

**PROJECT**  
**Support for Enhancing Capacity in Advising, Examining and Overseeing  
Macroeconomic Policies**

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PROJECT NUMBER 00074812

Date: .....

NATIONAL DESIGNATED INSTITUTION (DI): Economic Committee of the National Assembly

IMPLEMENTING AGENCY: *Economic Committee of the National Assembly*

**TERMS OF REFERENCE**

**Training Course on “Application of the Stress Test for the banking system in  
Vietnam”**

<b>ASSIGNMENT TITLE</b>	Training course on “Application of the Stress Test for the banking system in Vietnam”
<b>DURATION</b>	3 days (tentatively)
<b>SUPERVISION</b>	The contractor will cooperate closely with project staff, UNDP staff, the NFSC, the ECNA and report directly to National Project Director

**I. BACKGROUND**

The global economic crisis 2008-2010 led to the collapse of a series of banks and financial institutions in the world, the scope and impact the growing number of collapsing banks and financial institutions in the world keeps increasing. In Vietnam, high inflation, tightened monetary policies, production and business sector are facing many difficulties. This strongly affects the banking sector: rising non-performing debt and liquidity problems while mobilized capital increases slowly. On the other hand, in the last 10 years, Vietnam's banking system has developed rapidly, many joint-stock rural banks have been converted into urban joint stock banks in a short time, while they not well-prepared on the resources for the bigger system, which eventually leads to the development of financial institutions weakened in both financial and human resources.

Therefore, it is sorely essential to develop and carry out a stress test program for credit institutions in Vietnam, to provide an overview of the system, the strength and resilience to risk of banks in the worst situations and sudden shock. This program will also serve effectively

and efficiently for the project/process of restructuring the financial and banking system, which are currently being implemented.

In fact, there are still no precented test model application of the banking system's stamina announced in Vietnam due to some reasons such as: (i) the need of stress test models are not visible to policy makers; therefore (ii) lack of determination and organization / mechanism to apply such test, (iii) or (ii) there are still technical issues/lack of information, tools and transparency. Therefore, as the beneficiary of the project, the National Financial Supervisory Committee proposed to organize a training course on the aforementioned issues. The outputs are expected to provide international experience on the application model and provide practical recommendations on the development and application of stress test in Vietnam.

This training course falls under the Output 3: *“Capacity of involved policy advising, examination, and oversight agencies and research institutes is strengthened for the former to better understand and use research results and the later to better conduct and communicate research work”*.

## **II. DESCRIPTION OF THE TRAINING COURSE**

### **1. Specific objectives**

The objective of the training program is to contribute to support Vietnam in developing and applying stress test as a tool for policy monitoring and management systems of banking and credit institutions by providing methods and techniques needed for policy-making bodies' staff to advise and monitor policy-banking/credit market in Vietnam.

During the training course: The students are offered and introduced (i) a highly viable model of stress test applications.; (ii) the stress tests models that are used by other countries and are recommendation on specific stress test model to be applied in Vietnam, and detailed recommendations/roadmap on how to use the above model in practice.

### **2. Scope of work**

After being selected, the bidder must work closely with the Project Management Board, the direct beneficiaries and UNDP to adjust/develop a detailed workplan and detailed contents table of the training course in accordance with actual need of the beneficiaries.

The training course should be provide participants with the following modules:

- Discussion on International experience in developing and applying stress test model, their success and failure stories, lessons learned.
- Discussion on the demand of stress tests as a tool for policy making in Viet Nam and suggests the policies can be made from this model.
- The methods and techniques to assess the risk tolerance of the credit institution in normal operating conditions and in time of economic crisis, including:
  - Theoretical basis of the stress test model: degree of complexity when implementing the model: recommend user to select the suitable methods, from simple to complex, it depends on the level of available data. Scope of application may apply for each CI or can be applied across the entire system:
    - Lecturer provide techniques depending on the user's need, the complexity / simplicity of implementation methods include sensitivity

analysis method and scenario analysis methods. The method used may be based on the provisions of the Basel 1 or 2.

- Develop database for each approach, selection of method based on the availability of data. This is an important step and help decide to select the suitable model. To develop the shock model, the data needs to be available for a 10-12-year cycle. For each type of risk, the level of data requirements vary and is accompanied by the necessary technical adjustments to adjust reasonable level for each data.
- How to create the event of unusual and sudden shock in a negative way but is likely to happen. Provide participants with methods to "imagine and infer" or method of developing hypothetical fact, and how to design the shock as a matrix test to spread risk
- Quantifying the shock technically to make assumptions what losses may occur in the future. Find out the frequency distribution diagram / the possibility of shock and loss levels
- The results of the model: how to report results, focusing on the following factors:
  - Solvency stress test
  - Safety assurer ratio and liquidity stress test
- The proposed model and the actual application scenarios
  - Application model is based on excel program (eg, Martin Cihak model (2004), Christian Schimieder model, Claus Pühr and Maher Hasan model - have been encouraged to implement by IMF)
- Discussion on issues surrounding the modeling scenarios.

### **3. Target group**

Mid-career officials from beneficiary agencies such as National Assembly, Government Office, Office of Central Party and National Financial Supervision Committee, who are responsible for making, advising or overseeing economic policies.

### **4. Specific tasks**

- Before the training course, the contractor could implement a quick training need assessment of the target group based on the above-defined scope of work to understand more the requirement of the would-be trainees.
- Design a training manual which fit the training needs/requirements of the target group as well as the scope of work. This training manual should be: i) popular and user-friendly with clear definition on concepts, and user-friendly; ii) clearly structured based on smart criteria; iii) practical (i.e. providing examples in reality to the trainees).
- The structure of each module should include, among others, the following contents:
  - Topics and purposes of each session
  - Main knowledge and skills learnt from each session
  - Best and bad practices or examples in reality at the end of each session

- Practical exercises for each session
- Consolidate test at the end of the course.
- Survey questions to assess the course.
- Provide lecturers to the training course;
- Provide assessment report of the training course and specific recommendations to improve the quality of the next courses.

## **5. Participant number and profile**

It is estimated that there will be 15-20 participants. All participants are required to have intermediate degree in economics/finance and banking or equivalent working experience, good quantitative skills, proficiency in the use of computers to analyze data. Sound knowledge on the current financial market. They will also be able to work in English, although their levels may vary and they will probably be more advanced in their comprehension than communication skills. The participants will include at least one English-fluent participant who can, if necessary, support the plenary and tutorial sessions.

## **6. Language**

English, and possibly translation into Vietnamese. Delivery methods & timings should have enough flexibility to accommodate non-native English speakers.

## **7. Training methodology**

The courses should be structured to ensure that plenary sessions delivering theory and content are appropriately alternated with plenary and/or group discussion, question and reflection time. Theories should be illustrated with real examples wherever possible. A mixture of appropriate learning materials including multimedia and combination of presentations and exercises, group work/discussions should be used to illustrate points effectively and maintain interest. In addition, the trainer should recommend reading materials for the trainees after the courses....

## **8. Timing and Venue**

The training will be organized in Quarter IV, 2012

## **III. FINAL PRODUCT**

- Assessment of training needs of the target group and a training manual that fits the training needs - four weeks before the training.
- Updated detailed programme following any inputs from PMU - four weeks before the training
- Deliverables before the training will include the final detailed training programme, reading lists and pre-course reading material including a glossary of key terms for distribution to participants – three weeks before the training
- Delivery of the course including trainers profile, all learning materials and course certificates for each participant, feedback forms for each participant and venue – during 05 days of training
- An assessment report within 3 weeks of the course including:
  - Assessment of overall success against objectives based on participants' feedback
  - Suggestions for future courses (content, structure, participants, etc)

At the end of this course, the participants would be able to:

- Understand fundamental concepts of stress test and tools/skills to develop and use stress test as a tools for policy recommendation and policy making;
- Obtain a systematic knowledge on issues on developing and using stress test. Understand international experience and their lessons learned from using each of the stress test model. Their success and failure stories.
- Obtain the skills to identify the stress test model to be used and suitable for Vietnam's current situation as the tools for policy analysis and recommendations;
- Obtain the skills to better understand, and translate stress test results into policy options and communicate to the top leadership

#### **IV. QUALIFICATIONS AND EXPERIENCE OF CONTRACTORS AND TRAINERS**

##### **1. Requirements for the contractor**

- At least 10 years of experience and expertise in doing economic research and deliver short training courses in economics
- Commit adequate human and logistical resources to ensure high-quality and timely deliverables.
- Good reputation on the timeliness and quality of products.
- Previous experience in working with NA agencies or other Government's agencies or UNDP would be an advantage

##### **2. Requirements for the consultants proposed by the contractor**

###### **Essential qualifications:**

- Training consultation group/ trainers must have at least 5 years of economic/finance and banking training experience and high-level of academic experience (publication in reconized international journals) and ideally, also practitioner expertise in the subject.
- Team leader must have a PhD in Economics/Education or related fields with at least 5 years experience in Economic/Finance teaching in developing countries, preferably in Vietnam.
- Team mebers/trainers must have postgraduate degree in Economics or related fields (PhD desirable).
- Trainers/ Team members must have at least 3 years experience of delivering similar short courses on economics in developing countries, preferably in Vietnam.

###### **Desirable qualifications:**

- Ideally one lead International trainer with inputs from Vietnamese trainers and/or guest speakers, or vice versa.
- Understanding of economic context in Viet Nam and the region including key economic issues related to growth and developments models, economic reform, and upcoming challenges.
- Profound understanding of Vietnamese economic and political systems and the current state of Vietnam's economy and its current effort to reform the economy.

- Prior experience of working with the Economic Committee of the National Assembly of Vietnam and UNDP Vietnam.

## **V. PROVISION OF MONITORING AND PROGRESS CONTROL**

The Project Management Board, the direct beneficiaries and UNDP will work closely with the contractor to ensure the quality of the deliverables and final outputs. The Contractor must closely report to the Project and beneficiaries on the implementation of the training course and the deliverables.

Quality control from the Project and beneficiaries of the detailed training programme and the expected deliverables. UNDP, the beneficiaries and the Project will revise and approve all the material and programme for the training.

## **VI. ADMIN SUPPORT AND REFERENCE DOCUMENTS**

UNDP and the Project will provide necessary reference documents based on the actual need of the contractor and the supplying capability of UNDP and the Project.

In case the training is delivered in English, the project will provide interpretation depending on the need of the audience. The Project will also provide admin support in organizing the training, including support in finding training venue and transportation for participants. Cost for training and workshop venue, all materials, administrative cost, translation cost, etc will be born by the project.

## **VIII. PAYMENT TERMS**

The Project encourage bidder to propose a cost-sharing option with other funding source. The proposal with cost-sharing option in its financial proposal will be reward addition points in its financial points (see Request for Proposals for more details on the reward points). Proposed payment schedules are indicated below:

- 20% of the total fees after acceptance of the detailed training programme
- 40% of the total consultancy fees after acceptance of the deliverables before the training
- 40% of the total consultancy fees after satisfactory acceptance of the outputs after the delivery of the course

## **IX. COPYRIGHT**

All intellectual property and proprietary rights, including rights to documents and any other materials produced during this assignment will become the sole property of the Government and UNDP, who will have the sole right to publish the same in whole or in part and adapt and use them as may seem desirable, and to authorize all translations and quotations from them. The contractor may not publish or use any of this material without prior permission of the Government (as represented by the Implementing Agency) and UNDP.