



Draft Design and Monitoring Framework

Project Number: 38335
August 2006

Viet Nam: SME Sector Development Program Loan – Subprogram II

A design and monitoring framework is an active document, progressively updated and revised as necessary, particularly following any changes in project design and implementation. In accordance with ADB's public communications policy (2005), it is disclosed before appraisal of the project or program. This draft framework may change during processing of the project or program, and the revised version will be disclosed as an appendix to the report and recommendation of the President.

Asian Development Bank

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets	Indicators		Data Sources/Reporting Mechanisms	Assumptions and Risks
		2004	2005		
Impact Improved competitiveness of small and medium-sized enterprises (SMEs) and enhance their potential contribution to economic growth and employment generation	GDP share of private enterprises	23.3% in 2003	24.1%	Economic reports and official statistics of the Government, and private sector organizations, and international aid agencies	
	Increased share of private sector in industrial output	60% in 2003	63% in 2004		
	Increased share of private sector in total employment	31.8% in 2003	33.5% in 2004	Asian Development Bank (ADB) review missions	
	Increased number of registered enterprises	122,721	162,672		
	Increased share of private sector in gross investment	32%	33%		
	Enhanced access to finance (percentage of domestic bank credit to private sector)	39%	40%		
	Enhanced access to finance (annual growth rate of bank credit to SMEs)	20%	22%		
	Exports as share of GDP (including oil)	51.0%	61.3%		
	Export value of domestic enterprises (excluding oil)	\$9,988.1 million (2003)	\$1,3716.0 million		
Outcome Support the Government in undertaking strategic measures for (i) enhancing SMEs' policy and regulatory framework, (ii) improving SMEs'	Effective implementation of official Government policy framework to develop the SME sector, which is based on better information on	NBIN Expansion Plan SME Development Action Plan 2006-2010 prepared by ASMED SME Portal (SME website launched in 2006)		Economic reports and official statistics of the Government, private sector organizations, and international aid agencies Official, legal documents issued	Political commitment to undertake reforms at both central and local government levels Steady capacity-building and

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		2004	2005		
access to key financial and physical resources, and (iii) facilitating SMEs' access to domestic and international markets	the sector as well as overall market principles			by the Government	sufficient financial resource of the Government institutions to undertake reforms The Government's close and effective partnership with the private sector Progress in restructuring state-owned commercial banks (SOCBs) and state-owned enterprises (SOEs)
	Enhanced coordination on the SME policy framework among central and local government agencies	ASMED appointed to draft SME Development Plan 2006-2010 SME data collection mandates given to GSO and MPI as part of Plan		Review missions	
	Streamlined and transparent Government regulations on business registration and licensing	Number of newly registered firms:36,795	Number of newly registered firms: 39,951		
		Total registered capital of private enterprises: VND75 trillion	Total registered capital of private enterprises: VND107 trillion		
		Average number of days required to start a business : 63 days (2003)	Average number of days required to start a business : 50 days		
	Effective formulation of the SME accounting system and its increased usage by SMEs	None	Development of the SME Accounting System		
	Enhanced system of collateral use by SMEs for both movable and immovable properties	Limited	In 2005, NRAFT recorded an average number of secured transactions of 1800 per month		

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		2004	2005		
	Diversified leasing industry based on new, innovative products to further support SMEs' need for financing	None	Total value of lease receivable sale transactions executed during the first 2 months of the pilot (end April-June 2006): VND 105 billion		
	Improved procedures for land-use rights certificates through more transparent and efficient legal framework and administrative process	Average time required for property registration: 78 days	Average time required for property registration: 67 days		
	Initiation of development of land property market through more market-friendly legal framework and information provision	Decree 181/2004 stipulating uniform procedures for LURC issuance; Circular 29/2004 regarding management of cadastral documents Decision 24/2004 regarding the format and content of LURCs Decree 188/2004 on land valuation and implementing Circular 114/2004	Circular 01/2005 to support implementing Decree 181 Initiation of pilot in 3 provinces to further simplify policies and procedures for LURC issuance and registration		

Design Summary	Performance Targets	Indicators		Data Sources/Reporting Mechanisms	Assumptions and Risks
		2004	2005		
	Enhanced legal and administrative framework for formulating and implementing Vietnamese technical standards based on international and multilateral standards	Decree 179/2004	Law on Standards and Technical Regulations (2006) Decision 50/2006 containing a list of import and export products for which quality needs to be checked by the state		
	Improved access of SMEs to information on technical standards	Number of enterprises receiving ISO 9001-2000 certification: 1598	Number of enterprises receiving ISO 9001-2000 certification: 1682		
		Number of enterprises awarded National Quality Award: 96	Number of enterprises awarded National Quality Award: 132		
		N/A	Updating of key MOST / STAMEQ websites with data on technical standards, cross-recognition schemes and technology standards		
	Enhanced capacity of relevant institutions to implement technical standards	N/A	Decree 115/2005 establishing the legal basis and target timetable for STAMEQ separation by MOST		
Outputs 1. Issue and implement policies conducive to sound and vibrant	The SME Development Action Program (Action Program) which is based on (i) market principles, (ii) better information on the SME sector, and (iii) public-private partnership			Official copy of the Action Program issued by the Government	Commitment of MPI, SBV, MOF, MOJ, MONRE, MOST, and other stakeholders

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		2004	2005		
<p>development of the SME sector</p> <p>2. Establish legal and regulatory frameworks that will promote level playing field for SMEs</p> <p>3. Strengthen regulators with the strategy, budget, skills, and procedures to monitor and enforce regulations</p> <p>4. Develop supporting infrastructure on provision of information to and from the SME sector</p> <p>5. Foster public-private partnership in policy and institutional development related to the SME sector</p>	<p>Enhanced process for business regulations on registration and licenses, which are based on (i) uniform procedures throughout the country, (ii) development of improved infrastructure for registration in National Business Information Network (NBIN), (iii) continued streamlining of current business licenses, and (iv) review process of future licenses to be issued by central and local authorities</p> <p>Established system of collecting and disseminating information to and from the SME sector through establishment of the SME Information Gateway and enhanced NBIN</p> <p>Established regulatory framework related to land-use rights, which is based on market principles under (i) the new law, (ii) implementing legal documents, and (iii) supporting institutions such as the land registries</p> <p>Enhanced legal and institutional frameworks on accounting and collateral, which aim to enhance SMEs' access to bank finance</p> <p>Enhanced legal framework on leasing to encourage alternative funding sources</p> <p>Strengthened legal framework on technical standards as well as supporting or implementing institutions</p> <p>Enhanced framework for dissemination of information as related to (i) business regulations, (ii) SME accounting system, (iii) SMEs' access to land-use rights, and (iv) technical standards</p> <p>Improved public-private partnership as related to (i) SME Promotion Council, (ii) SME Accounting System, and (iii) technical standards</p>			<p>Official copies of laws, decrees, regulations, etc. from the Ministry of Planning and Investment (MPI), State Bank of Viet Nam (SBV), Ministry of Finance (MOF), Ministry of Justice (MOJ), Ministry of Natural Resources and Environment (MONRE), and Ministry of Science and Technology (MOST)</p> <p>Establishment and operation of various Government institutions and programs as outlined</p> <p>Reports of financial institutions, private sector representatives, and other major stakeholders</p> <p>Review missions</p>	<p>Political commitment to undertake reforms at both central and local government levels, as well as close public-private partnership</p> <p>Technical capacities and financial resources of both central and local governments</p> <p>Effective implementation of governance reform</p>
Activities with Milestones					
A. Subprogram I					
1. Enabling Policy and Regulatory Environment					
a. Improving the Current Business Registration and Licensing Systems	<p>Issuance of a new decree on business registration, submitted by MPI, which aims to develop streamlined and uniform procedures and requirements</p> <p>Issuance of a decision by the Prime Minister, which incorporates the recommendation of MPI and Task Force on Enterprise Law Enforcement on streamlining of redundant and unnecessary business licenses</p> <p>Approval by the Government of MPI's plan to</p>			<p>Unified Enterprise Law of November 29, 2005</p> <p>Official copy of the implementing decree on business registration</p> <p>Official copy of the implementing</p>	<p>Commitments of MPI, Task Force on Enterprise Law Enforcement, and General Statistical Office (GSO)</p> <p>Political commitment to undertake</p>

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		2004	2005		
	expand NBIN nationwide, which includes the incorporation of the business names database and linkage with the SME Information Gateway ('Gateway') as well as the GSO			<p>decree on business licenses</p> <p>Official copy of NBIN's 2004 expansion plan, its 2005 update and ASMED's workplan for national rollout of the new NBIN in line with the prescriptions of the UEL and implementing decree on business registration</p> <p>Plans by GSO to officially collect and disseminate data in the SME sector, as detailed in ASMED's SME Development Plan 2006-2010</p>	<p>reforms at both central and local government levels</p> <p>Government's financial allocation to the agencies to undertake such reform</p> <p>Technical capacities of both central and local governments</p>
b. Establishing the Government's Policy and Institutional Framework for SME Development through a Coordinated Plan for SME Development, Based on Public-Private Partnership	<p>Issuance of an official instruction from the Chairman of the SME Promotion Council (Minister of MPI) inviting private sector representatives to become full members</p> <p>Submission of the draft Action Program to the Prime Minister by MPI, which aims to develop a detailed implementation plan for Decree 90 and in line with the SME Road Map (which was produced by ADB-TA 4031)</p> <p>MPI approval on establishment of the Gateway, which aims to provide various information to SMEs, including those related to government regulations</p>			<p>Official copy of SME promotion Council Decision 649/BKH of 12 July 2005 confirming that representatives of other organizations (including private sector) will have the same rights as standing members when they are invited to participate in the Council</p> <p>Official copy of the SME Development Action Program as submitted by MPI to the Prime Minister</p> <p>Copy of ASMED's SME Portal development plan, including proposed architecture, contents and functionalities</p> <p>Reports of the private sector, and other major</p>	<p>Commitments and technical capacities of MPI and SME Promotion Council</p> <p>Political commitment to undertake reforms at both central and local government levels</p> <p>Government's financial allocation to agencies to undertake such reform</p>

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		2004	2005		
				stakeholders	
2. Enhancing Access to Finance					
a. Reducing the Costs and Risks of Lending to SMEs by Developing an SME Accounting System	Issuance of a new decision or revised Decision 144 on the Accounting System of SMEs by MOF to make them consistent with the new Accounting Law and the new Vietnamese accounting standards			Official copy of the MOF Decision establishing the new SME Accounting System (expected in September 2006) Official copy of MOF Decision 15/2006 establishing new General Accounting Standards on which the new SME Accounting System will be based Reports of private sector, and other major stakeholders	Commitments and technical capacity of MOF Political commitment to undertake reforms at both central and local government levels
b. Reducing the Costs and Risks of Lending to SMEs by Making Land-Use Rights Certificates Available for Collateral	Issuance of a decree on land valuation by the Government, which aims to encourage more effective use of land-use rights certificates (LURCs) as collateral by establishing a more market-based price of LURCs Implementation of the pilot land registries in at least 3 provinces by MONRE, to enhance the issuance of LURCs and their use as collateral			Official copy of Decree 188/2004 on land valuation and its implementing Circular 114/2004 New documented workflows for LURC issuance developed during the pilot Official copy of revised Circular 29 and Decision 24 incorporating lessons learned from the pilot into simplified procedures for LURC issuance and registration	Commitments of MOF and MONRE Political commitment to undertake reforms at both central and local government levels Government's financial allocation to the agencies to undertake such reforms Technical capacities of both central and local governments
c. Reducing Costs and Risks of Lending Secured by Movable Property in Transactions subject to Registration	Submission of a draft amendment to the current legal framework by MOJ to the National Assembly, which aims to establish a system of prioritization of creditors' and lien holders' rights upon registering their interest at the National Registration Agency for Secured Transactions (NRASST)			Official copy of the amended legal document (civil code) as related to the establishment of a system of prioritization Official copy of the draft implementing decree on secured	Commitments and technical capacities of MOJ and NRASST Political commitment to undertake reforms Government's

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		2004	2005		
				<p>transactions</p> <p>Review missions</p> <p>Reports of the private sector, and other major stakeholders</p>	<p>financial allocation to the agencies to undertake such reform</p>
d. Improving SME's Access to Finance through Expansion of the Use of Leasing	<p>Government issuance of revised Decree 16, which aims to allow sale of lease receivables to encourage alternative financial resources to the leasing industry</p> <p>Issuance of implementing guidelines by SBV on leaseback transactions and syndicated leasing</p> <p>Implementation of the pilot sale of lease receivables supported by SBV</p>			<p>Official copy of Decree 65/2005 (amending Decree 16) permitting the sale of finance lease receivables</p> <p>Official copy of the provisional implementing guidelines for the sale of lease receivables (SBV Official Document 2585) in support of the pilot</p> <p>Review report on the results of the pilot activities</p> <p>Official copy of the implementation guidelines by SBV, sale and leaseback transactions, and syndicated leasing</p>	<p>Commitments of SBV</p> <p>Technical capacity of SBV</p> <p>Political commitment to undertake reforms</p> <p>Capacity and knowledge of the financial leasing companies participating in the pilot sale of lease receivables</p>
3. Enhancing Access to Land					
a. Establishing a Legal Basis for Effective Use of Land by All Enterprises, and to Promote Effective Implementation of the Land Law	<p>Promulgation of the new Land Law, which aims to give SMEs equal opportunities in access to land use (Achieved: November 2003)</p> <p>Issuance of the implementing decree of the Land Law by the Government, which aims to provide more detailed implementing guidelines</p> <p>Issuance of a circular by MONRE, which aims to provide detailed implementing guidelines on providing information on the issuance of LURCs by local governments</p>			<p>Official copy of the new Land Law</p> <p>Official copies of the implementing decrees by the Government:</p> <p>Decree 181/2004 stipulating uniform procedures for LURC issuance</p> <p>Circular 01/2005 to support implementing Decree 181</p> <p>Circular 29/2004 regarding management of</p>	<p>Commitments of MONRE</p> <p>Technical capacity of MONRE</p> <p>Political commitment to undertake reforms at both central and local government levels</p> <p>Financial allocation by the Government to the MONRE to undertake such</p>

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		2004	2005		
				<p>cadastral documents, and its 2006 revision</p> <p>Decision 24/2004 regarding the format and content of LURCs, and its 2006 revision</p> <p>Reports of private sector, and other major stakeholders</p>	reform
4. Developing Legal Framework on Technical Standards					
b. Lowering the Structural Barrier on Industrial and Technical Standards for SMEs by Completing the Legal Framework	<p>Government issuance of the implementing decree to the Ordinance on Product Quality (to be followed by a detailed decision issued by MOST), which aims to clarify the procedures for determining product quality and obtaining certification</p> <p>Submission to the Government of a draft ordinance on technical standardization by MOST, which aims to develop uniform standardization</p>			<p>Official copy of the Government implementing decree 179/2004</p> <p>Official copy of the Law on Standards and Technical Regulations (upgraded from Ordinance Status)</p> <p>Official copy of Decision 50/2006 containing a list of import and export products for which quality needs to be checked by the state</p> <p>Review missions</p> <p>Reports of the private sector, and other major stakeholders</p>	<p>Commitments of MOST</p> <p>Technical capacity of MOST</p> <p>Political commitment to undertake reforms at both central and local government levels</p>
c. Undertaking Institutional Reforms and Encouraging Public-Private Partnership – Including Developing an Information System for SMEs	<p>Implementation of the plan to establish an on-line information system on technical standards</p> <p>Submission to the Government of the plan by the MOST to separate the Directorate for Standards and Quality's (STAMEQ's) public activities from its commercial activities</p>			<p>Official copy of the plan on the information system by MOST</p> <p>Website addresses containing updated information from MOST on technical standards, cross-recognition schemes, certification bodies and technology transfer</p>	<p>Commitments of MOST, STAMEQ, and technical standards committees</p> <p>Technical capacities of MOST and STAMEQ</p> <p>Government's political commitment to</p>

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		2004	2005		
				Official copy of Decree 115/2005 establishing the legal basis and target timetable for STAMEQ separation by MOST Review missions	undertake reforms Governments financial allocation to the MOST to undertake such reforms
B. Subprogram II					
1. Enabling Policy and Regulatory Environment					
a. Improving the Current Business Registration and Licensing Systems	Submission to the Government of the plan by MPI and Task Force for developing an ex ante system of streamlining business licenses Implementation of the NBIN expansion plan by MPI Implementation of a new simplified, consolidated business application process			Official copy of the implementing decree and circulars detailing the policies, procedures and institutional arrangements for the new business licensing review process Number of licenses reviewed by the new National Licensing Committee (NLC) Official copy of the NBIN expansion plan developed by MPI Copy of the MPI report detailing the results of the pilot implementation exercise for the new NBIN system Official copy of circulars specifying the standard, consolidated application process and form for business registration, tax code and business seal data Results of pilot with	Commitments of MPI, NBIN, and Task Force Technical capacities of MPI, NBIN, and Task Force committees Political commitment to undertake reforms by the government Financial allocation by the Government to the MPI and NBIN to undertake such reform

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		2004	2005		
				new consolidated business application procedure illustrating reduced time and cost for both applicants and government officials	
b. Establishing the Government's Policy and Institutional Framework for SME Development through a Coordinated Plan for SME Development, Based on Public-Private Partnership	<p>Approval and issuance by the Prime Minister of the Action Program</p> <p>Issuance of the State of SME Sector report by MPI</p> <p>Implementation of the SME Information Gateway by MPI</p>			<p>Official copy of the approved SME Development Action Program 2006-2010</p> <p>A functioning SME Portal, developed by ASMED with support from UNIDO, including planned linkages with the business names database and other statistical sources</p> <p>Official copy of the State of SME Sector report prepared by MPI</p> <p>Review Missions</p> <p>Reports to private sector, and other major stakeholders</p>	<p>Commitments and technical capacity of MPI Government's political commitment to undertake reforms government</p> <p>Government financial allocation to MPI to undertake such reforms</p>
2. Enhancing Access to Finance					
a. Reducing the Costs and Risks of Lending to SMEs by Developing an SME Accounting System	<p>Issuance of guidelines by MOF on (i) simplified chart of accounts, (ii) system of accounting books, and (iii) formats for the financial reporting requirements</p> <p>Implementation of the training program on the SME accounting system by both MOF and VAA</p>			<p>Official copy of the guidelines on chart of accounts and others by MOF (included in MOF Decision establishing new SME Accounting System)</p> <p>Official copy of the training plan for the new SME Accounting System</p> <p>Official copy of the training materials developed by the MOF and VAA</p>	<p>Commitments and technical capacity of MOF and Vietnamese Accounting Association (VAA)</p> <p>Government's political commitment to undertake reforms</p> <p>Government's financial allocation to VAA to undertake such reforms</p>

Design Summary	Performance Targets	Indicators		Data Sources/Reporting Mechanisms	Assumptions and Risks
		2004	2005		
				Review Missions Reports of the private sector, and other major stakeholders	
b. Reducing the Costs and Risks of Lending to SMEs by Making Land Use Rights Certificates Available as Collateral	MONRE's issuance of a plan for the national rollout of the uniform land registration system			Official copy of MONRE's plan Review Missions Reports of the private sector, and other major stakeholders	Commitments and technical capacity of MONRE Government's political commitment to undertake reforms at both central and local levels
c. Reducing Costs and Risks of Lending Secured by Movable Property in Transactions subject to Registration	Issuance of an implementing decree by MOJ, which (i) permits anyone to obtain free uncertified search reports through Internet-based search of NRAFT records; (ii) permits frequent registrants to register on-line; and (iii) limits required data to identification of parties and description of collateral Establishment of the NRAFT based on the ordinance and the implementing decree			Official copy of the implementing Decree on Secured Transactions Official copy of the new Ordinance on the Registration of Secured Transactions plan for the establishment and operation of NRAFT Official copy of implementing legal normative document (s) which enables an e-Government service delivery model to be operated by NRAFT for the purposes of secured transactions Official copy of detailed implementation plan for NRAFT which includes: (a) a detailed budget for the development of an on-line secured transaction registration system; (b) planned activities to increase public awareness;	Commitments and technical capacity of MOJ and NRAFT Central Government's political commitment to undertake reforms Government's financial allocation to undertake such reforms

Design Summary	Performance Targets	Indicators		Data Sources/Reporting Mechanisms	Assumptions and Risks
		2004	2005		
				(c) capacity building activities for the system operators; and (d) a detailed project roll-out schedule. Review Missions Reports of the private sector, and other major stakeholders	
d. Improving SME's Access to Finance through Expansion of the Use of Leasing	Government's issuance of a plan/legal document to allow sale of receivables to any financial institutions			Official copy of the plan (or legal document) by the Government or SBV Review Missions Reports of the private sector, and other major stakeholders	Commitments and technical capacity of SBV Government's political commitment to undertake reforms Capacity and knowledge of the financial leasing companies participating in the sale of lease receivables
3. Developing a Legal Framework on Technical Standards					
a. Lowering the Structural Barrier on Industrial and Technical Standards for SMEs by Completing the Legal Framework	Submission of the Law on Standards and Technical Regulations by MOST to the National Assembly Issuance of an implementing decree on Product Quality			Official copy of the new Law on Standards and Technical Regulations Official copy of the new Decree on Product Quality Review Missions Reports of the private sector, and other major stakeholders	Commitments and technical capacity of MOST Government's political commitment to undertake reforms
b. Undertaking Institutional Reforms and Encouraging Public-Private Partnership – Including Developing an Information	STAMEQ to submit a detailed implementation plan for separation of its commercial and state administrative activities Implementation of the plan to include private sector participation in the National Technical Committee of Standardization and on the industry technical committees of standardization			Official copy of the detailed implementation plan and timetable for the separation of STAMEQ's commercial and state administrative activities	Commitments and technical capacity of MOST and STAMEQ Government's political commitment to

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		2004	2005		
System for SMEs				<p>Amount of private sector participation in the National Technical Committee of Standardization and on the industry technical committees of standardization</p> <p>Review Missions</p> <p>Reports of the private sector, and other major stakeholders</p>	undertake reforms
Inputs for the Program					
Program Loan	<p>Loan effectiveness of subprogram II (\$20 million in ADF)</p> <p>Government contribution for subprogram II</p> <p>Functionality of the Project Steering Committee (PSC) made up of key officials from the executing and implementing agencies</p>			<p>Program documents and Loan Agreement (Development Policy Letter)</p> <p>Review Missions</p>	<p>Timely loan effectiveness</p> <p>Financial allocation by the Government to the PSC to undertake the required reforms</p>

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