



**ECONOMIC COMMITTEE
OF THE NATIONAL ASSEMBLY**



UNDP

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

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 “Financial Institutions Rating: Best Practices and
Application in Vietnam”**

ASSIGNMENT TITLE	Training course on “Financial Institutions Rating: Best Practices and Application in Vietnam”
DURATION	Two weeks (tentative)
SUPERVISION	The contractor will cooperate closely with project staff, UNDP staff, the NFSC and report directly to National Project Director

I. BACKGROUND

Vietnam market still does not have an independent and reputable credit rating organization, therefore, the State bank of Vietnam has to issue regulations regarding the classification of financial institutions for management purposes but these regulations are not widely publicized¹. There have been some studies on Credit institution rating, but the results of these

¹ In the recent Financial and Banking System restructuring plan, commercial banks will be divided into 3 groups (in quarter I/2012), including: (i) large-scale credit institution group with sound operations; (ii) group of small-scale credit institutions with sound operations with no expectation of expansion, and (iii) group of small-scale financial institutions, weak operations and unclear financial transactions. Then, from quarter II/2012 to 2013, the target is to complete the restructuring of the banking group 3 by using the large-scale banks with sound financial operation merging with small and weak credit

studies had not provide the desired outcome. While the credit institution's activities are similar to those of the business, customers need to know the business capacity and operational status of the Bank to secure transactions.

In fact, in many countries, the implementation of Financial Institutions Rating is essential to increase transparency and confidence of depositors and businesses, and to protect the interests of customers, provide them with the right to choose when they know exactly what is the current situation of financial institution. Many international organizations have assessed and classified Vietnam's banks, and in 2011, a Vietnamese organization has also conducted a Vietnam banking rating. However, the Vietnamese government should develop its system/tool to rate financial institutions in Vietnam (since international organizations and private organizations do not have full access to information and resources). The ranking of banks in Vietnam have three main issues: (i) lack of adequate and publicified information; (ii) lack of tools and techniques and (iii) lack of institutional and legal framework for financial institution ratings.

To address these, the National Financial Supervisory Committee plans to organize a policy advocacy workshop and a training course. The policy advocacy workshop aims at providing relevant national policy makers with updated knowledge on financial institution rating as a tool for managing, and policy making on banking sector; and the training aims at providing relevant technical staff with in-depth technical understandings and skills necessary for applying/conducting the financial institution rating (please see the attached TORs for these two activities for more details).

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 financial rating as a tool for policy monitoring and management of banking system and credit institutions in Vietnam by providing methods and techniques needed for policy-making bodies's staff to advise and monitor policy-banking/credit market in Vietnam.

During the training course: The trainee are offered and introduced (i) a highly viable model of financial institution rating method and applications.; (ii) the rating models that are used by other countries and recommendation on specific rating 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.

institution. The major pillar of this restructuring process are 8 large-scale banks. From 2013 to 2015 will be the complete restructuring process of the system with 15 large and healthy credit institutions as pillars of the banking system, in which two banks are strong enough to compete in the region. This plan will go further, as the target from 2015-2020 is to continue the restructuring process to have at least four competitive banks in the region and two highly rated financial institutions in South-east Asia.

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

- Introduction and discussion on the need / necessity of the independent and publicified financial institutions rating.
- Introduction and discussion of the financial institutions rating method of a prestigious international rating organization.
 - Operation process and collecting customer information: the method of designing an operation process and the specific steps to collect information from customers to build the database, including discussions with bank management board;
 - Evaluate and provide basic indicators of ranking: the method consists of 3 basic steps: building the index, making adjustment method based on the supporting elements to the bank's activities, finally, synthesize the two aforementioned steps to develop the final indicators
 - The ranking indicators in the world: background and methods to develop these indicators. The core indicators and supporting indicators.
 - How to rate: grades and weights for each criteria and indicators? background and methods to develop these the scoring sheet.
 - Pursuant to adjust: If the index is not compatible with the actual situation of the bank, what are the possible adjustment methods? What is the rate to adjuste each indicator.
 - The rating result (financial resource and background).
 - Outlook forecast .
 - The accuracy of the index and the reliability of ranking results: the number of indicators can make the scoring report inaccurate, the adjustment rate and measurement need to be adjusted for compatibility with the characteristics of each country.
- Introduction and discussion on the legal framework and regulations of some countries applying the financial rating model.
- Introduction and discussion of the legal framework and practical possibilities to apply the rating system in Vietnam (with the participation of the State Bank and their presentation on the provisions of the current rating of bank credit institutions of the SBV)
- Case study: Practice on specific ranking cases of the world financial institutions, or Vietnam
- Introduced a number of ways to use the financial institution ranking model in practice in Vietnam. Propose a rating model and the actual application scenarios and discussion on issues surrounding the application of it in Vietnam.

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 and could be splited into shorter sessions.

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 financial institution rating and tools/skills to develop and use the rating criteria/indicators/scoring report as a tools for policy recommendation and policy making;
- Obtain a systematic knowledge on issues on developing and applying of financial institution rating. Understand international experience and their lessons learned from rating their financial institution. Their success and failure stories.
- Obtain the skills to identify the the criteria/indicators to be used and suitable for Vietnam's current situation as the tools for financial institution rating and policy analysis and recommendations;
- Obtain the skills to better understand, and translate rating 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 members/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.