

Executive Summary of Evaluation

<i>Name of Evaluation</i>	Vietnam Debt Resolution Program Mid-Term Review
<i>Date of final Report</i>	February, 2017
<i>Author of Final Evaluation Report</i>	Charles Booth
<i>Modifications from original executive Summary</i>	Yes
<i>Date of this executive Summary</i>	June 3, 2017
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<i>Number of pages of this Executive Summary</i>	18
<i>Executive Summary Approved for public disclosure by (name) and (date)</i>	Lien Anh Pham Hasan Shahriar

WORLD BANK GROUP
FINANCE & MARKETS GLOBAL PRACTICE
EAST ASIA REGION
VIETNAM DEBT RESOLUTION PROGRAM MID-TERM REVIEW

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Full Report prepared in February 2017

EXECUTIVE SUMMARY

The Mid-Term Review (MTR) evaluates the World Bank Group's (WBG) Vietnam Debt Resolution Program (Vietnam DR) activities and results from September 17, 2013 to June 30, 2016. The objective of the Vietnam DR program is to assist Vietnam in addressing the negative impact of the country's economic crisis by working with relevant state institutions and private sector stakeholders in improving the effectiveness and efficiency of the debt resolution regime.

The Program is funded by the State Secretariat for Economic Affairs (SECO) of the government of Switzerland. Pursuant to the agreement with SECO, the WBG tasked a senior independent reviewer to conduct a mid-term performance evaluation of the Vietnam DR program. The independent reviewer was given access to relevant project documentation, individual project implementation plans, supervision reports, and client surveys, as well as an opportunity to conduct two field visits for purposes of preparing the MTR. Below is an Executive Summary of the findings of the independent reviewer.

The MTR:

- (1) evaluates the Vietnam DR according to the Development Assistance Committee/OECD criteria of relevance, efficiency, effectiveness, impact, and sustainability;
- (2) provides lessons learned (both positive and negative) from the project implementation and case studies; and
- (3) provides actionable recommendations to ensure the accountability of the program towards development partners and stakeholders.

The key evaluation questions addressed in the MTR are:

- What is the likelihood of achieving the intended impact? and
- What are the lessons learned to improve the design and delivery for the remaining time of the project and for future similar projects?

The MTR covers implementation activities undertaken in the three areas listed in the table below. All projects are in the implementation phase.

Areas	Activities
Insolvency	Improving and implementing insolvency laws regulations
ADR	Improving the legal regime, related court practice and increasing the use of alternative dispute resolution (ADR)
Banking	Strengthening the capacity of the financial sector around risk management, debt resolution and small- and medium-sized enterprises (SME) banking

The period covered by the MTR is 17 September 2013 to 30 June 2016.

Vietnam DR

In short, as the TOR for the MTR sets forth, the Vietnam DR is intended “to help Vietnam mitigate the negative impacts of the country’s economic crisis by supporting related state institutions and private sector participants in improving the effectiveness and efficiency of debt resolution.” This is an ambitious goal, but the program is designed to achieve this by focusing on three important problems that have contributed to the Vietnamese investment regime:

- (1) the underdeveloped and little used Vietnamese insolvency law framework;
- (2) bottlenecks and delays in the overloaded Vietnam court system; and
- (3) high levels of non-performing loans (NPLs) created by the Vietnamese banking system.

Objectives & Approach

The program will help Vietnam improve the effectiveness and efficiency of its bankruptcy and debt resolution system by focusing on the works around the revision of the Bankruptcy law and promotion of ADR in debt resolution. The program will also work with lead commercial banks to build up their capacity in risk management & debt resolution.

The Vietnam DR project was structured to address the problems in the three areas set out above, namely:

- (1) to improve and effectively implement insolvency laws and regulations – by supporting the inter-ministerial drafting committee led by the Supreme Court (SPC) in the drafting and enactment of the 2014 Bankruptcy Law (2014 LOB) and its implementing regulations, by supporting the Ministry of Justice (MOJ) in the promulgation of a regulatory framework for the newly created profession of Insolvency Administrator (IA), and by assisting with training;
- (2) to improve the legal regime and related court practice and increase the use of ADR – by supporting the SPC in the drafting of a Court Resolution for the application of the 2010 Law on Commercial Arbitration Law (LCA), the sections of the Civil Procedure Code regulating the recognition and enforcement of foreign arbitral awards, as well as mediated settlements, and by working with the MOJ to draft a decree on commercial mediation; training judges to ensure consistent and “pro-arbitration” application of the ADR laws and regulations; by helping ADR Centers (such as the Vietnamese International Arbitration Center (VIAC) and other relevant stakeholders in Vietnam) to increase the capacity of ADR; and by promoting the use of ADR; and
- (3) to strengthen the capacity of the financial sector around risk management, debt resolution, and SME banking by working with sectoral players such as the State Bank of Vietnam (SBV) and the Vietnam Banking Association (VBA) and by working individually with three firm-level banking institutions – Bank 1¹ (primarily with improving risk management processes) and Bank 2 and Bank 3 (primarily with increasing their capacity for SME banking relationships).

At first glance, these three areas might appear to be disparate and unconnected, but upon further reflection it can be seen that if it is possible to dramatically improve each of the three areas, the overall improvement might well be worth more than the sum of the three parts.

The project entry points were to: first, to support the SPC in the revision of the Bankruptcy Law and its guiding documents and with the implementation of the revised law; and second, to work with the SPC on its issuance of a Resolution providing guidelines for application of the Arbitration Law and with the revision of the ADR-enforcement chapters of the Civil Procedure Code and to work with the MOJ and ADR centers to draft a decree

¹ Pursuant to IFC public disclosure policy, the actual names of the private client banks may not be revealed. For ease of reference, the three client banks are referred to as Bank 1, Bank 2 and Bank 3.

on commercial mediation, provide training, and promote the use of ADR to foster more efficient debt resolution in Vietnam.

During the review of current insolvency regulations, gaps and weakness of other relevant laws such as Land Law & Execution Law in relation to insolvency, will also be identified and recommendation for improvement will be made. These will serve as inputs for the government in the revision of those laws in future.

Evaluation Findings

The MTR applies a five-level qualitative framework: excellent, good, adequate, poor, and weak.

The MTR evaluates the three areas of the Vietnam DR separately, and the table below indicates these criteria evaluation findings:

CRITERION	INSOLVENCY	ADR	BANKS
RELEVANCE	EXCELLENT	EXCELLENT	EXCELLENT
EFFICIENCY	GOOD	GOOD	GOOD
EFFECTIVENESS	GOOD	EXCELLENT	GOOD
IMPACT ²	EXCELLENT	EXCELLENT	EXCELLENT
SUSTAINABILITY	GOOD	GOOD	GOOD

² While the current report does not intend to provide detailed quantitative analysis of the program's impact, it provides a qualitative overview of the preliminary results from the project's activities. As discussed in the section below, **Impact** refers to positive and negative long-term effects, intended or unintended, which are **likely to occur** as a direct result of the project or program. **Impact** also refers to how likely the program is to achieve its intended impact.

Relevance refers to the extent to which project or program objectives are consistent with beneficiary requirements and country needs, IFC and WBG country strategies and global priorities, and other partner and donor priorities.

The relevance evaluation given for each of the three areas of the Vietnam DR is EXCELLENT, taking into account the alignment between IFC/WBG and SECO priorities and strategies in Vietnam and the relevance of the Vietnam DR to Vietnam.

The IFC's mission is to promote sustainable private sector investment in developing countries, reduce poverty and improve lives on a sustainable basis and the IFC EAP strategies are to support sustainable, private sector-led development to ensure the region's economic growth reaches all segments of society and the WBG EAP strategies include inclusion and empowerment, jobs and private sector-led growth, governance and institutions. SECO's strategies and priorities include supporting sound framework conditions for inclusive and sustainable growth; and enhancing productivity and increasing competitiveness of SMEs.

There is a high level of overlap between the objectives of the Vietnam DR and the agenda of the Vietnam government which leads to an excellent alignment with country needs in all three areas of the project: (1) the need for a modern insolvency framework; (2) the need for a well-functioning commercial ADR system; and (3) and the need for banks to minimize the creation of NPLs through improving credit risk management and lending/banking policies for SMEs.

This alignment is clear from the Implementation Plans, Advisory Service Plans, and Project Approval documents from the Vietnam DR.

An important objective of the government of Vietnam is improve the resolution of NPLs and thereby bring down the level of NPLs, improve the efficiency of banking institutions in Vietnam, and improve the Vietnamese economy. The Vietnamese banking sector's efforts to manage and recover NPLs has been stymied by the inadequacies of the Vietnamese debt resolution legal and institutional framework, deficiencies in banks' credit risk management practices, and other regulatory and accounting impediments.

The first area of the project – the need for a modern insolvency framework – has been on the Vietnam government's agenda for almost two decades. The second area of the project – the need for a commercial ADR system – fills in an important gap in the Vietnamese debt resolution area by providing an alternative to the overworked and slow legal system. And the third area of the project – minimizing the creation of NPLs through improving credit risk management and lending/banking policies for SMEs – also aligns clearly with the Vietnamese government's overall goals. The advisory work with Bank 1 furthers SBV's plans to implement Basel II standards and to strengthen risk management over credit growth to address NPLS issues. The advisory work with Bank 2 and BANK 3 addresses the financial inclusion gap in Vietnam's SME sector. Vietnam has the goal of putting the foundation for a modern, industrialized society in place by 2020, and an important piece of that foundation is the development of the local banking sector's ability

to grow SME business more efficiently, profitably and sustainably.

Moreover, the excellent alignment of the IFC/WBG and SECO priorities and Vietnam's objectives are evidenced by the requests from both the SPC and SBV for the IFC's assistance. The SPC's letter of October 30, 2012, requested the support of the IFC in the following six areas relating to the drafting process of what would become the 2014 LOB:

1. Assessment of 8 years of the Bankruptcy Law (2004) implementation;
2. Study of the relationships between the Bankruptcy Law and other relevant laws such as the Land Law, Business Law, Credit Organizations Law, the Law of Civil Judgments, etc.;
3. Provision of international experiences in the building of the Bankruptcy Law;
4. Consultation and support for drafting the Bankruptcy Law and guiding documents after the promulgation of the Law;
5. Consultation of stakeholders such as the business, finance, banking communities; and
6. Awareness raising and advanced training to strengthen enforcement capacity after enactment of the Law.

Efficiency refers to the quality of the outputs and the extent to which the resources were well used in achieving outputs and outcomes. Risk assessment and management are also included as an efficiency factor in the evaluation framework.

The degree to which the Vietnam DR achieves efficiency, broadly defined to include risk management, in each of the three areas is GOOD. The level of efficiency in the Vietnam DR use of financial and human resources is excellent in all areas, as the IFC deployed strong teams in each of the three components. There was excellent teamwork among the T&C and F&M Global Practices (on the first two areas) and overall with FIG on the third.

The primary reason for the assessments being GOOD rather than EXCELLENT has to do with adopting a "wait and see" attitude as to whether the remaining expected outputs in the three areas will be achieved during the remaining timeline for the program – the development of the IAs in insolvency, the take up of mediation in the ADR and the increase in SME banking.

The most recent Supervision Reports demonstrate that the IFC is cognizant of the need to address these matters:

The "Next Steps" for the development of IAs in insolvency include "working with the SPC to design templates for reporting on insolvency cases." (In addition, the IFC intends to conduct full-fledged training for judges, which should include components regarding the jurisdictional boundaries and responsibilities for the judges and IAs.

The "Next Steps" for ADR include to "[f]ollow up with the MOJ/VIAC to support the enactment of the Mediation Decree" and to "prepare a training for the 1st cohort of

commercial mediators in Vietnam, in partnership with MOJ and VIAC, subject to the enactment schedule of the Mediation Decree.”

The “Next Steps” for Bank 2 are to “(1) focus to deliver and complete the sales and service enhancement component, and wrap-up all project activities with the client” and “(2) light support to Bank 2 on the client-led execution of CVP and credit scoring model and monitor regular updates from the client of execution progress.”

The “Next Steps” for Bank 3 include to obtain updates from Bank 3 about the application of the IFC recommendation[s] and results . . . we will follow up with the client after the completion of IFC engagement to track and capture the status of results under the M&E framework outlined in the PSA. However, the IFC does note that: “Ideally, it would be great to see portfolio results (including baselines) restated in line with the new segmentation approach. However, this might be challenging to complete during the remaining project period. Bank 3 is still missing important t/o data for a large number of clients. It will take extensive time and efforts to collect this missing information whilst IFC’s advisory work will be finished in August (2016) and the project will be closed in December 2016.”

Effectiveness refers to the extent to which the intended project or program outcomes and outputs were achieved.

The degree to which the Vietnam DR effectively achieves effectiveness is EXCELLENT in the ADR area, and GOOD in the insolvency and banking areas.

Insolvency and ADR have made strong progress towards their specific goals.

In the insolvency area, although much has been done, the IFC rates the Client or Stakeholder risks as High. There are two primary areas that raise concerns:

- (1) The most serious concern involves the variety of Issues involving the introduction of the IAs – As noted by the IFC, there is a lack of institutional capacity to implement the enacted reforms relating to the IAs. This is a new profession and a major change to the insolvency framework. Moreover, there are further issues relating to the IAs that need to be resolved – jurisdictional issues; the mismatch between the number of IAs with the number of IAs who have registered and the numbers who have been appointed; training issues, and regulating issues.
- (2) Secondly, there are concerns as to the capacity of the SPC to follow through on the implementation of the new law. Although the SPC strongly supports the project, the judiciary has serious economic constraints and limited experience in adjudicating insolvency cases. Although the early indications have been good, it is too early to tell whether they will be able to overcome the “implementation gaps” that arise when new frameworks are brought into practice. Delays in accepting cases, resolving

disputes, or issuing judgments would adversely affect the development of the law.

The Independent Reviewer is confident that the IFC will be able to mitigate and address these concerns during the remainder of the timeline, but at this stage these issues remain open. The IFC has spent much time and significant resources on addressing these two concerns, and intends to continue doing so. To date, the IFC has developed training programs (led by international experts) to train administrators and to raise the capacity of judges to implement the new law and develop a deeper understanding of the overall insolvency framework. Regarding the judges, the IFC has introduced the judges to best international practices at several international fora, including the FAIR (which occurred after the period of the Vietnam MTR, but the groundwork for which occurred during the relevant period). The IFC also sent Vietnamese judges to the WB/INSOL Judicial Colloquium in 2016 and will be sending two judges to the upcoming Judicial Colloquium to be held at INSOL Sydney in March 2017. The IFC also intends to conduct a full-fledged insolvency training program for judges in 2017 that is similar to the insolvency training program for IAs and the arbitration training for judges that the IFC conducted earlier. These training sessions will most likely, be as successful, or more successful than the earlier training sessions, because at that stage in the process the judges will already have gained some experience with the insolvency process and will already be aware of many of the problems and issues that they need to address and of the pitfalls that they wish to avoid. The Independent Reviewer is of the view that inadequate training of the judiciary has contributed to implementation gaps in other Asian countries. Thus, the Independent Reviewer believes that the IFC's training efforts are among the most important services to be provided by the over the remainder of the timeline.

In the banking area, changes have been implemented at all three banks, but the changes have not yet been in place for long enough to yield a sufficient amount of data from which to determine the quality of the outputs.

Impact refers to positive and negative long-term effects, intended or unintended, that are likely to occur as a direct result of the project or program. Impact also refers to how likely the program is to achieve its intended impact.

The level of the Vietnam DR impact is EXCELLENT in all three areas.

Vietnam now has modern insolvency and ADR legal frameworks in place that for the first time, at least on paper, which meet international best practices. There has been a dramatic increase in the number of bankruptcy cases since the 2014 LOB has been enacted: it is rare for corporate insolvency law reforms to take hold quickly and it is significant that the number of cases under the 2014 LOB is significantly higher than under the 2004 LOB. In the ADR area, the initial trainings of the judges on the new commercial arbitration regime led the judges to rethink their approach to the enforcement of arbitral awards and there has been a dramatic decrease in the number of arbitral awards that have been set aside. In the banking area, the buy in by the three banks is excellent (although some issues first had to be overcome at Bank 2). The banks are now being proactive and have implemented the recommended changes to their banking models. Overall, the IFC is pursuing a multi-faceted implementation process including providing training and running workshops, developing practice guides, running awareness events, and working closely with stakeholders.

Sustainability refers to the likely extent that the established or enhanced capacity, processes or systems are likely to be sustained from a project or program after assistance has been completed.

The sustainability of the Vietnam DR is rated as GOOD for each of the three areas. There have been strong results to date. There has generally been excellent buy in by the stakeholders – and there are no reasons to suggest that it will wane. Although the Independent Reviewer is optimistic that the rating for sustainability will be EXCELLENT at the conclusion of the timeline, he nevertheless rated sustainability as GOOD rather than as EXCELLENT at this stage, because there is still a significant period remaining in the timeline and the operating environment in Vietnam is one in which macro-economic conditions could take a dramatic turn quite quickly and slow down the pace of reform and implementation.

Lessons Learned

Reviewer Observations and Lessons Learned

1. The Vietnam DR approach has resulted in a synergy whereby the overall accomplishments of the project appear to be greater than the sum of the individual parts.

At first glance, the three areas of this project:

- (1) improving and implementing the insolvency framework;
- (2) increasing the use of ADR; and
- (3) strengthening the capacity of the financial sector around risk management, debt resolution and SME banking,

operating at three different levels:

- (1) legal framework;
- (2) market level; and
- (3) firm level,

might appear to be disparate and unconnected – but the first half of this project has achieved a broad array of benefits that arose from combining these three different areas and by operating simultaneously at three levels of engagement. Not only have important successes been achieved in all three areas and at all three levels, but more importantly, by proceeding simultaneously, rather than serially, the combined results have created a synergy.

Applicable areas of the project: INSOLVENCY/ADR/BANKING

2. The overall strength and success of the project is due in great part to the successful collaboration among the project teams from the T&C and F&M Global Practices (on the first two areas) and the IFC FIG (on the third). This teamwork with the IFC brings cross-fertilization from different

perspectives to the project.

Applicable areas of the project: INSOLVENCY/ADR/BANKING

3. Stakeholders are all vested in their portions of the project, but since there is no one stakeholder in charge, there are some areas of conflict and of overlapping jurisdiction among the stakeholders, especially between the SCT and DOJ that can lead to inertia.

Applicable areas of the project: INSOLVENCY/ADR

4. There is some confusion as to how to interpret the significance of the contrasting number of IAs who have navigated the qualification, registration, and appointment process. At present, it appears that between 800-1,000 (the range of numbers that were suggested to the Independent Reviewer by various stakeholders) of lawyers and accountants (mostly lawyers) have qualified as IAs, but less than 100 have actually registered with the courts, and an even smaller number of only 20-30 have actually been appointed in individual cases by judges handling bankruptcy cases. There are conflicting explanations as to the mismatch among these numbers.

Applicable area of the project: INSOLVENCY

5. Corporate rescue will be more effective when debtors seek relief at an earlier stage. The culture of both banks and debtors in Vietnam must change if corporate rescue is to become more common than liquidation.

Applicable area of the project: INSOLVENCY

6. The overall efficiency of the New LOB 2014 is dependent on the interaction of the LOB with many other laws, including land title, asset registration, contracts, corporate laws, the new civil code (coming into effect in January 2017), trade laws, commercial laws, etc.

Applicable area of the project: INSOLVENCY

7. It appears that there is a dual track approach to arbitration in Vietnam. Although the law on its face has been improved, there is a perception that non-VIAC arbitral awards with foreign elements are not being treated as well as other arbitral awards.

Applicable area of the project: ADR

Discussion: Prior to the enactment of the new 2015 chapters of the Civil Procedure Code (CPC) and the enactment of a Court Resolution for the application of the 2010 LCA, foreign companies

often complained about the difficulties in getting foreign or non-VIAC arbitral awards enforced. The enactment of the 2015 CPC and the Resolution were intended to address those problems. One of the interviewees who met with the Independent Reviewer claimed that these problems have not been completely resolved, but the situation has significantly improved in the last year.

8. The best way to address the NPL problem is not to create NPLs in the first place and the early indications are that FIG's efforts on this project with Bank 1 are yielding positive results. If banks focus more on risk management, balance risk against pure loan growth, and better manage their SME loan growth, these actions should lead to a decrease in the creation of NPLs over the long term.

Applicable area of the project: BANKING (with effects on INSOLVENCY)

Recommendations

Recommendations have been divided into the following two categories:

- 1) those recommendations that the IFC should act upon (and should be able to complete) during the remainder of the duration of the project (Recommendations for action within the timeline),
- 2) and those recommendations that would be better dealt in the more medium- or longer-term, perhaps as parts of an extension of this project or as components of future projects (recommendations for action post-timeline).

The recommendations are numbered for ease of reference, but the numbering is not intended to indicate priority.

Each recommendation cross-references the related item from the Lessons Learned section, immediately above.

Each recommendation also highlights which of the three areas of the project – Insolvency, ADR, Banking – the recommendation relates to.

Each recommendation also notes whether or not the recommendation is within the control of the project and, if not, how difficulties could be mitigated.

Recommendations for action within the timeline

1. Continue providing trainings and workshops for stakeholders in the insolvency and ADR areas, and publicize the changes made to these frameworks to the business community and general public; continue drafting explanatory manuals for stakeholders and potential users and develop user-friendly pamphlets for potential users and the general public. These activities help create a general awareness of the changes being implemented and contribute to the change in the cultural mindset that will lead to greater take-up by the stakeholders and business community

utilizing the frameworks being supported by the Vietnam DR.

Relevant Lessons Learned items: 1, 2, 5, 6, 7,

Applicable areas of the project: INSOLVENCY/ADR/BANKING

Risks: In the control of the project

2. To assess the effectiveness and impact of each of the three areas, collect more, more recent and better data:

- (a) Insolvency – e.g., types and sizes of debtors, causes and sectors of debtor failure, business/trades of debtors, types of petitions (e.g., filings by debtors v filings by creditors), types of petitioners (e.g., trade creditors, employees, financial institutions, tax authority, etc.) data on bankruptcy offenses, size and type of debts, number of creditors amounts and percentages of debts paid, data on IA certification, registration, and appointment;
- (b) ADR – e.g., numbers of cases compared by arbitration center, types of disputes, levels of awards, enforceability of awards; and
- (c) Banking – for Bank 2 and BANK 3, e.g., the total amount and average size of loans to SMEs, average interest rates and loan length, SME loans as a percentage of overall lending, the number of SME borrowers and depositors; for Bank 1 – e.g., changes in banking products, changes in interest rates, changes in the number of debtors; NPL rates.

Relevant Lessons Learned items: 1, 2, 3, 4, 7, 8

Applicable areas of the project: INSOLVENCY/ADR/BANKING

Risks: Some in the control of the project/some mitigation necessary & some outside the control of the project

3. Similarly, to assess the effectiveness and impact of each of the three areas, set up feedback loops:

- (a) Bankruptcy – develop questionnaires for judges, IAs, debtors and creditors in selected cases to identify strengths and weaknesses in the insolvency process and to assess the performance of IAs;
- (b) ADR – develop questionnaires to arbitrators and mediators and involved parties about their perspectives on the process with a view to identifying strengths and weaknesses in the process; and
- (c) Banking – develop questionnaires for bank customers and potential customers.

Relevant Lessons Learned items: 1, 2, 3, 4, 7, 8

Applicable areas of the project: INSOLVENCY/ADR/BANKING

Risks: In the control of the project/some mitigation might be necessary

4. More clearly define the responsibilities of the SPC and MOJ and assist in increasing communication and cooperation in the area of Insolvency in which their responsibilities overlap (e.g., relationship between the 2014 LOB and the Decree on Insolvency Administration).

Relevant Lesson Learned items: 1, 3, 4

Applicable areas of the project: INSOLVENCY

Risks: In the control of the Project

5. Discover and address many issues regarding IAs:

- (a) The large number of qualified IAs, but low number of appointees.
- (b) Should there be an examination to become an IA?
- (c) Are judges appointing the right IAs for the right cases? and
- (d) Are judges making appointments in all/most cases? In a timely fashion?

Relevant Lessons Learned items: 1, 3, 4

Applicable areas of the project: INSOLVENCY

Risks: In the control of the project

This item is related to Items 2, 3, and 4, above.

6. Establish a clear supervisory/regulatory authority for IAs

Relevant Lessons Learned items: 1, 2, 3

Applicable areas of the project: INSOLVENCY

Risks: In the control of the project/ outside the control of the project – some mitigation necessary

7. The IFC should develop a manual or statutory annotation of the 2014 LOB that sets forth the areas where there remain conflicts or overlapping jurisdiction between the 2014 LOB and other laws or

where there are gaps between the 2014 LOB and other laws.

Relevant Lessons Learned items: 2, 6

Applicable areas of the project: INSOLVENCY

Risks: In the control of the project

8. Examination should be made of the claims that that non-VIAC arbitral awards with foreign elements are not being treated as well as other arbitral awards.

Relevant Lessons Learned items: 1,7

Applicable areas of the project: ADR

Risks: In the control of the project

9. Regarding the three banks involved in the third area of the project – the IFC’s advisory stage with each bank has ended or is about to end. It is important for the IFC to closely monitor each bank for the remainder of the project timeline, with a view to determining whether any further changes in the banks’ risk assessment/lending processes are necessary.

Relevant Lessons Learned items: 1, 2, 8

Applicable areas of the project: BANKING

Risks: In the control of the project

Recommendations for action post timeline

1. To further improve the effectiveness of the insolvency framework, provide assistance in the following areas:
 - (a) cross-border insolvency;
 - (b) review compensation levels and mechanisms for IAs

Relevant Lessons Learned items: 1, 2

Risks: within the project

Level of engagement: LEGALFRAMEWORK

2. Set up a professional association to build up the stature of the IA profession and perhaps link up with an international organization such as the Turnaround Management Association (TMA).

Relevant Lessons Learned items: 1, 2, 3, 4,

Risks: outside the project/need for mitigation

Level of engagement: MARKET LEVEL

3. Design formal training programs for stakeholders in Insolvency (judges and IAs), continue to provide less formal training for other participants in the process (lawyers, accountants, evaluators, auctioneers, bankers, etc.), and publicize the process to the general business community and general public.

Relevant Lessons Learned items: 1, 2, 5, 6, 7,

Risks: inside the project/outside the project

Level of engagement: MARKET LEVEL

ADR

4. Design formal training programs for stakeholders in ADR (arbitrators and mediators) and continue to provide training and workshops for the business community and the general public.

Relevant Lessons Learned items: 1, 2, 7

Risks: inside the project

Level of engagement: MARKET LEVEL

5. Provide assistance to another arbitration center in Vietnam.

Relevant Lessons Learned items: 1, 2, 7

Risks: outside the project

Level of engagement: MARKET LEVEL

As noted in the Lessons Learned section, the first half of this project has already achieved a broad array of benefits that arose from combining the three different areas and by operating

simultaneously at three levels of engagement. By proceeding simultaneously, rather than serially, the combined results have created a synergy whereby the overall accomplishments exceed the sum of the individual parts. This synergy has set the groundwork for a Phase II of the project that could create more benefits and even more synergy – by directly linking and further connecting the three project areas and the three levels of engagement. Below are some suggestions for further areas in which the IFC could be of assistance.

Insolvency/Banking

6. By (1) analyzing the data from insolvency cases and (2) analyzing the SME and NPL financial data and structural results from the three banks and determining which banks benefitted the most from the IFC's assistance, the IFC would then have sufficient information to screen all banks in Vietnam by various categories of lending – e.g., size of debtor (SMEs v larger borrowers)/sector/whether SOE or private/unsecured v secured/type of lending (project finance, receivable finance)/and risk profile) – and come up with a list of other firm-level, individual banks that could benefit from direct assistance in specific areas of lending.

Relevant Lessons Learned items: 1, 2, 8

Risks: inside the project/some outside the project – need for mediation

Level of engagement: LEGAL FRAMEWORK/MARKET LEVEL/FIRM LEVEL

Ties in with Recommendation 11 below.

However, some of the existing stakeholders (e.g., SPC) might be reluctant for bankruptcy data collected pursuant to the insolvency laws to be used for such purposes. Mitigation in the form of training could address this issue.

7. To work with the debtor monitoring and debt resolution/enforcement departments of firm-level individual banks to assist them with how to identify debtor problems early on and how to handle payment delays/debtor payment issues with a view to avoiding debtor defaults and the eventual creation of NPLs.

Relevant Lessons Learned items: 1, 2, 8

Risks: outside the project

Level of engagement: FIRM LEVEL

8. Given that the majority of corporate finance in Vietnam is bank debt, provide assistance to the banking community as a whole to establish guidelines for multi-lender, out-of-court corporate rescue guidelines that are based on models such as the London Approach or the Hong Kong Approach.

Relevant Lesson Learned items: 1, 2, 5

Risks: outside the project

Level of engagement: LEGAL FRAMEWORK/MARKET LEVEL/FIRM LEVEL

9. Given that a main goal of the Vietnam DR was to resolve the high NPL levels – if the banking data demonstrates that NPLs remain a serious problem, provide assistance to SBV or VAMC or other AMCs to assist with the resolution of this NPL overhang.

Relevant Lessons Learned items: 1, 2, 8,

Risks: out of the project

Level of engagement: FIRM LEVEL

Insolvency/ADR

10. Provide TA to develop a framework for expanding the use of ADR and mediation into insolvency cases.

Relevant Lessons Learned items: 1, 2, 5, 6,

Risks: outside the scope

Level of engagement: LEGAL FRAMEWORK/MARKET LEVEL

New Area

11. Given the importance, and the amount, of data that this project is advising the stakeholders to acquire on a regular basis, the IFC should consider whether it would be sensible for the Vietnamese government to establish a separate department or independent unit responsible for statistics and technology issues.

Relevant Lessons Learned items: 1, 2, 3, 4, 5, 6, 7, 8,

Risks: outside the project/mitigation necessary

Level of engagement: LEGAL FRAMEWORK/MARKET LEVEL

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