



Completion Report

Project Number: 41360-012, 41360-014
Loan Numbers: 2680, 3050
September 2016

Viet Nam: Second Small and Medium-sized Enterprises Development Program

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Asian Development Bank

CURRENCY EQUIVALENTS

		Currency Unit	–	dong (D)	
				At Appraisal	At Program Completion
				11 August 2010	15 July 2011
Loan 2680-VIE	D1.00	=		\$0.000052	\$0.000049
	\$1.00	=		D19,090	D20,555
				28 August 2013	18 August 2014
Loan 3050-VIE	D1.00	=		\$0.000047	\$0.000047
	\$1.00	=		D21,135	D21,180

ABBREVIATIONS

ADB	–	Asian Development Bank
APCA	–	Administrative Procedures Control Agency
CIEM	–	Central Institute for Economic Management
CRA	–	core reform area
EDA	–	Enterprise Development Agency
HNX	–	Ha Noi Stock Exchange
MOF	–	Ministry of Finance
MOIT	–	Ministry of Industry and Trade
MOJ	–	Ministry of Justice
MOLISA	–	Ministry of Labor, Invalids and Social Affairs
MPI	–	Ministry of Planning and Investment
OOG	–	Office of the Government
RIA	–	regulatory impact assessment
SBV	–	State Bank of Viet Nam
SDR	–	special drawing rights
SEDP	–	Socio-Economic Development Plan
SMEDP	–	Small and Medium-Sized Enterprises Development Plan
SMEs	–	small and medium-sized enterprises
SOE	–	state-owned enterprise
TA	–	technical assistance
UPCoM	–	Unlisted Public Company Market
VAT	–	value-added tax
VCA	–	Viet Nam Competition Authority
VDB	–	Viet Nam Development Bank

NOTE

In this report, "\$" refers to US dollars.

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BASIC DATA

A. Loan Identification

1.	Country	Socialist Republic of Viet Nam
2.	Loan Numbers	2680-VIE(SF) (Subprogram 1) 3050-VIE(SF) (Subprogram 2)
3.	Program Title	Second Small and Medium-sized Enterprises Development Program
4.	Borrower	Socialist Republic of Viet Nam
5.	Executing Agency	Ministry of Planning and Investment
6.	Amount of Loan	2680-VIE(SF) 3050-VIE(SF) Subprogram 1 Subprogram 2 SDR26,537,000 SDR33,000,000
7.	Program Completion Report Number	PCR: VIE 1607

B. Loan Data

1.	Fact-Finding	Subprogram 1	Subprogram 2
	– Date Started	25 June 2009	8 April 2013
	– Date Completed	3 July 2009	12 April 2013
2.	Loan Negotiations		
	– Date Started	19 August 2010	9 August 2013
	– Date Completed	20 August 2010	9 August 2013
3.	Date of Board Approval	18 October 2010	23 October 2013
4.	Date of Loan Agreement	24 December 2010	22 November 2013
5.	Date of Loan Effectiveness		
	– In Loan Agreement	24 March 2011	20 February 2014
	– Actual	26 May 2011	10 June 2014
	– Number of Extensions	2	3
6.	Closing Date		
	– In Loan Agreement	31 March 2011	31 March 2014
	– Actual	15 July 2011	18 August 2014
	– Number of Extensions	1	1
7.	Terms of Loan		
	– Interest Rate	1% per annum during the grace period and 1.5% per annum thereafter	2% per annum during the grace period and 1.5% per annum thereafter
	– Maturity (number of years)	24 years	25 years
	– Grace Period (number of years)	8 years	5 years

8. Disbursements
a. Dates

	Initial Disbursement	Final Disbursement	Time Interval
Subprogram 1	30 June 2011	30 June 2011	0
Subprogram 2	15 July 2014	15 July 2014	0
	Effective Date	Actual Closing Date	Time Interval
Subprogram 1	26 May 2011	15 July 2011	(1.64 months)
Subprogram 2	10 June 2014	18 August 2014	(2.33 months)

b. Amount (\$ million)

Category	Original Allocation	Amount Disbursed
Subprogram 1	40	42.156
Subprogram 2	50	50.992
Total	90	93.149
Total SDR	59.537	75.853

C. Program Data

1. Program Cost (\$ million)

Cost	Appraisal Estimate	Actual
Subprogram 1		
Foreign Exchange Cost	\$40/SDR26.537	\$42.156,678/SDR27.968,
Local Currency Cost		
Total	\$40/SDR26.537	\$42,156,678/SDR27,968,340
Subprogram 2		
Foreign Exchange Cost	\$50/SDR33.	\$50.992/SDR33.656
Local Currency Cost		
Total	\$50/SDR33	\$50.992/SDR33.656

2. Financing Plan (\$ million)

Cost	Appraisal Estimate	Actual
Implementation Costs		
Borrower Financed	0	0
ADB Financed (Single Tranche)		
Subprogram 1	\$40/SDR26.537	\$42.156 /SDR27.968
Subprogram 2	\$50 /SDR33	\$50.992 /SDR33.656
Total	\$90/SDR59.537	\$93.149 /SDR75.813

ADB = Asian Development Bank.

3. Cost Breakdown by Program Component (\$ million)

Component	Appraisal Estimate	Actual
Subprogram 1	\$40/SDR26.537	\$42.156/SDR26.537
Subprogram 2	\$50/SDR33	\$50.992/SDR33.000
Total	\$90/SDR59.537	\$93.149/SDR59.537

4. Program Schedule

Item	Appraisal Estimate	Actual
Other Milestones (Single Tranche)		
Subprogram 1	24 March 2011	30 June 2011
Subprogram 2	20 February 2014	15 July 2014

5. Program Performance Report Ratings

Implementation Period**Subprogram 1**

From 26 May 2011 to 15 July 2011 On track

Subprogram 2

From 10 June 2014 to 18 August 2014 On track

D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members ^a
Subprogram 1				
Fact-Finding Mission	25 June–3 July 2009	6	54	a, b, c, d, e
Consultation Mission 1	28 Jan–5 Feb 2010	6	54	a, b, d, e
Subprogram 2				
Consultation Mission 2	1–7 March 2012	3	9	a, d, e
Reconnaissance Mission	26 Nov–4 Dec 2012	9	27	f, g, h
Fact-Finding Mission	8–12 Apr 2013	6	30	f, c, i, j, k, l
Program Completion Review Mission	31 March–12 May 2016	3	45	a, d, h

^a a = mission leader/economist, b = finance specialist, c = counsel, d = financial sector officer, e = consultant, f = mission leader/senior public management specialist, g = senior financial sector officer, h = senior economics assistant, i = social development specialist, j = financial sector specialist, k = social development officer, l = economics analyst.

I. PROGRAM DESCRIPTION

1. The program cluster and subprogram 1 (\$40.0 million) for the Second Small and Medium-Sized Enterprises Development Program (SMEDPL2) were approved on 18 October 2010 for the Socialist Republic of Viet Nam. The program included two single-tranche subprograms aimed at increasing the contribution of small and medium-sized enterprises (SMEs) and the private sector to achieving sustainable high economic growth.

2. Healthy levels of private investment will continue to be essential to achieve the 7%–8% rate of annual economic growth and the 8 million new jobs targeted under Viet Nam's Socio-Economic Development Strategy, 2011–2020.¹ Increasingly, such contribution is expected to come from the domestic private sector, largely composed of SMEs.² The government has assisted the development of SMEs with a combination of landmark policy reforms since 2000. As a result, by the end of 2011, nearly 550,000 enterprises were registered in Viet Nam, up from 14,500 in 2000. SMEs represented 97% of the country's total number of firms, and 46% of gross domestic product (GDP).

3. A large increase in the number of private sector companies since the approval of the Enterprise Law³ in 2000 has been followed by sustained increases in the average scale and productivity of the firms.⁴ From 2000 to 2010, the average capital per firm increased six-fold, and the average net revenue per employee tripled. In addition, the contribution of SMEs to tax revenue has become increasingly important. By the end of 2010, of the 336,000 enterprises paying taxes in Viet Nam, 318,000 were private enterprises, 13,000 were foreign-owned enterprises, and about 5,000 were state-owned enterprises (SOEs). While the government's achievements are impressive, more is needed to be done to foster greater SME development. SMEs face a variety of challenges including a complex bureaucracy, regulatory hurdles, and lack of financing. ADB's support targeted the key remaining challenges such as the need to improve SME competitiveness and the business environment for the government to ensure a conducive environment for private sector development.

4. To achieve the expected outcome of an improved business environment to support more competitive SMEs and the private sector, the program delivered the following outputs:

- (i) **Enhanced policy and planning framework for SME development** by supporting the implementation of the government's SME Development Plan, 2011–2015, improving stakeholder dialogue and building a statistical base for policy formulation, and advocacy for mainstreaming of gender issues in SME development policies.
- (ii) **Improved efficiency of administrative systems in support of SME development and operations** by supporting the establishment of a permanent agency (Administrative Procedures Control Agency, APCA) for the simplification of administrative procedures at the national and provincial levels, including those affecting private sector operations.
- (iii) **Strengthened the regulatory framework for competition policy** by supporting

¹ National Socio-Economic Development Strategy 2016-2020, Viet Nam.

² According to Viet Nam's definition (Decree 56/2009), SMEs comprise all companies with less than D100 billion (\$5 million) chartered capital and 10–300 workers. For the trade and services sector, the thresholds are lower (10–100 employees, and less than D50 billion in capital).

³ Enterprise Law, 2000, Viet Nam.

⁴ The government aimed to increase the number of operating SMEs to 600,000 by 31 December 2015 and over the 5-year period to 2020, SMEs are expected to create 3.5–4.0 million jobs.

the Ministry of Justice (MOJ) in implementing regulatory impact assessments (RIAs), revising the Competition Law and Enterprise Law, and improving private sector access to legal services.

- (iv) **Enhanced SME access to finance** by supporting government reforms to increase the availability of credit to SMEs, which have been identified as a priority sector, by completing reforms such as the draft decree on financing and leasing company activities.

5. Subprogram 1 enabled the Government of Viet Nam to implement legislative reforms to support SME development, such as the Law on Science and Technology, Decree 59/2009 and Resolution 22,⁵ which serve to create a conducive business environment for SMEs. To ensure legislative reform effectiveness, the Law on Laws was amended to strengthen the regulatory impact assessment (RIA) mechanism. This ensures that legislative reform adequately takes into account the impact and costs on stakeholders including the private sector, and ensures that legislative reform is undertaken to minimize or avoid incurring such costs. Subprogram 1 also put in place greater transparency in the government's administration of businesses, including the upgrade of the SME information website including data and statistics,⁶ as well as the introduction of web-based business registration at the national level. Subprogram 1 also supported the initial development of a regulatory framework to facilitate SMEs' access to financing through the creation of legislation allowing the State Bank of Viet Nam to work with credit institutions on negotiation-based interest rates for short-term and medium-term lending to SMEs. The Unlisted Public Companies Market (UPCoM) for the trading of securities of unlisted companies was also created, with pilot operations undertaken by Hanoi Stock Exchange (HNX), thereby improving access to equity finance for larger SMEs.

6. Building on earlier progress, subprogram 2 supported the institutionalization of regulatory and policy reforms within the Viet Nam government. This was accomplished through gender equality measures set out in the National SME Development Plan, 2011–2016, which was developed in consultation with key stakeholders including the Viet Nam Women Entrepreneurs Council and other development partners. The 2011 SME White Paper⁷ featured a comprehensive data analysis on the SME sector, which served to inform policy development for the sector. Subprogram 2 also provided capacity building on the national business registration system to provincial registrars, improving provincial government administration of SMEs. The access to finance component of Subprogram 2 provided additional focus on women entrepreneurs, with the Viet Nam Women's Union supporting access to credit for over 286,000 women entrepreneurs. The Ministry of Finance and State Bank of Viet Nam also supplemented efforts on financing access through the revision of the Credit Guarantee Scheme,⁸ to provide for collateral-sharing and less onerous credit risk assessment by commercial banks.

7. While the program achieved the key outputs and outcomes it had set out to accomplish, revisions were required during implementation to facilitate the successful disbursement of funds. After revising policy triggers to reflect government capacity for implementation, all ten policy triggers were accomplished across both subprograms. The policy triggers accomplished included the implementation of an e-customs pilot program, reduction of taxation payment requirements, and enhanced capacity amongst provincial registrars for national business

⁵ Law on Science and Technology, Vietnam, 2009.

⁶ General Statistics Office of Vietnam website (<http://www.gso.gov.vn/default.aspx?tabid=719>).

⁷ White Paper on SME Development, Agency for Enterprise Development, Ministry of Planning and Investment, Vietnam, 2011

⁸ State Bank of Vietnam is facilitating the Credit Guarantee Scheme through the provision of guarantees to commercial banks for SME borrowers, enabling wider access to financing.

registration processes. There were delays in loan effectiveness and program implementation due to domestic coordination issues between government agencies. As a result, the program closing date for subprogram 2 was extended from 31 March 2014 to 31 July 2014.

II. EVALUATION OF DESIGN AND IMPLEMENTATION

A. Relevance of Design and Formulation

8. The program was highly relevant in design and formulation, modeled upon the government's SME strategy for 2006–2010 and subsequently for 2011–2015,⁹ and was aligned with the government's Socio-Economic Development Plan, 2006–2010.¹⁰ ADB's Country Partnership Strategy (CPS) for Viet Nam from 2009–2011 also identified SME development as a key priority. The programmatic approach taken was also highly relevant in addressing policy issues for SME development. It addressed the need for policy and regulatory reform as recognized by the Vietnamese government and made appropriate recommendations for their implementation. The program design took into account government capacity and ownership as it had been aligned to Viet Nam's national SME strategy. The ADB team also worked closely with the EA throughout project implementation.

9. Subprogram 1 supported the implementation of numerous milestones in strategic policy reforms for SME development such as the publication of the White Paper on Small and Medium-Sized Enterprises in Viet Nam 2011, and also supported the issuance of Decree 56/2009, which redefined the government's support for SME development and identified the roles of government agencies in implementing SME development policies. Subprogram 2 extended the support for progressive reforms towards SME development in the National SME Development Plan 2011–2015. In subprogram 2, key provisions of the decree were supported, such as initiatives for the provision of legal services for SMEs. Regarding ease of doing business, Subprogram 1 also supported the establishment of a national web-based system for business registration, while subprogram 2 assisted its implementation at the provincial level and its integration with tax information systems.

10. In designing the program, ADB and the government considered lessons from earlier policy-based programs that had met with issues or challenges during implementation. Taking into account these lessons, ADB took the following steps in designing the program:

- a) Worked closely with the government to ensure steady progress of reform for the business environment, including local governments as decentralization increases their autonomy and efficiency of administration at the provincial level.
- b) Through the TA, supported improvement of stakeholder engagement by the government, particularly with SMEs, in order to ensure more effective policy responses to business needs.
- c) Adjustments were made to the policy triggers during project implementation to better reflect government implementation capacity.

B. Program Outputs

11. The impact of the program was to increase the contribution of SMEs to the private sector in achieving sustainable high economic growth. The four outputs of the program were

⁹ National SME Development Plan 2011–2015, Vietnam, 2010.

¹⁰ National Socio-Economic Development Plan 2011–2015, Vietnam, 2010.

complementary to the government's efforts in their core reform areas: (i) improving the policy and institutional frameworks for promoting SME development; (ii) improving efficiency of administrative systems in support of SME development; (iii) strengthening the framework for competition policy; and (iv) enhancing SME access to finance. The main outputs corresponding to the reform areas are outlined below.

1. Enhancing the policy and planning framework for SME development

12. The government, through the Ministry of Planning and Investment (MPI), has continued after project closure to improve the policy and planning framework for SME development, while furthering the mainstreaming of gender issues. In 2011, the government issued the National Socio-Economic Development Plan, 2011–2015 and launched specific programs to support the development of skills of female entrepreneurs. The SME White Paper 2011¹¹ provided comprehensive analysis and data on the SME sector and was published to guide policy making and public discourse on SME development. During the formulation of subprogram 2, the government conducted regular consultations with a wide range of stakeholders, including representatives from women entrepreneurs, the Viet Nam Chamber of Commerce and Industry, the Viet Nam Union of Women, as well as provincial SME associations. Since 2012, the government also improved the statistical base for SME policy formulation and currently publishes size-disaggregated data on SMEs, as well as SME sex-disaggregated data by relevant categories.

13. Beyond the project timeframe, the Government of Viet Nam has continued to implement reforms for SME development, in line with the program's objectives. For example, Decree 56/2016 and Resolution 19/2016 were issued in 2016 to improve the policy and planning framework in support of SME development. Further, national development plans for the period 2016–2020 also incorporate a focus on SME development, with 2016 designated Year of the Enterprises.

2. Improving the efficiency of administrative systems in support of SME development and operations

14. Since 2011, under subprogram 2, the government has accomplished a substantial simplification of administrative procedures affecting private sector operations. The Administrative Procedures Control Agency (APCA) was established in 2010 as a permanent agency under Decision 74/2010 with a mandate to review, simplify, and ensure consistency of administrative procedures across national and provincial government agencies. As a result of these sustained efforts, between 2011 and 2013, the Prime Minister ratified 25 resolutions allowing the simplification of 4,800 administrative procedures. In 2013, 3,800 of the 4,800 administrative procedures targeted have already been simplified. Progress in this area was reflected in the policy triggers for subprogram 2, which are improved benchmarks for administrative procedures such as the reduction of time required for business registration, customs clearance and processing of goods, number of VAT declaration required, amongst others. In addition, up to 2013, APCA had conducted RIAs of 2,800 of these 4,800 administrative procedures.

15. In 2009, Decree 56/2009 was issued to support a framework for SME development policy, and also provided a framework for the issuance of Resolution 35 in 2016, to support enterprise development (2016–2020). The reforms facilitate SME access to services,

¹¹ SME White Paper, Agency for Enterprise Development, Ministry of Planning and Investment, Vietnam, 2011.

transparency of enterprise regulations, and capacity building for civil servants in support of enterprise development. Reforms for simplified government administration of enterprises included an online portal for accessing regulatory information, web-based business registration and publication of key data and statistics. At the broader government level, the Office of the Government also committed to administrative reforms consistent with web-based administrative procedures, which were introduced in 2015, to further the objective of creating a business-enabling environment in Viet Nam.

3. Strengthening the regulatory framework for competition policy

16. Commitment to strengthening competition policy in Viet Nam continues even after project closure. The government, particularly the Ministry of Justice (MOJ) and the Central Institute for Economic Management (CIEM), have improved the quality of legal documents and extended legal protection to the private sector in Viet Nam. By 2013, the MOJ issued guidelines to conduct RIAs, with the aim of harmonizing practices across government agencies. The Viet Nam Competition Authority has also incorporated RIAs into the process of reviewing the Competition Law, which is due to be finalized by the end of 2016.

17. Under subprogram 2, Program 585 established a specialized division within the Civil Economic Legislation Department of the MOJ, to provide legal support services to SMEs. Between 2011 and 2013, MOJ's SME Legal Services Division had organized a number of events across the country through the provincial branches of the MOJ to disseminate laws pertaining to SME development. Despite its financial constraints, since its creation in 2010 and until the end of 2015, the division was able to conduct 32 roundtable discussions on business legislation with 6,000 participating SMEs and 50 training courses on business legislation, training some 10,000 SME participants. Decision 2139/QĐ-TTg was issued in November 2014 as a continuation of Program 585 on SME access to legal services, which was approved in 2010. During the implementation of subprogram 2, the SME Legal Services division also provided training to 7,600 legal representatives of SMEs on contractual issues together with the staff of the provincial governments. Further, in response to demands from SMEs to improve the access to and quality of legal services, the government currently continues to implement Decree 66/2008 to ensure that the rights of enterprises to conduct business are protected.

4. Enhancing SME access to finance

18. Between 2011 and 2013, the government implemented a number of reforms to increase the availability of credit to SMEs under subprogram 2. A draft decree on the activities of financing and leasing companies was submitted for the Prime Minister's approval in 2012. The decree consolidated earlier regulations to provide consistency with the Law on Credit Institutions, which was adopted in 2010. The decree provided clarity as to the liabilities and obligations of leasing companies and client enterprises. In 2014, Decree 39 on credit institutions and leasing companies was issued, in line with the 2010 Law on Credit Institutions. The government also identified SMEs as a priority sector for credit growth in 2011–2013 and issued guidelines to provide favorable credit terms from financial institutions to SMEs. Training initiatives for financial institutions were implemented between 2011 and 2013, to create specialized SME knowledge and thus facilitate access to finance.

19. In 2010, the government revised the legal framework for the credit guarantee scheme, ensuring a more balanced credit risk and collateral sharing with participating commercial banks. A year on, the issuance of Decision 3/2011 established a maximum guarantee through Viet Nam Development Bank (VDB) of 85% of the total project capital. Post project closure, Ministry

of Finance (MOF) continues to review the legislative framework to improve the provision of credit guarantees through VDB and other credit institutions. As a result of the strong government commitment to SME development, bank credit to SMEs has increased annually by 5% between 2010 and 2015, spanning both subprograms. Due to the government focus on increasing SME access to financing, more stakeholders, such as the State Bank of Viet Nam and the Viet Nam Union of Women, collaborated with credit institutions to provide credit guarantees for SMEs between 2011 and 2013.

C. Program Costs and Disbursements

20. The two single-tranche program loans from ADB's Special Funds resources were disbursed in accordance with ADB's *Loan Disbursement Handbook (2010, as amended from time to time)*. The subprogram 1 was disbursed on 30 June 2011 while subprogram 2 was disbursed on 15 July 2014, both a month after effectivity date. The amounts disbursed were higher than initially expected, SDR 26.537million (equivalent to \$42.156 million) for subprogram 1 and SDR 33 million (equivalent to \$50.993 million) for subprogram 2.

D. Program Schedule

21. The entire program was implemented from 26 May 2011 to 18 August 2014. The original target completion of the program was March 2014. The delay was due to lengthy government processes in meeting the requirements for effectiveness of the program. As a result, to accommodate the government processes, loan effectiveness dates were extended: subprogram 1 by 2 months and subprogram 2 by 4 months.

E. Implementation Arrangements

22. The implementation arrangements were *satisfactory*. The Agency for Enterprise Development of the Ministry of Planning and Investment (MPI) was the executing agency and assumed overall responsibility for the program. The Ministry of Finance (MOF), Ministry of Justice (MOJ), State Bank of Viet Nam (SBV), Viet Nam Competition Authority (VCA) of Ministry of Industry and Trade (MOIT), Office of the Government (OOG), and the Ministry of Labor, Invalids and Social Affairs (MOLISA) were the implementing agencies responsible for the day-to-day implementation. The Government of Viet Nam established the SME Development Council, chaired by the Deputy Prime Minister, to coordinate all SME-related activities, including the activities of the program.

F. Conditions and Covenants

23. The SME program accomplished 10 policy triggers, listed in Appendix 2. The status of compliance with policy triggers for both sub-programs is also in Appendix 2. In addition to the policy triggers, there were several covenants on administering the program which were complied with (Appendix 3).

G. Related Technical Assistance

24. A \$500,000 project preparatory technical assistance (TA) was approved on 19 February 2008. The TA formulated a policy framework covering 2008–2010 to improve the business environment and support SME growth. The Ministry of Planning and Investment was the executing agency for the TA. ADB engaged 19 individual consultants (four international and 15 national) on an individual basis in accordance with ADB's *Guidelines on the Use of Consultants*

(2007, as amended from time to time). The original implementation period was 22 months but the TA was implemented over 39 months with actual completion date on 31 March 2012 vs the original date of 31 October 2010, due to delays in government issuance of implementation approval. The TA completion date had to be extended twice and minor changes in implementation arrangements had to be applied to support processing of subprogram 2 and assist the achievement of critical policy triggers in the loan's policy matrix.

25. A policy and advisory TA (PATA 8184) for \$800,000 for Supporting the Second Small and Medium-Sized Enterprises Development Program was approved on 3 October 2012. The completion report is in Appendix 4.

H. Consultant Recruitment and Procurement

26. The TA engaged consultants for a total of 35.42 person-months; 14.96 person-months for international consultants (including one consulting firm) and 20.46 person-months for national consultants. A consulting firm was engaged to conduct a survey of SMEs in Viet Nam and to evaluate the needs and priorities for business support services from the government.

27. The consultants' terms of reference were structured based on the consultants' positions. The consulting firm was engaged using the Consultants' Qualifications Selection (CQS) method through a submission of a biodata technical proposal (BTP). Equipment for the project management unit was procured in accordance with ADB guidelines.

I. Performance of Consultants, Contractors, and Suppliers

28. Performance evaluation reports for the consultants have been completed, with all rated *satisfactory*, except for one who was rated *excellent*.

J. Performance of the Borrower and the Executing Agency

29. The government's performance in implementing the program was rated *satisfactory*, with significant progress in policy and regulatory reform for SME development. The Agency for Enterprise Development, as the executing agency, was able to coordinate effectively with implementing agencies on reforms and policies aligned with program objectives. The executing agency also fulfilled its role as a champion for SME development across government agencies. While MOIT was involved through the VCA participation in the program, it would be useful to involve the MOIT department in charge of enterprise development in future programs to ensure comprehensive coverage of relevant government agencies and policies. In particular, this would be useful as MOIT is Viet Nam's agency in charge of ASEAN Economic Integration policies and issues, and would lead national coordination efforts on regional SME development strategies and policies.

30. There has also been sustained commitment by the government in implementing reforms for SME development over and beyond the policy triggers listed in the design and monitoring framework. For example, 2016 was declared the Year of Enterprises, with Resolution 35 (issued in April 2016) containing clear directives for SME development, and Resolution 19 (issued in April 2016) containing directives for improving the business environment and industry competitiveness.

K. Performance of the Asian Development Bank

31. ADB's performance was *satisfactory*, as staff at headquarters and the resident mission provided appropriate assistance to the government in implementing the program. Regular missions were organized to keep track of progress and coordinate with the executing agency for the program.

32. As part of the project completion process, the executing agency and implementing agencies provided feedback on ADB's support through a series of meetings and questionnaires. All agencies expressed that they found ADB's implementation of the program to be satisfactory, and hoped that ADB would continue its support with a new program for enterprise development and SME support in Viet Nam.

III. EVALUATION OF PERFORMANCE

A. Relevance

33. The program was *highly relevant* in its design, as program components were consistent with national SME strategy and policy plans, and ADB's operational strategy in Viet Nam. The program was developed based on objectives listed in the Viet Nam Socio-Economic Development Strategy, 2011–2020, for continued economic growth and job creation. With SMEs representing 97% of the private sector in Viet Nam, the focus of the program was highly relevant for enterprise development. Key challenges, such as complex bureaucracy and access to finance for SMEs, were significantly alleviated as a result of the program. Notable contributions of the program to national SME development policy include policy reforms as of April 2016 (Resolution 35 for SME development support) as well as financing mechanisms such as the SME Development Fund, provided by the Ministry of Planning and Investment.

34. These reforms will have a sustained positive impact on the local economy as the government of Viet Nam continues with its commitment towards enterprise development. The year 2016 was designated as the Year of Enterprises in Viet Nam, and a series of policies and administrative reforms in support of enterprise development have been announced throughout the year. In this regard, the program remains relevant to present-day policy developments.

B. Effectiveness in Achieving Outcome

35. The program was *effective* in achieving its expected outcomes, and contributed to the overall improvement of business environment in Viet Nam. In particular, the program was able to facilitate the reduction of bureaucracy in business registration and regulation, and this was indicated in Viet Nam's improvement in global rankings for ease of doing business¹². Although the program met with some delays in implementation due to government capacity limitations, there has been sustained momentum with government reforms for SME development continuing after program closure. The program was able to reinforce the Government of Viet Nam's plans for SME development and support policy and regulatory reforms in this area. Policy triggers for subprogram 2 reflected government priorities from 2010–2015 and thus continued to be relevant and coherent with national economic development objectives. Due to the nature of the program being focused on SME policy, there were no safeguards issues arising from the implementation of the program.

¹² Ease of Doing Business Report (Viet Nam), World Bank, 2016.

36. Details on specific outputs are outlined below.

i. Improved policy and institutional framework for SME development

Under subprogram 1, the program successfully delivered the SME White Paper and supported wider stakeholder consultations in the policy development process. The government also introduced Decree 56/2009 to reform the policy environment and policy support for SMEs, with a provision to support women-owned enterprises.

Through government coordination with stakeholders, policy documents such as the SME White Paper 2011 and the SME Development Plan were completed with the support of ADB. However, the broader national SME Development Plan 2016–2020 will only be completed at the end of 2016.

ii. Strengthened business competitiveness

Under subprogram 1, the program was able to improve the efficiency of the national business registration system through the following measures: (a) capacity building of the provincial registrar offices to implement the new national business registration system; (b) enforcing the recognition of web-based registrations through Decree No. 43/2010, streamlining and coordinating the issuance of tax and enterprise codes through the national business registration system; and (c) establishment of APCA as a permanent agency under Decision No. 74/2010 to regularly review consistency and simplify administrative procedures of all government agencies. However, the review of the Competition Law, established 2006, is still pending as of April 2016, due to resource constraints of the Viet Nam Competition Authority in developing the reforms and getting the relevant approvals.

iii. Enhanced financial access for SMEs

SME access to finance was improved significantly under the program, with revisions of Decree 90/2001 on activities of financing and leasing companies, ensuring consistency with the Law on Credit Institutions. Further, MoF also revised the regulatory framework of the Credit Guarantee Scheme, providing for a balanced credit risk and collateral sharing with commercial banks. However, implementing agencies and related stakeholders continue to highlight the need to facilitate financial access as a significant segment of SMEs remain without access to desired financing resources for their businesses. The private sector remains apprehensive about SME financing due to the perceived risks involved.

C. Efficiency in Achieving Outcome and Outputs

37. The program is rated efficient for budget utilization and implementation. There was a slight delay of 2 months in program implementation due to government approval processes. Both programs required extensions to fulfill the policy matrix due to adjustments in the performance indicators following feedback from the government, which reinforced that the program engaged strong government ownership in the implementation process.

D. Preliminary Assessment of Sustainability

38. The reforms are rated *most likely* to be sustainable, given the government's demonstrated ownership of the policy reforms, commitment to support the development of the SME sector as embodied in the 5-year National SME Development Plan, 2015–2020, and progress made under the Socio-Economic Development Plan. The government has issued new regulations on SME development, actively pursuing reforms towards a conducive business environment for the private sector. There is a strong potential for continued collaboration with the Government of Viet Nam for further SME development and support.

39. Financial sustainability of the program is rated *most likely*, as the reforms have gained traction among public and private sector stakeholders who are ready to invest in SME development. Specifically, the State Bank of Viet Nam is expected to continue to collaborate with commercial banks to facilitate SME access to financing.

E. Impact

40. The program is rated as having substantial development impact, having achieved improvements in the business environment for SMEs in Viet Nam. For example, the number of business registrations grew by 26% from 81,488 in 2014 to 94,754 in 2015. SME access to credit grew at a steady 5% year-on-year from 2011 to 2014, amounting to approximately 23.4% of total lending in 2014. Additionally, women entrepreneurs' access to credit has more than doubled, from 9% in 2009 to 25% in 2013. Based on World Bank statistics, Viet Nam's ranking on the Ease of Doing Business moved up from 125 to 119 between 2015 and 2016, with the duration of business registration at 20 days, below the East Asia and Pacific average of 25 days. Its global ranking for access to credit has also improved, from 36th place in 2015 to 28th place in 2016.¹³

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

A. Overall Assessment

41. The program is rated as successful. There was clear alignment with ADB's Country Partnership Strategy (2009-2011) as well as with the national development plans of the Government of Viet Nam. As a result, a high level of sustainability has been achieved as the government continues to formulate and implement policies for SME and enterprise development, focusing on key areas identified by the program, such as policy reform, access to financing, and simplifying administrative procedures for enterprises.

B. Lessons

42. Based on feedback from Implementing agencies and other stakeholders, key lessons from the program were that there were numerous agencies involved in the program which made coordination and implementation challenging, resulting in impact that was too broad-based. For future programs, it would be useful to have a sector-specific focus, with fewer implementing agencies and specific, measurable impact. For example, MOJ has indicated additional resources would be required to scale up their pro bono legal services to SMEs, while the Viet Nam Union of Women has expressed their hope to set up a credit institution to increase SME access to finance. Future initiatives should also draw on the expertise and knowledge of

¹³ Ease of Doing Business Report (Viet Nam), World Bank, 2016.

domestic institutions, such as the HNX for enforcing corporate governance. Another example is the Central Institute for Economic Management, which has the knowledge base to provide capacity building to SMEs in business management, financial planning, and marketing, but do not have the resources to scale up their training program. It should be noted that inter-ministry and inter-agency coordination in Viet Nam can often delay the processing and implementation of the program and future program designs should take into consideration the additional time that may be needed for processing and implementation.

C. Recommendations

43. It is recommended that future programs should be more focused in scope, and tap on domestic institutions for specific capacity building activities. Further, there can be greater focus on gender mainstreaming elements, to ensure that women business owners continue to benefit from SME development initiatives. Streamlining government implementation and coordination would be useful for future development assistance. Previous programs have taken a broad approach involving multiple government agencies, which was useful for building a basic foundation in Viet Nam for SME development. As the government has built some expertise and has a clearer policy direction on SME development, it would be useful for ADB's future assistance to be targeted on specific priority sectors and/or provinces in Viet Nam.

1. Program Related

44. **Future monitoring.** The Government of Viet Nam should continue with the regulatory impact assessment process to monitor and ensure the effectiveness of future reforms. It would be useful for MOJ, as the coordinating agency for RIAs, to facilitate greater involvement of stakeholders in the process.

45. **Further action or follow-up.** One of the notable developments which will be taking place in Q4 2016 is the publication of the Viet Nam SME Development Plan, 2016–2020, and it would be useful for ADB to take note of the publication upon release, to identify the sustained impact of the program, as well as to identify areas requiring further assistance.

46. **Additional assistance.** The implementing agencies and stakeholders in SME development have expressed interest in further assistance for SME development, specifically in the following areas:

- i. Scaling up ongoing SME development activities: Hanoi Stock Exchange (HNX) organizes workshops to train publicly-listed businesses on financial management, corporate governance, and other good business practices. There is potential to scale up the training by HNX to include SMEs preparing for public listing or UPPCoM listing.
- ii. Targeted assistance based on specific sector or province: The effectiveness of the program would be enhanced significantly if resources were dedicated to assisting a specific sector or province in SME development. This would also be in line with Viet Nam's national SME development plan as high technology firms have been identified as a priority sector. Key provinces such as Bac Ninh and Da Nang have also been flagged as high potential growth provinces.
- iii. Innovative solutions such as SME investment funds: Given the success in other projects of innovative financing solutions by ADB and the readiness of the Viet

Nam market for new approaches to SME development, it would be useful for future assistance programs to take on innovative approaches involving credit guarantees or investment funds for SMEs.

47. **Timing of the project (program) performance evaluation report.** To provide inputs for the preparation of the next SME development program, scheduled for ADB's Board approval in 2017, it is proposed that a program performance evaluation report be prepared before the end of 2016.

PROGRAM DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Indicators/Targets		Data Sources/Monitoring Mechanisms	Assumptions and Risks
	Appraisal	Achievements		
Impact Increased contribution of SMEs and the private sector in achieving sustainable high economic growth	<p>Number of newly registered enterprises doubled to over 600,000 in 2011–2015 from 339,000 in 2006-2010 (2010 baseline: 50,000)</p> <p>Share of employment in domestic private sector increased to 63% in 2015 from 53% in 2007</p> <p>Employment by SMEs and the private sector increased by at least 5% per year (baseline 57% in 2007)</p>	<p>Achieved. Number of newly registered enterprises increased to 393,883 in 2015</p> <p>Achieved. Share of employment in SMEs and private sector increased to 85.7% in 2014</p> <p>Achieved. Employment by SMEs and the private sector increased by 16.5% from 2013 to 2014</p>	<p>GSO annual statistics</p> <p>White Paper on Small and Medium-sized Enterprises in Viet Nam 2011^a</p>	<p>Assumption Macroeconomic stability remains and economic growth continues.</p> <p>Risk External environment deteriorates, increasing stress on fiscal policy.</p>
Outcome Improved business environment to support more competitive SMEs and the private sector	<p>By the end of 2013: Increased private sector investment per gross investment to 68% (2007 baseline: 62%)</p> <p>Reduce cost of starting a business to 10% of per capita income by 2014 (2008 baseline: 13.5%)</p>	<p>Achieved. Private sector investment per gross investment in 2013 was 60% due to inflation risks</p> <p>Achieved. Cost of starting a business of per capita income was down to 8.7% in 2013</p> <p>Improvement in global ranking for ease of doing business from #125 in 2015 to #119 in 2016</p>	<p>GSO database</p> <p>World Bank's Doing Business report</p>	<p>Assumption Government stays on course with key macroeconomic reforms and business regulatory reforms. Government is committed to the implementation of administrative procedure reforms.</p> <p>Risk Weak coordination of government agencies and stakeholders participating in implementing the reforms.</p>
Outputs 1. Policy and institutional framework for SME development improved	1.1 Consultations with stakeholders improved	<p>1.1 Achieved. MPI approved the publication of the first SME White Paper summarizing key issues and actions taken to address constraints to private sector/SME development.</p> <p>1.1 Achieved. MPI started seeking inputs from implementing</p>	GSO database	<p>Risks Weak capacity of government agencies to implement reforms.</p> <p>Slow pace of implementation of parallel reforms constrains SME development (i.e., SOE reform,</p>

Design Summary	Performance Indicators/Targets		Data Sources/Monitoring Mechanisms	Assumptions and Risks
	Appraisal	Achievements		
	<p>1.2 Directions of SME development programs better clarified, including support for women-owned enterprises (baseline: SMEDP 2006–2010)</p> <p>SME statistical database improved and maintained (baseline: GSO enterprise survey 2007)</p>	<p>ministries, provincial governments, business associations, and other stakeholders on the implementation of SME development policies (Decree 56 and Resolution 22)</p> <p>1.2 Achieved. MPI upgraded and maintained SME information website to include links to available statistical data of SMEs including data disaggregate by sex</p> <p>1.2 Achieved. Government issued Decree 56/2009 to reform the policy environment and policy support for SMEs, with a provision to support women-owned enterprises</p> <p>1.2 Achieved. Government issued Resolution No. 22/2010 to provide guidelines for implementation of Decree 56 on provision of support policies for SMEs</p> <p>1.2 Achieved. MPI submitted to Prime Minister for approval a proposed decision to enhance the role of the SME Promotion Council in supporting SME development.</p> <p>1.2 Achieved. SMEDP 2011–2015 included guidelines to support women-owned enterprises</p>		Financial Sector Reform, etc.)
2. Business competitiveness strengthened	258 business procedures reviewed	Achieved. The Prime Minister ratifying 25 ministerial resolutions that allowed simplification of around 4,800 administrative procedures. Of these administrative	World Bank's Doing Business surveys	

Design Summary	Performance Indicators/Targets		Data Sources/Monitoring Mechanisms	Assumptions and Risks
	Appraisal	Achievements		
		procedures, around 3,800 have already been simplified		
	Number of days required to start a business reduced (baseline 2008: 50 days)	Achieved. Number of days required to start a business reduced to 34 days in 2013, and further reduced to 20 days in 2015	World Bank's Doing Business surveys	
	Time to pay taxes reduced to 945 hours by 2013 (baseline 2009: 1050)	Time to pay taxes reduced to 872 hours in 2013; and further reduced to 770 hours in 2015		
	Number of annual VAT declarations reduced to 4 by 2013 (2008 baseline: 12)	Number of annual VAT declarations reduced to 4 by 2013		
	Number of days required to process a business registration application reduced (baseline 2008: 10 days)	Additionally, MPI improved the efficiency of the national business registration system by:		
	Time and cost of dealing with customs reduced (baseline 2009: 21 days for export clearance and 22 days for import clearance)	2.1 Capacity building of the provincial registrar offices to implement the new national business registration system. Around 40% of officers trained were women (Accomplished)		
		2.2 Acknowledging pursuant to Decree No. 43/2010 validity of web-based registrations and streamlining and coordinating the issuance of tax and enterprise codes through the national business registration system (Accomplished)		
		The government has substantially simplified the administrative procedures through Project 30 and by:		
		Establishing APCA as a permanent agency under		

Design Summary	Performance Indicators/Targets		Data Sources/Monitoring Mechanisms	Assumptions and Risks
	Appraisal	Achievements		
		<p>Decision No. 74/2010 to regularly review consistency and simplify administrative procedures of all government agencies (Accomplished)</p> <p>APCA conducting RIAs of around 2700 of the administrative procedures mentioned in 3.3 above (Accomplished)</p> <p>Review of 5-year implementation of Competition Law was completed in 2012</p> <p>Completion of the first draft of amended Enterprise Law in 2013. The amended Law on Enterprises was issued in 2014, and took effect on 1 July 2015</p> <p>Manual on RIAs was completed in 2013</p>		
3. SME access to finance enhanced	<p>Share of longer-term (1 year and above) credit to SMEs in total bank credit increased by 2%–3% annually (baseline 2009: 15%)</p> <p>Number of loans approved supported by the government guarantee scheme increased (baseline 1,164 in 2009)</p> <p>Number of enterprises listed in UPCoM increased (baseline 10 in 2009)</p>	<p>Achieved. Share of longer-term (1 year and above) credit to SMEs in total bank credit increased to 24% in 2015</p> <p>Number of loans approved supported by the government guarantee scheme increased to 1,536 in 2015</p> <p>Number of enterprises listed in UPCoM increased to 142 in 2013 and 256 in 2015</p> <p>Draft Decree on activities of financing and leasing companies submitted for the approval of the Prime Minister, which intended to consolidate earlier regulations to ensure consistency with the Law</p>	<p>Financial statistics from SBV</p> <p>Vietnam Development Bank reports</p> <p>Report from State Securities Commission of Vietnam</p>	

Design Summary	Performance Indicators/Targets		Data Sources/Monitoring Mechanisms	Assumptions and Risks															
	Appraisal	Achievements																	
		<p>on Credit Institutions. Decree 39 was issued on 7 May 2014 and took effect on 25 June 2014. SBV also issued Circular 30 guiding the implementation of Decree 39 on 25 Dec 2015.</p> <p>Regulatory framework of the Credit Guarantee Scheme revised, providing for a balanced credit risk and collateral sharing with commercial banks</p> <p>Diagnostic study completed, with recommendations for improving efficiency, trading volume and number of listed companies of UPCoM market</p>																	
Activities with Milestones 1. Enhanced policy and planning framework for SME Development 1.1 Issue the second SME Development Plan, 2011–2015 (September 2012) 1.2 Update SME White Paper including data breakdowns on SMEs by size and sex-disaggregated (September 2012) 2. Improved efficiency of administrative systems for SME development and operations 2.1 Establish a permanent agency for administrative procedure control and simplification (December 2011) 2.2 Review implementation of the pilot e-customs system and instruct full implementation (June 2012). 2.3 Introduce new tax payment method to reduce time compliance (September 2012). 3. Strengthened Framework for Competition Policy 3.1 Issuance of a manual for the implementation of regulatory impact assessments (September 2011). 3.2 Review implementation of the Law on Competition and prepare draft amendments (June 2012). 4. Enhanced SMEs Access to Finance 4.1 Review the legal framework for the credit guarantee scheme (December 2011). 4.2 Review implementing regulations on leasing (February 2013). 4.3 Conduct diagnostic study of UPCoM operations (December 2012).			Inputs <table><thead><tr><th></th><th>Appraisal</th><th>Actual</th></tr></thead><tbody><tr><td>Subprogram 1: ADB (equivalent)</td><td>\$40 million</td><td>\$42.157 million</td></tr><tr><td>Subprogram 2: ADB (equivalent):</td><td>\$50 million</td><td>\$50.993 million</td></tr><tr><td>ADB policy and advisory technical assistance (2012)</td><td>\$800,000</td><td>\$501,149</td></tr><tr><td>Project preparatory TA (2008)</td><td></td><td>\$500,000</td></tr></tbody></table>			Appraisal	Actual	Subprogram 1: ADB (equivalent)	\$40 million	\$42.157 million	Subprogram 2: ADB (equivalent):	\$50 million	\$50.993 million	ADB policy and advisory technical assistance (2012)	\$800,000	\$501,149	Project preparatory TA (2008)		\$500,000
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Project preparatory TA (2008)		\$500,000																	

ADB = Asian Development Bank, CIEM = Central Institute for Economic Management, GSO = General Statistics Office, MOF = Ministry of Finance, MOJ = Ministry of Justice, MPI = Ministry of Planning and Investment, OOG = Office of the Government, RIA = regulatory impact assessment, SMEs = small and medium-sized enterprises, SOE = state-owned enterprise, UPCoM = unlisted public companies market, VAT = value-added tax, VCA = Viet Nam Competition Authority.

^a Ministry of Planning and Investment. 2012. *White Paper on Small and Medium Sized Enterprises in Viet Nam 2011*. Ha Noi.

Source: Asian Development Bank.

POLICY MATRIX AND MEDIUM-TERM DIRECTION AND GOALS

Subprogram 1 Summary of Actions Accomplished Under Subprogram 1 (September 2010)	Subprogram 2 Milestones for Subprogram 2 (October 2010–March 2012)	Results
1. Enhancing the Framework for Promoting SME Development		
<p>1.1 MPI approved publication of the first SME White Paper summarizing key issues and actions taken to address constraints to private sector/SME development.</p> <p>1.2 MPI upgraded SME information website to include links to available statistical data on SMEs.</p> <p>1.3 Government issued Decree 56/2009 to reform the policy environment and support for SMEs, with a provision to support women-owned enterprises.</p> <p>1.4 Government issued Resolution No. 22/2010 to provide guidelines for the implementation of Decree 56 on the provision of support policies for SMEs.</p> <p>1.5 MPI sought inputs from line ministries, provincial governments, business associations and other stakeholders on the implementation of SME development policies (Decree 56 and Resolution 22).</p> <p>1.6 MPI submitted to Prime Minister for approval a Decision to enhance the role of SME Promotion Council in supporting SME development.</p>	<p>1.1 MPI prepared a report to review the implementation of the first Five-Year SME Development Plan 2006–2010.</p> <p>1.2 MPI to conduct stakeholders' consultation, involving line ministries, provincial governments, Viet Nam Women Union, development partners and other stakeholders to discuss the draft of the SME Development Plan 2011–2015.</p> <p>1.3 MPI to issue SME data with breakdowns by size of enterprises in accordance with the SME definition stated in Decree 56/2009.</p> <p>1.4 The Government to issue the second Five Year SME Development Plan 2011–2015.</p> <p>1.5 MPI to update the SME White Paper to reflect the state of SME development.</p>	<p>Accomplished</p> <p>Accomplished</p> <p>Accomplished</p> <p>Accomplished</p> <p>Accomplished</p>
2. Improve the efficiency of administrative systems in support of SME development and operations		
<p>2.1 MPI implemented a new national web-based business registration (NBRS), which simplified and unified the process across 63 provinces and consolidated the information nationally.</p>	<p>2.1 MPI to implement training to build the capacity of provincial registrar offices in implementing the new national business registration system.</p>	<p>Accomplished</p>

Subprogram 1 Summary of Actions Accomplished Under Subprogram 1 (September 2010)	Subprogram 2 Milestones for Subprogram 2 (October 2010–March 2012)	Results
<p>2.2 OOG published on its website all existing administrative procedures affecting businesses at both the national and provincial levels.</p> <p>2.3 Government issued Decree 63/ND-CP on Administrative Procedure Control to institutionalize the mechanism for controlling administrative procedures from drafting to implementation phase.</p> <p>2.4 Government issued Resolution 25/NQ-CP on the simplification of 258 prioritized administrative procedures including those in tax, custom, land, building and real estate sectors.</p>	<p>2.2 Government to establish a more permanent national agency to implement administrative procedure control and simplification as required by Decree 63/2010.</p> <p>2.3 OOG to coordinate with relevant government agencies to complete simplification of priority administrative procedures affecting businesses at both the national and provincial levels.</p> <p>2.4 Government to pass resolutions on simplification of over 5,000 administrative procedures under the mandate of 24 ministries and sectoral agencies and to implement an overall reform on administrative procedures relating to the activities of organizations and individuals.</p>	<p>Accomplished</p> <p>Accomplished</p> <p>Accomplished</p>
<p>2.5 The National Assembly amended Law on Laws to strengthen provisions on consultation and regulatory impact assessments.</p> <p>2.6 Government issued a Decree 24/2009 to guide the implementation of regulatory impact assessments.</p> <p>2.7 MOJ reorganized the ministry based on Decree 93/2009 and assigned the General Department to be responsible for law preparation and RIA enforcement.</p> <p>2.8 The government issued Decree 66/2008 on legal support to enterprises to ensure their rights to conduct business are protected.</p> <p>2.9 VCA published a report reviewing the status and providing perspectives on economic concentration in Viet Nam.</p>	<p>2.5 Government to issue a manual and guidelines for implementing regulatory impact assessment.</p> <p>2.6 MOJ to implement training program to build capacity to implement RIAs.</p> <p>2.7 MOJ to review implementation of Decree 66/2008 on Legal Support for enterprises and proposes any additional reforms needed.</p> <p>2.8 VCA to complete RIA on the revision of the Law on Competition.</p> <p>2.9 VCA to draft revision of Law on Competition to submit the National Assembly.</p> <p>2.10 VCA to conduct advocacy on competition policy to SME and large Enterprises.</p>	<p>Accomplished</p> <p>Accomplished</p> <p>Accomplished</p> <p>Accomplished</p> <p>Accomplished</p> <p>Accomplished</p>
<p>2.10 MOF implemented pilot e-customs program in 10 provinces.</p>	<p>2.11 MOF to review the implementation of the pilot e-customs system and develop a road</p>	<p>Accomplished</p>

Subprogram 1 Summary of Actions Accomplished Under Subprogram 1 (September 2010)	Subprogram 2 Milestones for Subprogram 2 (October 2010–March 2012)	Results
	map for full implementation of the e-customs system.	
2.11 MOF issued a Master Plan for implementation of the ASEAN Single Window. ¹	2.12 MOF to endorse a medium-term plan for customs modernization. 2.13 MOF to introduce new tax payment methods to reduce the time needed for tax payment.	Accomplished Accomplished
2.12 MOLISA implemented provision of the Social Insurance Law replacing severance pay with unemployment insurance. 2.13 MOLISA established a Center for Industrial Relations to support improved labor relations.	2.14 MOLISA to review implementation of unemployment insurance, and its impact on workers and SME employment. 2.15 MOLISA to regularly publish key labor market data.	Accomplished
3. Enhancing SME access to finance		
3.1 SBV issued Circular 12/2010/TT-NHNN to provide guidance to credit institutions on VND lending with negotiation-based interest rate, including for short-, medium- and long-term lending for investment and business projects. 3.2 National Assembly passed the Law on SBV with a provision that allows SBV, under certain circumstances, to regulate the interest rate mechanism applicable to credit institutions and between credit institutions and customers. 3.3 MPI in collaboration with MOF completed a final draft of a joint circular on the government-funded capacity building programs to improve SME competitiveness and access to finance.	3.1. SBV to provide training assistance to improve the capacity of financial institutions in providing lending to SMEs as provisioned in the Decree 56. 3.2 SBV to review implementing regulations (decrees and circulars) related to leasing to ensure their consistency with the Law on Credit Institution.	Accomplished Accomplished Accomplished
3.4 Government issued Decree 95/2008 aimed at improving SMEs' access to leasing finance.		Accomplished

¹ ASEAN Single Window is the expedited customs clearance system adopted by ASEAN Member States: Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

<p>3.5 Government implemented the Credit Guarantee Scheme for SMEs.</p> <p>3.6 Based upon the initial experiences, VDB reviewed the Credit Guarantee Scheme and proposed revisions to MOF focused on credit risk and collateral sharing with the participating banks.</p>	<p>3.3 Government (SBV) to issue revised legal framework to include more appropriate credit risk and collateral sharing with participating commercial banks to foster the establishment of a sustainable credit guarantee scheme.</p>	<p>Accomplished</p> <p>Accomplished</p>
<p>3.7 MOF issued a Decision on the trading of unlisted (public) securities at Hanoi Stock Exchange (HNX), to support the development of UPCoM.</p> <p>3.8 HNX commenced pilot operations of UPCoM in Hanoi for unlisted public companies.</p> <p>3.9 MPI submitted to the government a revised Decree 139/2007/ND-CP to improve existing regulations on the rights and protection measures for minority investors in joint stock companies.</p>	<p>3.4 MOF to conduct a diagnostic study of UPCoM's initial operations, assessing its effectiveness as an equity trading platform for larger SMEs, and provide recommendations for improvement.</p> <p>3.5 MPI to conduct a review of the Enterprise Law's corporate governance provisions, and provide recommendations for improvement, especially with regard to: (i) financial disclosure standards; and (ii) investor protection issues in joint stock companies.</p>	<p>Accomplished</p> <p>Accomplished</p>

STATUS OF COMPLIANCE WITH LOAN COVENANTS

Covenant	Reference in Loan Agreement	Status of Compliance
Subprogram 1		
In the carrying out of the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.	LA, Article IV, Section 4.01	Complied with.
The Borrower shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Loan and to record the progress of the Program.	LA, Article IV, Section 4.02 (a)	Complied with. Financial management of funds and recording was according to accepted accounting standards and SAV's regulations.
The Borrower shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) of this Section.	LA, Article IV, Section 4.02 (b)	Complied with.
As part of the reports and information referred to in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.	LA, Article IV, Section 4.03 (a)	Complied with.
Without limiting the generality of the foregoing or Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB semiannual reports on the carrying out of the Program and on the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.	LA, Article IV Section 4.03 (b)	Partially complied with. No semiannual reports were submitted; however, progress was assessed by the ADB team through frequent discussions with the government.
The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: all reform actions and measures, as specified in the Policy Matrix for Subprogram 1, have been carried out.	LA, Schedule 5, para. 1	Complied with.
<u>Implementation and Coordination.</u> MPI shall be the Program Executing Agency and be responsible for overall Program implementation, including administration and preparation of semiannual progress reports on Program implementation. MOF, MOJ, MOIT, MOLISA, OoG, and SBV shall be the implementing agencies.	LA, Schedule 5, para. 2	Complied with. MPI as executing agency oversees the overall implementation of subprogram 1 and accomplishment of the policy actions through the various line ministries.

<p>The Borrower shall establish an inter-ministerial PSC. The PSC shall be headed by the Deputy Minister or an officer designated by the Deputy Minister of MPI, comprise representatives of MPI, MOF, MOJ, MOIT, MOLISA, OoG, and SBV, and be responsible for providing oversight of the Program and reviewing major Program outputs. It, shall meet semiannually to monitor progress of the Program implementation. EDA shall be responsible for (a) coordination among agencies involved in the Program, (b) day-to-day program administration, (c) maintaining records, and (d) reporting on implementation progress.</p>	<p>LA, Schedule 5, para. 3</p>	<p>Complied with. This has been established in the form of the SME Development Council.</p>
<p><u>Implementation of the Policy Letter and Policy Matrix.</u> The Borrower shall ensure that the policies and actions as described in the Policy Letter and the Policy Matrix, undertaken prior to this Loan Agreement shall continue in effect for the duration of the implementation of the Program Cluster and thereafter, as appropriate.</p>	<p>LA, Schedule 5, para. 4</p>	<p>Complied with. Actions undertaken are currently still being implemented and part of the long-term government agenda.</p>
<p>The reform agenda for any subsequent Subprogram will be jointly refined by the Borrower and ADB to reflect the progress made under the Program and the evolving circumstances in the Borrower's economic management and SME sector.</p>	<p>LA, Schedule 5, para. 5</p>	<p>No subsequent subprogram attached to this program but future programs in the sector will be anchored on the lessons from and progress made under this program.</p>
<p>The Borrower shall keep ADB informed of, and the Borrower and ADB shall from time to time exchange views on, issues related to SME sector reform and additional reforms that may be considered necessary or desirable, including the progress made in carrying out the policies and actions set out in the Policy Letter and the Policy Matrix.</p>	<p>LA, Schedule 5, para. 6</p>	<p>Complied with. ADB held frequent discussions with the government through review missions.</p>
<p>The Borrower shall promptly discuss with ADB problems and constraints encountered during implementation of the Program Cluster and appropriate measures to overcome or mitigate such problems and constraints.</p>	<p>LA, Schedule 5, para. 7</p>	<p>Complied with.</p>
<p>The Borrower shall keep ADB informed of policy discussions with other multilateral and bilateral agencies that have implications for implementation of the Program Cluster, and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower shall take ADB's views into consideration before finalizing and implementing and such proposals.</p>	<p>LA, Schedule 5, para. 8</p>	<p>Complied with. ADB held frequent discussions with the government through review missions. There were also donor coordination meetings held with other development partners.</p>

<p><u>Monitoring and Evaluation.</u> The Borrower shall monitor the implementation of the Program Cluster. The Borrower and ADB shall review the implementation of the policy reforms set out in the Policy Letter, and assess the impact of all relevant reforms in the sector. The progress in policy reforms under the Program Cluster shall be assessed by the Borrower and ADB in conjunction with the processing of any subsequent subprogram. To facilitate such review, the Borrower shall assist ADB by providing relevant data and information in such detail as ADB may reasonably request.</p>	LA, Schedule 5, para. 9	Complied with. Progress was assessed by the ADB team through frequent discussions with the government.
<p>The Borrower shall evaluate the benefits of the Program Cluster during and after implementation in accordance with a schedule and terms of reference to be mutually agreed upon by the Borrower and ADB. The benefit monitoring and evaluations shall be conducted in accordance with ADB's <i>Project Performance Monitoring System</i> (as amended from time to time), a copy of which has been provided to the Borrower.</p>	LA, Schedule 5, para. 10	Complied with. No report was submitted but progress was monitored by the ADB team through frequent discussions with the government.
<p>The Borrower shall ensure that: (a) reporting on the impact of the Program Cluster following the Program Period is made by the implementing agencies to the MPI which will, in turn, report to ADB; and (b) the MPI and the Implementing Agencies will, as needed, hold consultative meetings with stakeholders and development partner community to solicit their feedback on proposed and existing relevant regulations and the impact of the Program Cluster.</p>	LA, Schedule 5, para. 11	Complied with.

TECHNICAL ASSISTANCE COMPLETION REPORT

TA Number, Country, and Name: TA 8184-VIE: Supporting the Second Small and Medium-sized Enterprises Development Program		Division: SEPF	
		Amount Approved: \$800,000	
		Revised Amount: Not applicable	
Executing Agency: Ministry of Planning and Investment (MPI)	Source of Funding: TASF-IV	Amount Undisbursed: \$298,851	Amount Utilized: \$501,149
TA Approval Date: 4 Oct 2012	TA Signing Date: 9 Apr 2013	Fielding of First Consultant: 23 Sep 2013	TA Completion Date Original: 31 Dec 2013 Actual: 31 Dec 2015 Account Closing Date Original: 31 Dec 2013 Actual: 31 Mar 2016
<p>Description: This Technical Assistance (TA) was designed as a means of support for the Small and Medium-sized Enterprise (SME) sector in Viet Nam. The main objective of the TA was to enhance SME development to allow the sector to leverage its potential for income and employment generation in Viet Nam. Even though SMEs form the majority of local enterprises, the level of employment and income generated by the sector was relatively small. It was identified that the policy and regulatory framework required strengthening for effective promotion of SMEs in Viet Nam. The TA was implemented by the MPI, which strengthened country ownership and sustainability of reforms resulting from the TA in Viet Nam. Implementing agencies included (i) the Central Institute for Economic Management (CIEM) for activities related to the review of the Enterprise Law; (ii) the Ministry of Justice for activities related to the provision of legal services to SMEs and the development of the SME portal; and (iii) Viet Nam Competition Authority (VCA) for the review of the Competition Law and the preparation of the related Regulatory Impact Assessment (RIA). With support of the TA, the government was able to complete the SME White Paper 2011, which identifies sector trends and employment creation patterns in Viet Nam. In conjunction with the White Paper, a mid-term review of the SME Development Plan 2011–2015 was also carried out, supporting policy dialogue for private sector development. The TA also facilitated the policy reforms for SME development: regulatory reform to provide opportunities for private sector development, governmental financial support for the private sector via the SME fund, as well as policies for business development and productivity development support. As the program progressed, ADB's support was sought for the drafting of the SME Law by MPI and MOJ, in consultation with the private sector, and using previous experiences in Japan, Korea and Taiwan as model cases.</p> <p>Expected Impact, Outcome, and Outputs: The key outcome of the TA was to support the policy measures for improving the policy framework and administrative capacity of the government of Viet Nam, as listed in the policy matrix for subprogram 2 of the program loan. The impact of the TA was expected to create a more conducive environment for SMEs in Viet Nam, through outputs such as enhancing the regulatory and policy framework for SME development, improving the efficiency of administrative systems for SME development and operations, strengthening the competition regulatory framework and enhancing SME access to finance. Under core results area (CRA) 1, the regulatory framework was enhanced through the amendment of the Enterprise Law 2005. However, for CRA 2, the provision for SME access to legal services was not adequately supported by MOJ and as such resources for this were diverted to other higher priorities. For CRA 3, the groundwork for improving financial access for SMEs was laid through support for an SME Development Fund, as well as the establishment of an online business-financing matching portal for the Agency for Enterprise Development (AED).</p> <p>Delivery of Inputs and Conduct of Activities: The TA scope was implemented as proposed. However, the deadline for TA completion was extended twice, first to December 2014, due to a delay in implementation of the approval from MPI was received seven months after ADB approval. The second extension was until December 2015, to allow completion of proposed activities. Each extension was made based on factors relevant to the project implementation. MPI had requested for the second extension to facilitate the drafting of the SME law and design a new ADB program of assistance for SME development in Viet Nam.</p> <p>The TA became effective in April 2013, six months after approval. TA start-up implementation was delayed by almost a year due to internal processing issues within MPI resulting in an extension of TA completion date by 24 months. Minor changes in implementation were necessary to implement a survey for about 1,000 SMEs to be undertaken by a consulting firm and work on the drafting of the Law on SME Development Support in Viet Nam.</p> <p>The performance of MPI, as executing agency, was considered satisfactory as it provided adequate support to the TA by providing counterpart staff, meetings, data, and logistics. The AED's contributions as implementing agency were also considered satisfactory.</p>			

TA 8184-VIE: Supporting the Second Small and Medium-Sized Enterprises Development Program

The TA provided 35.42 person-months of consulting services (14.96 person-months of international and 20.46 person-months of national consultants' input). The consulting services were recruited individually and through a firm in accordance with ADB's *Guidelines on the Use of Consultants* (2010, as amended from time to time). Four workshops were carried out for the presentation of report findings and dissemination of new regulations of SME development.

All consultants were rated satisfactory except one who was rated excellent.

Evaluation of Outputs and Achievement of Outcome: The TA largely delivered on its performance targets, achieving relevant policy and regulatory reforms in support of SME development in Viet Nam. This included the support for the revision of the SME Development Law, as well as the establishment of the SME development fund in conjunction with the State Bank of Viet Nam. These outputs contributed directly to the policy matrix of subprogram 2, focusing on the policy framework for SME promotion and facilitation SME access to finance respectively.

As the project progressed, there were regular reviews and discussions with the EA on ensuring relevance and effectiveness of proposed outputs. Those deemed not relevant were revised to ensure that all outputs were delivered as proposed.

Overall Assessment and Rating: The TA is considered successful. The TA was highly relevant and provided critical and timely inputs that led to sustained reforms in SME development. The TA largely achieved its performance targets and all proposed outputs were completed as proposed. Beneficiaries of the TA gave feedback indicating the usefulness of the study visits and workshops and expressed interest in learning best practices of other countries in the region.

Major Lessons: The relevance, effectiveness, and sustainability of the TA were enhanced through regular coordination between ADB and the EA. This ensured program deliverables remained relevant and effective through the three years of implementation. Notably, there is increased demand for capacity building and future assistance could achieve greater effectiveness by helping existing institutions such as the Central Institute of Economics Management or Hanoi Stock Exchange to scale up existing training programs for SMEs across a broad spectrum of topics including business management, accounting, and corporate governance.

Recommendations and Follow-Up Actions: SME development is a common objective for regional economic integration in ASEAN. Development efforts should take into consideration both national and regional strategies and action plans for SME development, to ensure that the gaps are effectively addressed. Future assistance should refer to the Viet Nam SME Development Plan 2016–2020, slated for release at the end of 2016.

ADB = Asian Development Bank, MPI = Ministry of Planning and Investment, TA = Technical Assistance, SEPF = Southeast Asia Public Management, Financial Sector and Trade Division, EA = Executing Agency

Prepared by: Jacqueline Lam, Trade Specialist, SEPF

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

SUMMARY OF GENDER EQUALITY RESULTS AND ACHIEVEMENTS

I. PROJECT DESCRIPTION

The Small and Medium Enterprises (SME) Development Project in Vietnam was implemented in two sub-programs from 2010 to 2015. Subprogram 1, with some gender benefits, enabled the government of Viet Nam to implement legislative reforms to support SME development. Subprogram 1 also put in place greater transparency in government administration of businesses, with the upgrading of the SME information website to include data and statistics, as well as the introduction of a national web-based business registration system. There was also initialization of a regulatory framework to facilitate SMEs' access to financing, through the creation of legislation allowing the State Bank of Viet Nam to work with credit institutions on negotiation-based interest rates for short- and medium-term lending to SMEs.

Subprogram 2, with effective gender mainstreaming elements, continues to support the institutionalization of regulatory and policy reforms within the Government of Viet Nam. This is accomplished through specific gender equality measures set out in the National SME Development Plan, 2011–2016, developed in consultation with key stakeholders including the Viet Nam Women Entrepreneurs Council and other development partners. Improvements on government administration related to SMEs were made under subprogram 2 at the provincial level, with capacity building to provincial registrars on the national business registration system. There was also additional focus on women entrepreneurs in the access to finance component of subprogram 2, with the Viet Nam Women's Union supporting access to credit for over 286,000 women entrepreneurs. The Ministry of Finance and State Bank of Viet Nam also supplemented efforts on financing access through the revision of the Credit Guarantee Scheme, to provide for collateral-sharing and less onerous credit risk assessment by commercial banks.

II. GENDER ANALYSIS AND PROJECT DESIGN FEATURES

Subprogram 2 supported effective gender mainstreaming in SME development policies and regulatory/legislative reform. Through the program, there was a specific focus on enhancing access to finance for women entrepreneurs, streamlining administrative processes for business registration, inclusive consultation for policy development and reform and gender-aggregated data on SME development policies and impact.

Subprogram 2 was able to achieve the following outcomes, which were beneficial to women entrepreneurs in Viet Nam: (i) strengthen the institutional framework for SME policy making, leading to the development of gender-responsive policy and regulations to support the development of women entrepreneurs and the growth of SMEs owned by women, (ii) collection of sex-disaggregated data on SMEs, and (iii) increased women entrepreneurs' access to credit and financial services.

The policies supported by subprogram 2 identified specific targets, including an increase in the number of women entrepreneurs to 26% by 2013 and 35% by 2020, and an explicit commitment to collect SME composition data that is sex-disaggregated. The collection of sex-aggregated data regarding SMEs has been implemented since 2011. Further, the SEDP 2011–2015 included provisions for specific programs to upgrade the capacity of SMEs owned by women and to provide access to credit to 286,000 women entrepreneurs. SEDP also called for the provision of training to women provincial registrars covering the new business registration

system and directs the General Statistics Office to publish data on women directors and firm owners disaggregated by enterprise, ethnicity, age group, and education level.

There is no Gender Action Plan for the program and this document forms the general assessment of gender-related targets and outcomes of the program. The following table identifies gender targets and outcomes achieved in subprogram 2.

GENDER ACTION PLAN MONITORING TABLE

Project title: Small and Medium Enterprise Development Project

Loan number: 3050

Project Component	Actions Proposed	Implementation status/issues
Subprogram 2		
Enhancing framework for SME development	<ul style="list-style-type: none"> • MPI to conduct consultation with stakeholders, including relevant line ministries, provincial government, Viet Nam Women Union, development partners and other stakeholders to discuss the draft of SME Development Plan 2011–2015 • Government issued Decree 56/2009 to reform the policy environment and support for SMEs, with a provision to support women-owned enterprises • MPI upgraded and maintains SME information website to include links to available statistical data of SMEs including data disaggregated by sex 	<p>Achieved.</p> <p>Achieved.</p> <p>Achieved.</p>
Improve the efficiency of administrative systems in support of SME development and operations	<ul style="list-style-type: none"> • Government to establish a more permanent national agency to implement administrative procedure control and simplification as required by Decree 63/2010. • Capacity building of the provincial registrar offices to implement the new national business registration system. Around 40% of officers trained were women. 	<p>Achieved. Streamlining administrative processes by government accrues benefits to all business owners including women.</p> <p>Achieved.</p>

CONTRIBUTION TO THE ADB RESULTS FRAMEWORK

No.	Level 2 Results Framework Indicators (Outputs and Outcomes)	Targets	Methods/Comments
1	None	None	The Small and Medium Enterprises Development Program contributed to the government's key reform priorities aimed at improving private sector competitiveness and enhancing the policy framework for SME growth, which would, in turn, generate greater private sector participation and opportunities for income growth among SME business owners.