example, the projects it undertakes using its sub-account with FIRST (where even FIRST has found it difficult to receive worthwhile project reporting).

The Vietnam case study suggests that the recent introduction of the WEMU newsletter with information on its programs will assist it awareness generation. The local COOF does comment on Multilateral program proposals and also when any project is likely to take place in the country. We believe a more pro-active and systematic approach could be adopted to ensure there is appropriate leveraging between country and Multilateral programs. For example, targets could be established for referral of projects to FIRST. In addition, for example, WEIF projects that partner with Vietnamese banks could be encouraged/designed to ensure WEMU supported banks are also included.

To encourage pro-activity in co-ordination, program and project Advocacy and Decision Notes could be required to list all relevant programs and projects that could be cross-leveraged, and suggest explicit steps being incorporated in the program or project to realize this. In the absence of such proposals, an explanation would be required.

Log frames

We believe that log frames and generally all project design documents would benefit from more focused definitions and consistent use of words. In particular, Goals, Outcomes, Outputs should be correctly identified and used consistently across Advocacy Notes, Decision Notes, log frames and consultant terms of reference. Goals and Outcomes should be clearly measurable and a target level needs to be established: For example, the 'variable will increase by x%', rather than 'the variable will increase'. Similarly a clear date (or dates) needs to be established at the outset by which results are expected to be achieved and variables measured. We acknowledge that there has been considerable improvement at WEMU in this area over recent years, and the results are increasingly evident.

Project Completion Notes

At present, Project Completion Notes are only prepared by WEMU for projects that have disbursed over CHF1 million. Our understanding is that there are no alternative documentations, other than consultants' final reports, to summarize project achievements. In addition, there are no channels for collating lessons learnt, independently (of the consultant) assessing project achievements and shortcomings, and getting recipient feedback. We recommend that for projects below CHF1 million, a summary Project Completion Note should be prepared, say within four to six weeks of the project completing or receiving the consultants' final report, that should as a minimum summarize: a) project outputs against plan; b) significant achievements or failures; c) lessons learnt; d) recipient feedback; d) analysis of budget vs actual expenditure by budget/activity line; and e) follow-up plans for immediate or future consideration. A maximum target of say, five pages could be set. A mechanism should also be established to ensure the appropriate dissemination of such a note.

Contextualizing Training Material

A common shortcoming across all the Vietnamese training and workshop projects was a lack of contextualizing of the material to ensure it is applicable in Vietnam. Participants value international experience, even if it is not immediately applicable in the country. However, more investment is needed to balance presentations/training material towards lessons that can be applied to the country and/or the target institutions more immediately.

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APPENDIX I: APPROACH PAPER

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs FDEA

State Secretariat for Economic Affairs SECO
Economic Cooperation and Development
Evaluation and Controlling

Independent Evaluation

SECO's contribution to financial sector reform in developing and transition countries

APPROACH PAPER

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1. Background

1.1. Importance of the financial sector for the macroeconomic stability

A stable macroeconomic environment represents a basic precondition for sustainable economic growth and integration of developing and transition countries into the global economy. The financial sector contributes to achieve and maintain macroeconomic stability, enables secured financial and payment transactions, helps mobilizing domestic and external savings, and fosters the efficient allocation of capital into productive investments. The financial sector plays a crucial role for households, corporations and governments. Households need basic financial services to become active economic actors. For the corporate sector, access to long term finance is necessary for business expansion. Monetary and fiscal authorities rely on the smooth functioning of the financial system to implement anti-cyclical fiscal and monetary policies.

As a result of financial sector liberalization, technological progresses and innovations, financial sector development accelerated during the 1990s resulting in increased financial integration, which came in many middle income countries along with liberalizations of capital flows. This again facilitated a boom cycle, which came to an end with the East Asian crisis in the late 1990s, which subsequently led to a sovereign debt and banking crisis in a number of transition countries around the globe. In the following years, these countries underwent a profound adjustment process, which was accompanied by debt and banking sector restructurings. Most of these countries returned on a constant growth path, partly by benefitting from the strong global demand for commodities and natural resources. But at the same time, a real estate market bubble in the U.S. emerged, which later on triggered the global financial crisis. This again, led to the insight that there is a global need for intensified regulation of the financial sector.

The development and advancement of global standards for financial sector regulation is traditionally dominated by industrialized countries with traditionally large and well-developed financial sectors. Developing and transition countries are usually lagging behind with regard to the implementation of these standards because their financial sectors still face much more fundamental institutional challenges. Financial sector development assistance in a LIC and MIC context is often addressing structural weaknesses and gaps, which hardly exist anymore in industrialized countries. In most of the cases, market infrastructure of SECO's partner countries is still fragmented and incomplete. Likewise, improving transparency and promoting domestic institutional investors are often identified as key priorities. But sustainable progress with an impact on long-term growth can only be achieved if authorities manage to ensure a stable political and macroeconomic environment and an adequate regulatory regime.

The increased awareness of the impact of financial sector performance on growth has led to considerable willingness to carry out financial sector reforms, not only in industrialized but also in developing countries. Against this background SECO economic development cooperation has engaged early on in supporting partner countries to achieve sustainable growth and integration into the global financial economy and in contributing therefore to the promotion of international financial stability.

1.2. Rationale of SECO interventions in the financial sector[50]

The financial sector development agenda is arguably large but only a few donors have chosen to be active. Most of them concentrate their support in the area of microfinance or in connection with private sector development. Few countries have committed themselves to broader financial sector support strategies (Germany, Sweden, Switzerland and the United Kingdom), very often in close coordination and collaboration with the multilateral institutions (World Bank and IMF). Support has been mainly directed to i) strengthening the international financial architecture and macroeconomic stability, ii) improving the domestic market infrastructure and its regulatory and supervisory framework and iii) financial sector deepening and improving access to financial services.

Within SECO's economic development and cooperation department, two divisions are active in the area of financial sector reform. The private sector development division concentrates on external long-term finance to the private sector and on further deepening the local financial market. The macroeconomic support division is focusing on institutional aspects of financial market development, such as market infrastructure and regulation. The purpose of this independent evaluation will focus its analysis only on activities of the macroeconomic division. It shall look at SECO achievements in strengthening the financial infrastructure (financial markets and financial intermediaries, training systems, payment systems) and in encouraging the application of international standards for the regulation and supervision of financial markets, as well as at identifying challenges and providing recommendations for future SECO activities.

During 1996-2010, SECO's macroeconomic support division has focused its financial sector support on partner countries with the objective to achieve sound financial and monetary framework conditions and to reform financial market infrastructure. Operations are either financed on a bilateral basis or on a multilateral basis, targeting needs of individual countries or working on global issues. Modalities of implementation can take several forms: projects are either implemented by IFIs, in particular the WB and the IMF, or by external partners, incl. Swiss experts. Interventions are targeted to the needs and priorities of beneficiaries and aligned with their

[50] From Financial Sector Crisis to Development Impact, Policy Note, SECO, 2010

financial sector development plans and can feature elements such as policy dialogue and policy advice, direct financial support to government reforms, provision of peripatetic or resident experts, and delivery of trainings and other capacity building measures. Building capacities of partner countries in a sustainable manner has been a priority for SECO's interventions.

SECO support in **global and multilateral initiatives** is either targeting global and regional issues or addressing specific bilateral needs of a priority country (details of SECO portfolio are provided in Annex 1[51]):

- In 1992, SECO engaged in a long term cooperation with the Graduate Institute of International Development Studies of the Geneva University, as the implementing agency for a multi-country program on monetary policy and financial sector reforms in development countries, called the Central Bank **Technical Assistance and Training Program (TATP)**.
- Technical Assistance for financial and monetary stability is also provided through the IMF. In 1998, SECO set up a **technical assistance subaccount with the IMF** for supporting member countries of Switzerland constituency at the Bretton Woods Institutions to strengthen their macroeconomic framework conditions. Meanwhile, the subaccount has been expanded to further priority countries in the East and in the South.
- In 2002, SECO and other donors launched the **Foreign Private Capital Monitoring and Analysis Capacity-Building Program (CBP)**, whose aim is to strengthen countries' capacities to monitor and analyse capital flows from and to developing countries.
- Since 2009, SECO supports a multi-donor Trust Fund in the area of **anti-money laundering and combating of terrorism financing (AML/CFT)**, whose objective is to strengthen AML/CFT frameworks on a global level in order to protect the integrity and stability of the international financial system and to promote the integration of financial markets.
- SECO is one bilateral founding members of the global **Financial Sector Reform and Strengthening Initiative (FIRST)**, established in 2002, which provides a mechanism for following up recommendations generated by the FSAP and ROSC.
- SECO supports also the provision of technical assistance in the financial sector by the IMF through regional initiatives, such as the **IMF Regional Technical Assistance Centres (RTACs**), with the objective of assisting partner countries in building institutional and human capacity among others in the domain of financial sector regulation and supervision.

SECO commitment to global and multilateral initiatives with a particular focus on financial sector development amount to date at around 100 mio CHF.

In selected countries, technical assistance for strengthening the stability of the financial sector and for contributing to its reforms is also provided on **a bilateral basis** (such as Ghana, Peru, Azerbaijan, etc.). SECO's widest and longest-standing bilateral program for the financial sector is with **Vietnam,** which started in 1997. More than 10 programs/projects have been financed since then for a financial contribution of around 10 mio CHF. SECO support to local banks started in Vietnam through several limited-scope and ad hoc TA activities. Starting from 2004, SECO made a big effort to restructure its support into a more strategic and coordinated financial sector program. As a result, in 2006, SECO launched a full-fledged financial sector support program consisting of 7 components (cf. annexe 1):

- Support and capacity building to the monetary authorities through the Technical Assistance and Training Program (TATP);
- Policy debate and practice on the restructuring of the State Owned Commercial Banks (SOCBs) and on other financial sector issues through specialised workshops;
- Bank training through train-the-trainers program of the Banking Universities;

[51] Annex has been excluded for the purposes of the Report

- Management Program on Banking for senior executives from the state-owned bank sector;
- Capital market development through training to the lecturers of the Training Institute of the State Securities Commission;
- Capacity building of the Joint Stock Banks through technical assistance and training by the Bank Training Centre.
- Technical assistance support for State Owned Commercial Banks (SOCBs) through assistance to Mekong Housing Bank (MHB).

In the macroeconomic support sector, the subject of economic governance (one of SECO's two crosscutting themes) is an integral component of the activities in the operational priority areas.

2. Purpose and rationale behind an independent evaluation

The independent evaluation of SECO approaches and interventions in the financial sector will serve two main purposes:

- To *assess* the overall effect of SECO interventions with regard to financial sector strengthening, in terms of relevance, effectiveness, efficiency and sustainability, and

- To *learn* from past experiences in order to identify potential improvements for SECO cooperation measures, instruments and approaches and to integrate the results into the financial sector approach as well as into ongoing and new projects.

SECO macroeconomic support in the financial sector started in the mid-nineties.

Taking into account SECO long term experience in the financial sector reform of developing and transition countries, but also taking into account the public interest on how capacities of partner countries are strengthened to contribute to the development of a dynamic and well-regulated financial sector, an independent evaluation is highly timely and content-wise appropriate. The outcome of an independent evaluation will not only have implications on the future design of individual projects and the future financial sector portfolio, but shall also provide important accountability results and lessons learned in view of the new framework credits for SECO cooperation with developing and transition countries (to be presented to Parliament and to the Federal Council in 2011/2012). The evaluation has therefore a dual purpose, summative and formative.

3. Objectives and focus of the evaluation

3.1. Objectives

The main objectives of the independent evaluation are to review the achievements of SECO approach in the financial sector and to provide findings, conclusions and recommendations on how:

- SECO interventions in the partner countries have contributed and can further contribute to financial sector stability as well as sustained economic development and ultimately to the development of market-based financial system;

- SECO approach in the financial sector has contributed to some extent to SECO overall aims of supporting partner countries to achieve sustainable economic growth and integration into the global economy.

The main objective of this independent evaluation is to analyse the results emanating from SECO support in the financial sector, when compared to its pre-defined objectives, and to draw out the key lessons in order to help improve the relevance, effectiveness, efficiency, and sustainability with regard to output, outcome and when feasible impact of the on-going projects as well as of future projects in the financial sector. It is however clear that this evaluation is taking place in a challenging environment. SECO is implementing financial sector support in an intrinsically complex environment, where the logic of intervention is very much country-oriented and where outcome and ultimately impact – in particular in terms of capacity building – are very difficult to assess and to attribute to a given support. SECO is therefore fully aware that the results of this evaluation will have to be considered carefully, rather in terms of contribution than of direct attribution to SECO support.

3.2. Focus and scope

The evaluation shall cover financial sector programmes and projects designed and implemented during the 1998-2010 period (see Annex 1). Taking into account the support provided by SECO either through global initiatives or bilateral assistance, this evaluation shall be organised around two main axes:

1) A *meta-evaluation* of SECO contribution to financial sector initiatives (see 1.2), using as references existing evaluations while strengthening some of the analysis on the basis of the evaluative questions mentioned here below;

2) A special focus on *a case-study country*, namely Vietnam (see 1.2), where SECO bilateral operations will be analysed and shall provide an overview of the different types of interventions and their complementary to achieve SECO objectives in a given country. This assessment, to be organised around a far-reaching field mission, shall allow conducting a more in-depth assessment (at outcome level and if possible at impact level by identifying trends) depending on the availability of data.

   Taking into account the reshuffling of SECO priority countries in 2008, Vietnam is the only country where SECO has been having a longstanding cooperation (more than ten years) in the financial sector. The other priority countries (such as Peru or Ghana) are more in an early stage of their portfolio development. Although only one case study country has been selected to serve as reference for assessing SECO achievements, it will be of utmost importance for the evaluators to also identify lessons and recommendations from other countries on the basis of desk work. Those general conclusions shall not only serve the purposes of SECO portfolio development in Vietnam but also in other priority countries.

The areas to be reviewed should concentrate on

- the *strategic approach* in order to assess the relevance of SECO strategic line of intervention in the financial sector and to formulate recommendations for the future approach[52]. This should include as well an analysis of the relevance of the mix of instruments (technical assistance, capacity building and policy dialogue[53]) applied by SECO in the financial sector. The majority of SECO interventions are organised around building and strengthening capacities of partners. It will be a particular challenge of this evaluation to assess the effectiveness and to identify long term impact of this area of support;

- the *projects' output, outcome and impact* (whenever possible) in terms of financial sector development and ultimately economic development;

When assessing the overall impact of SECO's assistance, it should be taken into account that many of SECO's interventions are niche interventions, addressing needs in a specific sub-domain of particular importance for the beneficiary. These interventions are usually embedded in a broader reform and technical assistance context, which is typically characterized by a number stakeholders and initiatives with potentially much larger influence on the overall development of the financial sector and economic growth.

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[52] It is important to mention that SECO strategic approach ("From financial sector crisis to development impact – SECO's contribution to financial sector support in development and transition countries") was developed in 2009 only. This means that this strategic paper was not approved at the time of the start of SECO activities in the financial sector and cannot be regarded as a reference against which to assess the results of SECO individual support. However, the extent to which this strategic note is of relevance and responds to today's needs in the financial sector reform and to SECO comparative advantage should be part of this evaluation, in order to draw lessons for the future.

[53] SECO involvement in policy dialogue varies depending on country context.

4. Key evaluation questions

If possible, this independent evaluation shall contribute to efforts towards a results-oriented approach with a focus on outcome and if feasible impact and less on outputs, which are usually well-known. When considering the areas of intervention of SECO support, and using as reference the DAC/OECD evaluation criteria, the evaluation shall answer to the following preliminary questions. The list is not exhaustive and additional relevant questions might be identified by the evaluators, which will be mutually agreed upon:

Relevance:

- Are SECO projects addressing country needs/objectives in the context of the country's defined financial sector reform and of the global financial architecture?
- What is the level of ownership/commitment by the country/government to sustain their commitment to financial sector reform and therefore to ensure sustainability of SECO assistance?
- What are the complementarity and synergies, possible duplication and contradictions of SECO bilateral projects to other donors support (bilateral and multilateral)?
- What is the comparative advantage and value added of SECO interventions (complementarity with other SECO macroeconomic supports)?
- What are the synergies between SECO interventions at global and bilateral levels?
- In the context of recurrent financial crisis, to what extent SECO support remains relevant and/or has been flexibly adapted to the most needed areas of support in the financial sector?

Effectiveness:

In terms of outputs:

- What have been the levels of achievements of SECO projects with regard to
    - Contribution to the preparation of **prioritised action plans** addressing financial sector development/reforms and to support the sequencing of reforms to implement standards and codes according to FSAP and ROSCs recommendations;
    - **Strengthened capacities** on policy formulation, financial sector regulation/legislation, bank supervision as well as bank management (human resources management, management development, corporate strategy, risk management, internal audits and controls, corporate governance, etc.);
    - Development **of in-country training skills and teaching capabilities** in banking institutes, centres and universities;
    - **Dissemination** of best practices, awareness raising and capacity building in financial sector development, reform and regulation;

In terms of outcomes:

- To what extent SECO contributions in the financial sector has contributed to:
    - To the development of **market-based financial systems**, which include improving banking practices and upgrading the level of business skills and, depending on the country, reducing the level of state-interference;
    - The **restructuring and consolidation processes** in the banking sector, including the privatisation process of state-owned commercial banks in the case of Vietnam;
    - Strengthening **standards setting and regulatory bodies** by implementing recommendations of the FSAP and ROSC and by improving compliance with AML/CTF standards (FATF recommendations);
    - The **effectiveness of economic policies** by strengthening capacities of central banks to perform analytical and empirical work as well as applied research on macroeconomic situation, to compile economic and monetary statistics and to formulate and implement sound indirect monetary policies;
    - **Enhanced bank capacities (state-owned and commercial)** in management development, human resources management system, monetary policy formulation and analysis;

- **Enhanced capacities of bank training centres and institutes**, to increase their recognition and to contribute to knowledge development in the financial sector;

In terms of trends towards impact:

- What are the identified contributions of Swiss supported actions in terms of:
    - **Stability and deepening of the financial sector** and development of market-based financial system;
    - **Economic growth and poverty reduction**: to what extent the financial sector has contributed to foster the basic conditions for stronger and balanced economic growth by encouraging stable investment flows and improved use of domestic resources?
    - **Reducing vulnerabilities to financial crisis**;
    - To strengthen **effective financial intermediation**: what is the correlation between the participating banks in trainings and their financial performance and growth to the private sector?

Efficiency:

- In terms of project implementation modalities, to what extent funding, personnel, regulatory, administrative, procurement resources and procedures have contributed or hindered achievements of the intended results?
- If feasible, a cost-benefit analysis should be conducted in order to identify the benefits of SECO investments, or at least to assess how economically resources/inputs have been converted into results?
- Has SECO support been provided in a timely and flexible manner?

Sustainability:

- The extent to which the results and impacts of the projects are being, or are likely to be maintained in the longer term? What are the main opportunities and threats with regard to sustainability of achievements?

Additional questions:

- What external factors (political, institutional, social and economic) have led to the success (failure) of projects with regard to outputs, outcomes and impact?
- What internal factors (project planning, approach and implementation) have led to the success (failure) of projects with regard to outputs, outcomes and impact?

Based on the findings and conclusions, the evaluation should formulate recommendations to SECO approach in the financial sector and for the implementation of ongoing projects as well as for the design of any new project, in particular in SECO priority countries in the South[54]. Taking into account the variety of priority countries (LICs and MICs) where SECO is active, the evaluation should also considered their particular characteristics and formulate recommendations accordingly.

[54] SECO is active in 7 priority countries in the South, Vietnam, Indonesia, Peru, Ghana, South Africa, Egypt and Columbia.

5. Deliverables

The evaluation team should provide the following documents in the course of the assignment and according to an agreed time schedule:
i) an evaluation work plan at the beginning of the assignment
ii) an inception report including:

for the case study Vietnam:

a. a presentation of the result chain of SECO interventions in the Vietnamese financial sector, in order to provide a systematic overview of all projects' intended objectives in terms of outputs, outcomes and impacts including indicators against which the evaluation shall aim at assessing the results;

b. the methodology and data selection to be used for the case study Vietnam, which should contribute to an assessment focusing mainly on outcome and if possible impact levels. The evaluation team should also clearly indicate how it intends to evaluate the contribution of SECO to building capacities and which methodological approach it suggests to apply. Benchmark of existing evaluations conducted by other donors should be identified as references, on which the evaluation could base its approach.

c. a list of remaining documents expected from the projects and an estimate of the support expected from SECO field office in Vietnam.

for the meta-evaluation of SECO contribution to global initiatives:

d. a presentation of the overall logic (result chain) of SECO support to global initiatives in the financial sector, in order to provide a systematic overview of SECO intended contributions to the facilities' objectives in terms of outputs, outcomes and impacts.

e. a presentation of the methodology to be applied for the meta-analysis, on the basis of existing evaluation reports and how this will be used to assess SECO contribution to the facilities' outcomes and impacts;

f. a list of remaining documents expected from the facilities and how the visit to Washington where the majority of the facilities are based will be organised.

iii) at the end of the assignment, a synthesis evaluation report containing the findings, conclusions and recommendations, not exceeding 50-60 pages (plus annexes), including an executive summary.
The report should be written in English, in a way that will facilitate their subsequent use for dissemination of the results and recommendations of the evaluation. It is intended that the outcome of this independent evaluation will be made available to any interested third parties. It will be as well published on SECO internet website and on the DAC Evaluation website.

6. Process and methodology

6.1. Methodology

For the inception report, the evaluation will review the relevant literature, projects' documents/reports/reviews, interviews at SECO/WE headquarter and telephone interviews with implementing partners and consultants, as well as with selected experts.
For the Vietnamese case study, which shall provide a more detailed qualitative and quantitative analysis and should go beyond inputs and outputs, the evaluation team will also undertake interviews with local partners (central bank, commercial banks, state-owned banks, ministry of finance, training institutes, etc.) other donors and beneficiaries. In addition, secondary data should be used whenever possible to evaluate outcomes and impacts quantitatively with regard to relevance, effectiveness, and efficiency. Taking into account that many partners are

from financial institutions, it is of utmost importance to rapidly identify risks and possible mitigation measures to ensure that consultants will have access to relevant partners and will have access to information and data. In that sense, the SECO representation will play a key role in announcing the evaluation to partners and in organising and facilitating meetings.

A Steering Group will be established, comprising of SECO representatives (Mrs. C. Cudré-Mauroux: Head of Evaluation and Controlling Division, Mrs. M. Rubiolo: Head of Macroeconomic division, Mr. Christoph Sax: Deputy Head Macroeconomic Division), and of representatives of the State Secretary on International Financial Matters (Mr. P. Inderbinen: Head of International financial institutions Division and Mr. A. Siviero, Head Financial Market Analysis Division). Its main tasks will be to accompany and monitor the whole process as well as to provide consultation on the different deliverables. The Steering Group will ensure the quality of the whole process, by securing that consultants have access to all necessary information and that feedback on key outputs of the evaluation is consolidated among several actors
A discussion on the approach involving the evaluation team and the Steering Group will develop a common understanding of the evaluation process, scope and focus on the basis of the draft inception report. While a synthesis workshop will present the draft evaluation report for feedback and validation on the conclusions and recommendations.

6.2. Process

The main steps of the evaluation are *tentatively* depicted as follow, some flexibility remains in the agenda according to consultants' availability:

Activity	**Tentative deadline**	**Responsibility**
Draft **Approach Paper**	Oct. 30th	SECO Evaluation function in consultation with WEMU, Steering group and Evaluation Committee
Call for **offers**	Nov. 5th	Evaluation function in consultation with WEMU
Selection of **consultants**	Nov. 26th	Evaluation function in consultation with WEMU
Contract with Evaluation team	Beginning of Dec.	Evaluation function
Discussion and clarifications on **the Approach Paper** with the Evaluation Team	Dec. 15th	Evaluation function + Consultants + Steering Group
Drafting of the **Evaluation Work Plan** and discussion with Evaluation Officer	Jan. 15th	Consultants and Evaluation function
Submission of the **Inception Report** and discussion with SECO/WE	Feb. 15th	Consultants + Evaluation function + Steering Group
Missions in Vietnam + Washington	Feb.- April	Consultants
Draft Evaluation Report and discussion with SECO	May 15th	Consultants + Evaluation officer + Steering Group
Final Evaluation Report	June 15th	Consultants
Presentation of the Evaluation Conclusions and Recommendations to SECO/WE Independent **Evaluation Committee**	Summer 2010	Evaluation function

6.3. Organisational arrangements

For any interaction on the conduct, scope, organisation, logistic and reporting, the evaluation team will interact with the SECO/WE Head of Evaluation and Controlling Division, Mrs. Catherine Cudré-Mauroux. To get access to all the background and necessary information, the evaluation team will refer to SECO/WE thematic division "Macroeconomic support", Mr. Christoph Sax.

For field visit to Vietnam, contact will be established with the relevant Swiss Cooperation Office in the respective countries. For visits to facilities in Washington, list of contact persons will be provided and contact facilitations will be provided.

The evaluation team is contracted by SECO/WE Evaluation and Controlling Division, under the supervision of Mrs. Catherine Cudré-Mauroux. All the deliverables (see chapter 5) are submitted to the Evaluation and Controlling Division, Mrs Catherine Cudré-Mauroux, who is responsible to organise the appropriate consultation processes. Consolidated feedback to the Evaluation team on the deliverables will be as well organised and forwarded by SECO/WE Evaluation Division.

7. Evaluation team

The Evaluation team consists of a team of international evaluators, and one national evaluator in Vietnam.
The *international evaluators* are expected to have the following profile:

- Professional evaluation experiences, familiar with DAC Evaluation guidelines;
- One of the consultant should have professional expertise in evaluation methodology (incl. qualitative and quantitative methods in impact assessment and conduct of assessment of capacity building support), while the other one should be specialised in the financial sector (incl. banking reforms);
- Field experiences in developing and/or transition countries;
- Strong analytical and editorial skills and ability to synthesise;
- Strong ability to interact with a multitude of partners and beneficiaries at government, donor and financial institutions levels
- Fluent in English

The international evaluators do not need to come from the same agency, a consortium can be established.
The *national evaluator* in Vietnam is expected to have:

- Specific in-country experiences in the financial sector;
- Sound knowledge of the country and government institutions as well as of the international donor community in the country;
- Not to have been closely associated with SECO/WEMU financial sector projects in the country;
- Fluent in Vietnamese, and in written and oral English.

8. Reference materials

- SECO/WE Development Cooperation Strategies
- SECO/WEMU Policy Note in the financial sector
- SECO/WEMU projects' decision notes and projects' documents
- Projects' annual reports and review reports
- Any other relevant document.

All the reference materials will be made available on a CD. As well a list of resource persons will be prepared.

APPENDIX II: DATA GATHERING FOR THE EVALUATION AND ADJUSTING EXTERNAL EVALUATION RATINGS

Overall Approach to Evidence Gathering for Multi L and Multi B Programs

At the Multi L and Multi B level we focused on the monitoring and evaluation processes at the program management level and did not, as a result, experience any information-related constraints at the SECO level. The more challenging part of evaluating the Multi L and Multi B programs was the assessment of Effectiveness due to lack of robust data, especially quantitative information.

Our assessments were intended to evaluate the Multi L and Multi B programs based on external evaluations (to the extent they existed) in order to derive a meta evaluation at the overall portfolio level of SECO (i.e. an aggregation of the Multi L and Multi B programs). In practice, the meta evaluation could not rely on external evaluations alone because most were deficient and none covered the period since the end of 2008 (even if dated 2009). We have summarized later in this Appendix the deficiencies we noted, and steps taken to address them.

In order to conduct the evaluation for the Multi L and Multi B programs we studied documents received from SECO, the IMF, DRI and FIRST that included the external evaluations, annual reports of the various programs, and project reports. We also accessed the internet for other relevant data including macroeconomic and financial sector statistics. The desk top research was supplemented by a field trip to Washington, DC between 20 and 29 March 2011 by one of the international evaluators, where meetings were held with 33 people at the IMF and FIRST. We also held a meeting in London with the DRI team and conducted telephone interviews with the Center Coordinators for AFRITACs East and West. A list of interviewees is in Appendix III.

We applied our rating system in order to score Relevance, Effectiveness (mainly Outputs and Outcomes), Efficiency and Sustainability using the documentary data and interview data as a source. We adjusted external evaluation ratings in some cases to fit our 4-point scoring system and in some cases (described later) amended external ratings based on other evidence.

Principal Documentary Sources for Multi L and Multi B Program Evaluations

We gathered evidence for our findings from several documentary sources in addition to the external evaluations:

- The IMF's Annual or Mid-term reports for AFRITACs, LOU East and AML/CFT TTF
- Various individual IMF project reports in TAIMS format
- Several IMF project proposals for LOU East and South
- SECO Decision and Advocacy Notes
- Some Steering Committee/ Governing Council (FIRST) Minutes
- Management Accounts for FIRST
- Annual Reports for FIRST (including draft 2010)
- 10 FIRST project memoranda and seven Project Completion Reports since the end of 2008
- FPC CBP Closing Reports, Regional Organization self-assessment reports, Zambia FPC Report disseminated, and Phase III program document
- Log frames for all programs.

Overall Approach to Evidence Gathering for Vietnam Case Study

A team of an international and two local evaluators, supported by an interpreter/translator carried out the work for the Vietnam case study. The international evaluator made two visits to Vietnam. During the first visit, lasting a week between 21 and 25 March 2011, initial contact was made with recipients and other financial sector participants to introduce the evaluation exercise and outline its objectives, explain what we needed from them, and hold preliminary discussions about project results and lessons. This was followed up by a second visit, from 18 April to 5 May 2011 for detailed fieldwork. The SECO COOF provided substantial insight into the Vietnamese environment and on specific projects, as well as assistance in contacts during these visits.

We reviewed WEMU's project approval documents and monitoring reports, along with, where available, consultants' progress and final reports. We also had various discussions with staff at the WEMU and WECO offices, as well as WEMU's long-term consultant for Vietnam projects. Where necessary, these were supplemented with correspondence evidencing decisions/interventions made during the project.

The main input was from physical interviews we carried out with almost 50 project beneficiaries, with a focus on concrete achievements to date from the SECO projects. Appendix III provides a list of interviewees. This was supplemented by review of internal documentation to evidence changes where appropriate. Our ability to effectively assess the results of the MHB project was impaired because of confidentiality concerns of MHB management attributed to the fact that it is undergoing an IPO. We have highlighted in Section 5.4 the specific areas where our assessment was affected. We were nevertheless able to supplement our analysis with alternative sources of information. We also carried out research into the bank and others through the internet, and supplemented it by branch visits at the bank and some of its competitors.

For the TATP III, MHB and BTC projects, external evaluations were available along with management responses and these were referred to. Our overall assessments are generally consistent with those of the external evaluators. We have highlighted where and why our assessments differed in the respective sections for the projects in the main Report.

Interviews with structured questionnaires of between 15 and 20 questions were carried out with participants in the SSC SRTC, Bank Directors Training, BRWs, BUNIs and SBV Macroeconomic policy training programs (part of TATP III) and workshops. Most of these training-oriented projects benefited from immediate participant feedback on the quality of training and presentations that we were able to review, and the focus was on identifying the extent to which the candidates were applying the lessons from the projects. Participant feedback and test scores, where available, were also reviewed. For the BTC project, we additionally interviewed IFC staff who were involved in partnering with SECO on the project.

In addition to interviews, training material was reviewed and scored for all the above courses except the BRWs (where presentations from international presenters were reviewed) and the SBV courses. Scores were given on: a) quality of presentations; b) relevance to topic; c) relevance to Vietnam; d) appropriateness to level of student knowledge; and d) quality of translation. They were scored independently by the international evaluator and the two local evaluators, both of the latter being Professors in finance in local institutes.

For the Vietnam financial sector and donor co-ordination section, we carried out extensive desk research as well as approached several institutions for background and statistical work. Data gathering is a big challenge in Vietnam, but the local evaluators' senior level contacts in local institutions facilitated the process. In addition we reviewed the Vietnamese financial sector donor matrix but data had to be supplemented with documentary information from and interviews with key donors in the sector as well as the SBV and other Vietnamese ministries involved in financial sector donor activity.

External Evaluation Gaps and Corrective Actions for Multi L and Multi B Programs

External Evaluation Gaps and Corrective Actions				
External Evaluation	Period Covered	Date of Evaluation Report	Gaps or Shortcomings	Steps Taken to Address Gaps/Shortcomings
FIRST	Prior to end 2008	November 2009	▪ No Relevance rating ▪ Project analysis 2.5 years old ▪ Only covering Phase I even though half way through Phase II	▪ Provided own Relevance score ▪ Reviewed 10 completed Phase II projects
LOU East	Prior to end 2008	July 2009	▪ No Output or Outcome ratings only an overall Effectiveness rating ▪ Only reviewed 5 projects in 2 countries with results skewed by exceptional results in Kyrgyzstan versus poor in Azerbaijan	▪ Reviewed more projects in more countries and discussed with the IMF ▪ Analyzed rating as between Output and Outcome
AFRITACs	Prior to end 2008	February 2009	▪ No evidence of project reviews ▪ Limited reference to quantified Outcomes ▪ Largely survey driven results	▪ Reviewed about 165 project summaries from IMF reports for AFE and AFW ▪ Discussions with AFE and AFW Coordinators ▪ Produced analysis of Outputs and Outcomes and rated
FPC CBP	Prior to end 2009	August 2010	▪ No ratings for Relevance, Effectiveness, Efficiency or Sustainability ▪ Little description or reference to any specific projects- more process oriented than results oriented	▪ Reviewed FPC's own well developed monitoring reports ▪ Reviewed some Regional Organization self-assessments ▪ Reviewed an FPC country report (Zambia) ▪ Developed ratings

For the reasons tabulated a lot of supplementary work to the external evaluations was necessary to fill gaps in quality and time (mainly the period post the end of 2008). This part of the research was therefore substantially more demanding than being simply 'summative'.

Other Work Relating to Evaluation Approach and Implementation

In addition to project and program-specific material, we reviewed SECO internal documents and carried out interviews with WEMU, COOF, and WECO staff. At the start of the exercise, WEMU/WECO presented us with an overview of SECO's organization structure and its key objectives from the evaluation exercise. This was followed by a meeting with non-SECO members of the evaluation project Steering Group. During the implementation of the evaluation exercise we also reviewed various strategic and policy papers, and held meetings relating to SECO's approach to the financial sector and in Vietnam. Additionally we reviewed internal SECO papers and held meetings on the institution's evaluation approach and methodology, RBMS, log frame templates, risk assessment guidelines, examples of other evaluation reports, templates of internal reports, etc.

APPENDIX III: MEETINGS AND INTERVIEWS

MULTI L AND MULTI B PROGRAMS		
Project/Program	**Institution**	**Name/Position**
AFRITACs	IMF	▪ Mr. Ulrich Jacoby/ Section chief-OTM ▪ Mr. Marc Bellitto/ Sr. Technical Assistance Officer ▪ Ms. Benita Ba/ Technical Assistance Officer ▪ Ms. Marilyn Whan-Kan/Technical Assistance Officer ▪ Mr. Oliver Benon/ Center Coordinator Afritacs West- Mali ▪ Mr. Xavier Maret/ Center Coordinator Afritacs East-Tanzania
AML/CFT TTF	IMF	▪ Mr. Matthew Byrne/ Senior Counsel- Legal Department ▪ Mr. Joseph Meyers/ Assistant General Counsel-Legal Department ▪ Mr. Antonio Hyman-Bouchereau/ Senior Counsel-Legal Department ▪ Mr. Maha Amad/ Counsel-Legal Department ▪ Mr. Alan Warburton/ Technical Assistance Officer
LOU East	IMF	▪ Mr. Brian Christensen/ Division Chief-Fiscal Affairs Department ▪ Mr. Alen Jensen/ Fiscal Affairs- SE Europe ▪ Ms. Cemile Sancak/ Fiscal Affairs ▪ Ms. Violeta Jovenoska/ Fiscal Affairs ▪ Ms. Francesca Luna/ Economist-Europe II Department ▪ Mr. Gosta Ljungman/ Fiscal Affairs ▪ Mr. Giuseppe Lombardo/ Senior Counsel-Financial Integrity Group-Legal Department ▪ Ms. Piyabha Konsamut/ Senior Economist- Europe, Middle East and Central Asia Division- Monetary & Capital Markets Department
LOU South	IMF	▪ Mr. Emanuele Baldacci/ Deputy Division Chief- Fiscal Affairs Department ▪ Mr. Israel Farenboim/ Debt Management
Office of Technical Assistance Management (OTM)	IMF	▪ Ms. C.Y.Nunez-Ollero/ Senior Technical Assistance Officer ▪ Ms. Xiangming Li/ Section Chief- OTM
FIRST Initiative	World Bank/FIRST	▪ Mr. Jorge Patino/ Program Manager ▪ Ms. Carmencita Santos/ Senior Project Officer ▪ Mr. Roman Didenko/ Project Officer ▪ Mr. Loretta Foran/ Project Officer ▪ Mr. John Gutin/ Project Officer ▪ Ms. Sebnem Sener/ Project Officer ▪ Ms. Dian Marner/ Financial Officer ▪ Ms. Olha Krushelnytska/Knowledge Management Officer
FPC CBP	DFI/DRI	▪ Mr. Matthew Martin/ CEO Debt Relief International ▪ Mr. Nils Bhinda/ Program Manager

VIETNAM		
Project/Program	**Institution**	**Name/Position**
Banking Universities	Banking Academy	▪ Mr. To Ngoc Hung/President ▪ Mr. Phan Thanh Duc/Head of International Cooperation Affairs ▪ 4 participants in Train the Trainer Program
	Banking University	▪ Mr. Ho Dieu/Vice Rector ▪ Ms. Nguyen Thi Ngoc Nga/Vice Director ▪ 3 participants in Train the Trainer Program
Banking Universities, Directors Training, VN Bank Strategy	Hanoi University	▪ Phd. Dao Thanh Binh/Head of Financial Department. *Consultant to SECO projects*
BRWs, Bank Directors Training	Vietcombank	▪ Ms. Nguyen Thu Ha/Deputy CEO. *BRW participant, hosting Bank Directors Training participants* ▪ Ms. Dau Thi Kim Nhung/Assistant to Board of Management
BRWs	SBV Credit Information Centre	▪ Dr. Nguyen Dai Lai/Deputy Director General. *Previously Deputy Head of SBV Banking Strategy Department*
	Hanoi Institute of Socio-Economic Development Studies	▪ Dr. Nguyen Minh Phong/Chief of Economic Development Studies Department. *BRW participant*
	National Financial Supervisory Commission	▪ Dr. Le Xuan Nghia/Vice Chairman. *Previously Director of SBV Banking Strategy Department*
BTC	Banking Skills Training & Consultancy	▪ Ms. Le Mai Lan/Member of Board of Directors and Chief Executive Officer
	Mekong Securities	▪ Ms. Nguyen Thu Ha/Deputy CEO, DFO. *Trainer with BTC (previously with Chinfon Bank)*
BTC, VN Financial Sector	IFC	▪ Ms. Nguyen Thu Hang/Operations Officer, Access to Finance ▪ Ms. My Thi Nguyen/Accountant (responsible for BTC project) ▪ Ms. Margarete Biallas/Global Lead Retail Payment Institutions & Innovations Access to Finance Advisory, IFC Turkey. *Previously Project Officer responsible for BTC/MPDF project.* Telephone conversation
MHB	Mekong Housing Bank	▪ Mr. Nguyen Huu Trung/Adviser to the Board of Directors ▪ Ms. Tran Thi Ngoc Ly/Deputy Manager Network Development and Branches Management Division. *Co-ordinator of strategy development and responsible for branches* ▪ Ms. Bui Hong Minh/Director Fund Management Department (Treasury, ALCO) ▪ Ms. Vo Thanh Thanh Phuong Thao/Head of Marketing ▪ Ms. Nguyen Thien Kim/Director of HR. *Also co-ordinator of SECO project* ▪ Mr. Tran Ngoc Hai/Head of Credit, *Telephone interview* ▪ Mr. Guillermo Bosse/SME Consultant at MHB, *Telephone interview*

VIETNAM		
Project/Program	**Institution**	**Name/Position**
Bank Directors Training, VN Financial Sector	Vietnam Banking Association	▪ Ms. Duong Thu Huong/ Secretary General ▪ Mr. Nguyen Khac Than/Director of Training Centre ▪ Mr. Nguyen Duc Cuong/Staff of Training Centre ▪ 9 Participants from various banks
TATP III	SBV	▪ Mr. Tran Huu Thang/Deputy Director General, HR Department ▪ Ms. Duong Thi Kim Chung/Head of Training Division ▪ Mr. Nguyen Huu Nghia/Director General, Monetary Statistics and Forecasting Department ▪ Ms. Nguyen Thi Hong/Deputy Director General, Monetary Policy Department ▪ Mr. Long/Head, Economic Research Division ▪ Mr. Ha/Staff, Economic Research Division ▪ Ms. Trang/Staff, Economic Research Division ▪ Dr. Nguyen Phi Lan/Deputy Chief, Forecasting and Analysis Division, Forecasting and Statistics Dept. *Participant in Macroeconomic training workshop(s)* ▪ Mrs. Thai Thi An Hoa/Chief, Forecasting and Analysis Division, Forecasting and Statistics Dept. *Participant in Macroeconomic training workshop(s)* ▪ Mr. Nguyen Duc Long/Chief, Economics Research Division, Monetary Policy Forecasting and Statistics Dept.
TATP III	SBV Banking Training School	▪ Mr. Ngo Chung/Principal
BSS, BRWs,	SBV Banking Strategy Institute	▪ Ms. Nguyen Thi Kim Thanh/Director ▪ Ms. Le Phuong Lan/Head of Banking Sector Strategy Division
TATP III, VN Financial Sector	IMF (Vietnam)	▪ Mr. Benedict Bingham/Senior Advisor
VN Financial sector, donor activity	External Economic Relations Dept, Ministry of Planning and Investment (MPI)	▪ Mr. Pham Hoang Mai/Deputy Director ▪ Mr. Bui Van Ba/Senior Expert
	Consultant	▪ Dr. Le Dang Doanh/Consultant, *Previously Advisor to Prime Minister*
	SBV Banking Supervisory Agency	▪ Mr. Duong Quoc Anh/Director General
	GiZ	▪ Dr. Nguyen Tanh Hai/Senior Economist
	Vietnam Trade Promotion Agency	▪ Mr. Alain Chevalier/International Trade Promotion Advisor, Trade Promotion Project
	Swiss Consulting Co. Ltd	▪ Mr. Daniel P. Keller/Director General
	The World Bank	▪ Mr. Sameer Goyal/Senior Financial Sector Specialist, Finance and Private Sector Coordinator, Vietnam
	AsDB	▪ Ms. Chu Thi Hong Minh/Financial Sector Officer, Viet Nam Resident Mission ▪ Mr. Dominic Patrick Mellor/Country Economist, Vietnam Resident Mission
	CIDA	▪ Ms. Joanne Pindera/Programme Officer

VIETNAM		
Project/Program	**Institution**	**Name/Position**
SSC SRTC	State Security Commission (SSC)	▪ Mr. Vu Chi Dung/Deputy Director, International Relations Department ▪ Ms. Ha Nguyen Huong/Staff
	Securities Research and Training Center	▪ Mr. Nguyen Dzung/Director ▪ Ms. Pham Thuy Lan/Vice Director, Training Division ▪ 7 participants in Train the Trainer Program

VN SWISS EMBASSY & COOF/SECO		
Country	**Institution/Dept**	**Name/Position**
Vietnam	Swiss Embassy	▪ H.E. Jean-Hubert Lebet/Ambassador ▪ Mr. Stephan Lauper/Deputy Head of Mission, Trade and Economic Affairs
	COOF	▪ Ms. Brigitte Bruhin/Deputy Country Director, Economic Development Cooperation ▪ Ms. Nguyen Hong Giang, Senior Program Officer
Switzerland	WECO	▪ Mrs. Catherine Cudré-Mauroux/Head of Division ▪ Mr. Roman Windisch/Program Officer
	WEMU	▪ Mrs. Monica Rubiolo/Head ▪ Dr. Christoph Sax/Deputy Head ▪ Ms. Salome Steib/Senior Economist & Programme Manager ▪ Ms. Katrin Ochsenbein/Economist ▪ Mr. Matthias Feldmann/Economist ▪ Mr. Carlos Orjales/Economist
	SIF	▪ Dr. Andrea Sivierio/Head of Section, Financial Markets Analysis Division ▪ Dr. Paul Inderbinen/Deputy Head of Division, International Financial Institutions
	Independent Consultant	▪ Mr. James P. Weaver, Strategic Partner, Vietnam

APPENDIX IV: EVALUATION SCORING CHART

Criteria	Highly Satisfactory	Satisfactory	Unsatis-factory	Highly Unsatis-factory	Not demons-trated
RELEVANCE					
Projects/Programs are addressing important development issues of the partner country and of concerned beneficiaries	*Fully focused* on key development issues of the beneficiaries	*Largely addressing* key development issues of the beneficiaries	*Partly addressing* key development issues of the beneficiaries	Issues addressed are *not priorities* of the beneficiaries	Evaluation makes no mention of or cannot assess status of criteria
Projects/Programs are aligned with national priorities and policies of partner country and partner institutions	*Fully aligned* with relevant national goals as reflected in PRSP	*Largely aligned* with national goals as reflected in PRSP	*Occasionally aligned* with national goals as reflected in PRSP	Projects/Programs *ignore* or *run counter* to national priorities	Evaluation makes no mention of or cannot assess status of criteria
Projects/Programs are consistent with SECO priorities and focus on its comparative advantage	*Fully consistent* with SECO priorities, strategies, defined roles and comparative advantage (see RK, CS, sectoral papers, etc.)	*Largely consistent* with SECO priorities, strategies, defined roles and comparative advantage (see RK, CS, sectoral papers, etc.)	*Partly consistent* with SECO priorities, strategies, defined roles and comparative advantage (see RK, CS, sectoral papers, etc.)	Projects/Programs are *outside SECO priorities*, strategies, defined roles and comparative advantage (see RK, CS, sectoral papers, etc.)	Evaluation makes no mention of or cannot assess status of criteria
Interventions are coordinated with other project/programs in the concerned sector and are complementary	Project/Program *actively coordinates* with other projects/programs	Project/Program *coordinates occasionally or in parts* with other projects/ programs	Project/Program *consults* with other projects/ programs	Projects/Programs are *implemented as 'stand-alone'* with no links to or consideration of other activities	Evaluation makes no mention of or cannot assess status of criteria
EFFECTIVENESS					
Objectives achieved at output level (as defined in log frame)	*All* output objectives achieved/ bypassed	*Majority* of output objectives achieved	*Few* of output objectives achieved	*Very few* output objectives or none achieved	Evaluation makes no mention of or cannot assess status of criteria
Objectives achieves at outcome level (as defined in log frame)	*All* outcome objectives achieved/ bypassed	*Majority* of outcome objectives achieved	*Few* of outcome objectives achieved	*Very few* outcome objectives or none achieved	Evaluation makes no mention of or cannot assess status of criteria
Objectives achieved at impact level (as defined in log frame)	*All* impact objectives achieved/ bypassed	*Majority* of impact objectives achieved	*Few* of impact objectives achieved	*Very few* impact objectives or none achieved	Evaluation makes no mention of or cannot assess status of criteria

Criteria	Highly Satisfactory	Satisfactory	Unsatis-factory	Highly Unsatis-factory	Not demons-trated
			EFFICIENCY		
Projects/Programs are cost-effective	Projects/Programs benefits *outweigh* their costs	Projects/ Programs benefits *merit* their costs	Projects/Programs benefits *do not merit* their costs	Projects/ Programs accrue *few benefits for considerable costs*	Evaluation makes no mention of or cannot assess status of criteria
The approach / mode of implementation is efficient for achieving the intended results	The approach chosen is *optimal* to achieve the intended results on all levels	The approach chosen is *adequate* to achieve the intended results on all levels	There would be *alternative, more efficient approaches* to achieve the intended results on all levels	The approach is *not suitable* to achieve the intended results on all levels	Evaluation makes no mention of or cannot assess status of criteria
Projects/Programs management and steering mechanisms are in place and adequate for the efficient implementation of the activities	The management and steering of projects/programs ensures a *highly efficient use* of the resources	The management and steering of projects/programs ensures the *efficient use* of the resources	The management and steering of projects/programs *is weak or hardly exists*	The management and steering of projects/programs is *absent or inadequate*	Evaluation makes no mention of or cannot assess status of criteria
Monitoring system is designed (log frame) and effectively used for steering and reporting	Monitoring system is *in place and fully used* to steer / influence project/program implementation	Monitoring system is *in place but only partially used* to steer/ influence project/ program implementation	Monitoring system is *in place but largely inefficient and not used* to steer / influence project/ Program implementation	Monitoring system is *lacking*	Evaluation makes no mention of or cannot assess status of criteria
			SUSTAINABILITY		
Results (outputs / outcomes/ benefits will last beyond/continue after project/ program closure	It is *very likely* that outputs and outcomes will be maintained/last and further grow/ develop	It is *likely* that outputs and outcomes will last beyond the intervention	*Little likelihood* that outputs and outcomes will last beyond the intervention	*Unlikely* that outputs and outcomes will last beyond the intervention	Evaluation makes no mention of or cannot assess status of criteria
Local institutions/ capacities have been strengthened to sustain results	*Strong* capacities have been built. Local institutions will continue to operate and will grow/further, improve capacity without support	*Reliable* capacities have been built. Local institutions will continue to operate without support	*Little* capacities have been built. Local institutions require external support to operate	Local capacities are *still too weak* to implement activities without external support	Evaluation makes no mention of or cannot assess status of criteria
Financial sustainability has been achieved	Results can be *replicated without* further financial support	Results will be *likely maintained* without further financial support	To be maintained, results will *require continued external financial support*	Even with additional external financial support, *results will not be maintained*	Evaluation makes no mention of or cannot assess status of criteria