

PRIME MINISTER

No. 369/QD-TTg

SOCIALIST REPUBLIC OF VIETNAM

Independence- Freedom- Happiness

Hanoi, February 28th, 2013

DECISION ON

Approving Vietnam Development Bank's strategy on development to 2020 and vision to 2030

Pursuant to the Law on Government Organization dated December 25, 2001;

Pursuant to the Law on State Budget dated December 16, 2002;

Pursuant to the Law on Credit Institutions dated June 16, 2010;

Pursuant to Decree No. 75/2011/ND-CP dated August 30, 2011 of the Government on state investment credit and export credit

Based on the strategy of socio-economic development from 2011 to 2020;

At the proposal of the Minister of Finance,

DECIDES:

Article 1. Approving the development strategy of Vietnam Development Bank (VDB) to 2020 and vision to 2030

1. General objective

Continuing to strengthen and develop the VDB which is a Government's policy bank operating not for profit objective in a sustainable, efficient direction ensuring adequate capacity to carry out the investment credit policy, export credit of the State and other tasks assigned by the Government and the Prime Minister, thus contributing to the strategy and the socio-economic development plan of the country in each period.

2. Specific target

a) Credit growth rate in the period 2013 - 2020 shall be on average about 10% per year, the asset size of the VDB in 2020 shall reach approximately VND 500,000 billion. The period after 2020, the credit growth is determined in accordance with the requirements of socio-economic development.

b) Structure determination between equity and mobilized capital of the bank, with the roadmap to increase equity in order to achieve equity ratio compared with the total outstanding loan of investment credit and export credit of VDB in each stage.

c) Improving credit quality, especially the appraisal, disbursement, management of debt recovery; building of mechanism of bad debt classification consistent with the nature and operation of the VDB; building mechanism for risk provision and the measures for treatment of bad debt of program loan; positively recovery of debt and risk treatment aiming to reduce the overall bad debt ratio under 7% by 2015, from 4%- 5% by 2020; bad debt ratio for the period 2020 to 2030 less than 3%.

d) Standardizing operation process to meet the requirements of development support policy's implementation according to the guidelines of the Party and the State, the target program decided by the Government and the Prime Minister; diversifying bank's services in better service of investment credit policy and export credit of the State including loan under agreement for these subjects in certain conditions to improve the quality of operation and gradually reduce of state budget subsidies towards financial autonomy.

e) Improving management model and organization of structure in line with the nature and characteristics of policy banks; standardization and professionalization of the staff to promote the effectiveness and efficiency of operation of the inspection, control, analysis and risk warning system while enhancing control and supervision of the state management agency, enhancing the application of information technology in banking operation.

3. Directions of operation

a) Objectives

VDB focuses on the development investment credit and export credit operations of the state decided by the Government and the Prime Minister in each period.

+ Focusing investment credit capital on the areas of social and economic infrastructure; auxiliary industries; rural agriculture; socialization in the area of education, health, environmental protection and green technology; clean energy and renewable energy.

+ Export credit activities focus on the important industries to bring high exporting value and need the support of the State and ensure the implementation of international commitments.

- Focusing ODA on-lending loans of the Government by VDB; encouraging local financial funds (such as local development investment funds, credit guarantee funds) to perform trust investment through the Bank in accordance with the local development objectives.
- Completing credit guarantee operation for small and medium enterprises to take out loan from credit institutions to facilitate enterprises to have access to capital investment loans for production and business development effectively while enhancing financial capacity to facilitate the expansion of guarantee scale and enhancing risk management.
- Studying and permitting the implementation of the lending operation under agreement with expense coverage for the objects having loan relation at the VDB to improve capital use efficiency and facilitate VDB to gradually ensure the balanced financial autonomy and limited subsidies for the state budget. The loan under agreement must ensure the principle of balance of mobilized funds for lending without affecting the performance of tasks of investment credit and export credit of the State annually assigned and ensures effectiveness and capital recovery.

b) Targets of financial safety

- Determining the relationship between the equity and the total outstanding loan of investment credit and export credit of the State. On that basis, developing a roadmap to increase the charter capital of the bank accordingly (expected by 2020, reaching 10% of total outstanding loan of investment credit and export credit of the State equivalent to 20,000 billion dong by 2015 and 30.000 billion dong by 2020).
- Implementing of the mechanism of interest rates for investment credit and export credit on the non-profit principle, but must make up for the cost of capital, operating costs and increasing risk provisions in credit activities of the VDB.
- Applying the mechanism of loan classification in line with specific activities of VDB, in which studying to exclude the Governmental debts or governmental-guaranteed debts; increasing risk provision and applying mechanism of risk treatment in accordance with specific research activities to issue regulation on risk treatment in the way to increase the decentralization for VDB to treat risks as prescribed by law (under the Charter of organization and operation and the financial mechanism for the VDB decided by the Prime Minister).

- Studying to stipulate and apply financial safety norms in the form of credit institutions to ensure the principle according to international rules

c) Banking management

- Studying to build law specifically applicable to policy banks including VDB; presently, VDB shall comply with the Law on State Budget and the Law on Credit Institutions:

- + On the Law on State Budget: VDB shall be allocated charter capital by the state budget, subsidized by interest rate difference and in compliance with regulations on estimate of state budget and accept the State financial management of the Ministry of Finance.

- + On the Law on Credit Institutions: VDB shall perform internal control, internal audit; preparation and issuance of internal process on professional activities; perform statistical reports and activity reports and payment activities in accordance with regulations of the State Bank of Vietnam.

- Clearly defining the rights and obligations of the owners with the State at VDB to define clearly the roles and responsibilities of the Government, the Prime Minister and the ministries and sectors (Ministry of Finance, Ministry of Planning and Investment, the State Bank of Vietnam, etc.) in the state management under sectors and areas. Assigning the Ministry to manage the major industry to take the role of owner's representative for VDB (under the Charter of organization and operation of VDB decided by the Prime Minister).

- Implementing model of member Council to administer the activities of VDB as a credit institution with 100% State equity in which: Identifying the power and responsibilities of the member Council, Supervisory Board, executive Board and departments in the system of VDB; increasing decentralization for member Council of VDB to decide on issues concerning management of capital, assets, mobilization interest rates, interest rates for investment credit and export credit of the State; treating credit risks.

- Completing the functions and duties of VDB including the functions of international payments, participating in the open market, inter-bank market in accordance with the provisions of law and nature and characteristics of operation of VDB.

- Developing the inspection and supervision system of the ministries and sectors in accordance with the model and specific activities of VDB in which: the Ministry of Finance performs state inspection, supervision and management on finance; the Vietnam State Bank performs the management and supervision on credit and payment; the Ministry of Planning and Investment performs

management and supervision on investment and development; the Ministry of Labor, War Invalids and Social Affairs performs the state management on wages and labor; completing the system of internal control and inspection, making agreement on organization and operation; closely coordinating between the Supervisory Board with the system of internal control and inspection.

d) Restructure banking activities

- Stage 1 (from 2013 to 2015):

+ Reviewing the list of programs, projects, industries subject to investment credit and export credit policies of the State, determining the reasonable credit growth to restructure loan capital on that basis.

+ Determining the ratio of equity compared with the total outstanding loan of investment credit and export credit of the State respectively ensuring to reach 10% by 2015; having roadmap to increase bank.

+ Re-evaluating bad debt, and issuing regulation on debt classification in accordance with the characteristics of the bank, definitely settling bad debts, transferred from the Development Assistance Fund and the preceding organizations, striving to reduce bad debt to 7% of total outstanding loan by the end of 2015.

+ Strengthening the organization and operation of the VDB, issuing the Regulation on organization and operation of the bank, identifying owner's representative and clearly defining powers and responsibilities of member Council, Supervisory Board and executive Board.

+ Reorganizing mechanism of branches and Exchanges to match the orientation of the scope and scale of activities by forming regional branches, thus by the end of 2015, the entire system shall remain about 45 branches.

- Stage 2 (from 2016 to 2020):

+ Determining the program and list of investment credit and export credit of the State applicable for the period from 2016 to 2020, thus focusing resources on these programs and lists.

+ Determining the capital adequacy ratio to 10% by 2020, the equity shall reach 30,000 billion dong by 2020 and bad debt to be strived at 4% -5% by 2020.

+ Improving the balance of payment, financial reduction of state budget subsidies to ensure financial autonomy in operation since 2020.

+ Modernizing banking technology under the financial safety criteria as banks by the system restructuring roadmap of VDB.

- Stage 3 (after 2020):

+ Modernizing banking activities and implementing preferential credit policies in the country and gradually expanding to other countries in the region.

+ Applying the criteria of financial security, risk management according to international standards, ensuring bad debt ratio of less than 3%.

4. Implementation solutions

a) Improving the legal framework for VDB's operation:

- Amending and supplementing some provisions of the Law on Investment Credit and Export Credit of the State, including amending the Decree No. 75/2011/ND-CP dated August 30, 2011 of the Government.

- Completing functions, duties and management apparatus of the VDB; including amending the charter of the organization and activities of the VDB.

- Completing financial management mechanism for VDB: evaluating and restructuring outstanding loans and existing customers from now to 2015 at VDB; preparing and deploying the restructuring of bad debt at VDB, especially the outstanding debt over the period of the General Department of Development Investment and Development Assistance Fund.

- Improving the mechanism of management and handling of risky debt on the basis of building of target system to evaluate the possibility to recover debts when due or overdue; studying and developing mechanisms to identify and early warning and handling plan for each type of risk; building policy of loan classification, provision for credit risk in accordance with specific activities of the VDB.

b) Supplement charter capital for the VDB

Capital supplementation for VDB in the future is to strengthen the operational capacity and ensure capital adequacy standards prescribed by the credit institutions. Sources for capital supplementation include: state budget, fund for arrangement support and business development, and the accumulation resources of VDB.

c) Strengthening and improving organizations and staff's quality and performance in VDB. Operations in accordance with the principle of openness and financial transparency under the State Auditor's supervision. Developing mechanism of salaries, bonuses and benefits for staff in accordance with the financial condition and operations of the bank.

d) Continuing the development of infrastructure, engineering, human resources: Enlisting resources from the central and local levels to invest upgrade and stabilize bank head offices at all level, warehouses, vehicles, working equipment. Concentrating financial resources and personnel to build and deploy modernization of information technology in service of operation and management of VDB.

- Developing human resource: Focusing on training and retraining to improve the quality of the staff of VDB, raising professional capacity professional service, professional ethics; ensuring sufficient qualified human resources to perform the tasks assigned to them.

- Enhancing the propagation and expansion of international cooperation in order to learn and share experiences with other countries in the world, especially the countries in the region on the management of investment credit and export credit and development banking model. Enlisting the use of capital and technical assistance resources of international organizations to strengthen the capacity, especially the management capacity and risk management, supplementing lending funds to VDB.

e) Raising the effectiveness of inspection and supervision of the state authorities and internal control: Enhancing the inspection and supervision of the ministries and relevant agencies including: the Ministry of Finance, Ministry of Planning and Investment, State Bank of Vietnam; improving organizational model, raising capacity and performance of the inspection and internal control system.

Article 2. Implementation organization

The Ministry of Finance shall assume the prime responsibility and coordinate with the relevant ministries and agencies:

a) Submitting the Government to amend and supplement policies on investment credit and export credit in each period.

b) Submitting the Prime Minister to amend the Charter of organization and operation of VDB; amending financial mechanism for VDB; issuing the Regulation on risk treatment of investment credit capital and export credit.

c) Submitting the Prime Minister for the approval of the Plan on treatment of bad debt; Plan to raise charter capital of VDB.

2. The Ministry of Planning and Investment shall assume the prime responsibility and coordinate with the relevant ministries and agencies:

a) Balancing medium and long-term plans for investment capital, and the State's investment credit for the implementation of VDB.

b) Coordinating with the Ministry of Finance to allocate resources and implement strategic plan of VDB.

c) Performing the function of State management on development plan and investment for the operation of VDB under the Investment Law and other provisions of the relevant laws.

3. The State Bank of Vietnam shall assume the prime responsibility and coordinate with the Ministry of Finance and other relevant ministries and agencies:

a) Guiding the loan classification for VDB to suit its nature and activities.

b) Reviewing the decision on granting permit of foreign exchange management operation in accordance with the mission of VDB.

c) Guiding VDB to participate in the inter-bank market and refinancing loan from the State Bank of Vietnam.

d) Performing the function of State management on monetary, banking activities related to investment credit and export credit of the State under the State Banking Law, the Law on Credit Institutions and other regulations of relevant laws.

4. The Ministry of Labor, War Invalids and Social Affairs shall assume the prime responsibility and coordinate with the Ministry of Finance to ensure that VDB has appropriate and stable labor management and wage mechanism in encouraging cadres, officials and employees to feel assured to work and dedicate to industries.

5. VDB:

a) Preparing and making reports to the Ministry of Finance for appraisal and submitting the Prime Minister:

- Charter of organization and operation of VDB.

- Plan for charter capital increase plan

- Plan for bad debt settlement

b) Organizing the implementation of contents on restructuring VDB activities approved by the Prime Minister and the guidance of the Ministry of Finance. Implementing plans on strengthening organization of internal management apparatus, improving capacity of risk management and modernization of banking technology; reviewing the appraisal and strengthening credit monitoring.

Article 3. Ministers, heads of ministerial-level agencies, the heads of government-attached agencies, Chairman of People's Committees of provinces and municipal cities, Chairman of the Management Board and General Director of VDB shall implement this Decision. /.

Prime Minister

Nguyen Tan Dung