

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: SEGF

TA No., Country and Name			Amount Approved: \$1,400,000		
TA 4418-VIE: Capacity Building for SME Development			Revised Amount: \$1,400,000		
Executing Agency (EA): Ministry of Planning and Investment (MPI)		Source of Funding: Technical Assistance Special Fund (TASF), Denmark, and Switzerland	Amount Undisbursed: \$184,570	Amount Utilized: \$1,215,430	
TA Approval Date: 21 October 2004	TA Signing Date: 11 April 2005	Fielding of First Consultants: 27 April 2005	TA Completion Date Original: 31 August 2005	Actual: November 2006	
			Account Closing Date Original: 31 August 2005	Actual: 30 March 2007	
<p>Description: The Government of Viet Nam recognizes the importance of private sector development to sustain market-driven economic growth and progressive poverty reduction. TA 4418-VIE: Capacity Building for Small and Medium-sized Enterprise (SME) Development has been implemented to provide support for implementation of Loan 2095-VIE: SME Development Program (Subprogram I). Its goal was to help the Government establish an enabling business environment for SMEs through: (i) providing relevant technical inputs based on international best practices; (ii) formulation of specific programs to support capacity building efforts of the Government; and (iii) development of methods to disseminate findings and other SME-related information to ensure effective participation by the private sector.</p> <p>Expected Impact, Outcome and Outputs: The TA originally comprised three major components that supported implementation of policy conditions designated for the second tranche release under Loan 2095, including: (i) technical, legal, and policy related advisory services to proceed with the relevant reform initiatives; (ii) institutional development activities, including governance reform and pilot implementation of the new systems; and (iii) development of a systematic approach to training and information dissemination. Expected TA outcomes were: (a) formulation of Government's SME development action program to implement the Decree 90 on SME development; (b) business registration and licensing reform, including enhancement of the related legal and institutional framework, as well as the regulatory regime; (c) introduction of a simplified SME accounting system and training and dissemination programs for accounting professionals; and (d) establishment of a registration system of property rights to improve SMEs' access to immovable and movable assets.</p> <p>Delivery of Inputs and Conduct of Activities:</p> <p>The following activities have been conducted by 42 person-months of international consultants and 58 person-months of domestic consultants engaged for a period from 27 April 2005 to 31 August 2006 under the TA.</p> <ul style="list-style-type: none"> • Formulation of the Five-Year SME Development Plan. The Plan was initially prepared in a draft form by EA's Agency for SME Development (ASMED) for MPI Minister's approval by November 2005. The TA provided inputs for fine-tuning the Plan and its related action program based on international best practices and commonly used criteria for strategic planning for SME development. Thereafter, the revised Five-Year SME Development Plan for 2006-2010 was finalized and approved with Prime Minister's Decision No. 236/2006/QD-TTg dated 23 October 2006. • Business Registration and Licensing Reform. The TA has provided support to ASMED to improve its plan to expand the National Business Information Network (NBIN) for business registration to all provinces (and later into districts) by addressing legal, strategic and technical obstacles, especially in the areas of business processes, information exchange among related government agencies, and application of the latest information technology. The updated NBIN expansion plan was completed in December 2005, subsequently to MPI's issuance of Decision 867/QD-BKH that accorded its budgetary basis. <p>The TA consultant also drafted a strategy for both streamlining and eliminating existing licenses and for introduction of approaches to rationalize issuance of the new licenses. The new Enterprise Law, that established the legal basis for the licensing reform, was promulgated by the National Assembly on 29 November 2005.</p> <ul style="list-style-type: none"> • Introduction of the SME Accounting System. Technical support has been extended in modifying the financial reporting principles towards introduction of a simplified accounting system for SMEs, through identification and proposals of any relevant changes that need to be made to existing regulations (for alignment with the prevailing Decision by the Ministry of Finance, or MOF). With TA support, MOF completed a framework for the new SME accounting system, and issued its Decision 48/2006/QD-BTC containing detailed guidelines in September 2006. 					

• **Establishment of a Registration System for Immovable and Movable Assets.** The TA provided technical support for upgrading the land valuation procedures and methodologies, and reconciling them with international best practices – based on market principles and private sector initiatives – followed by training programs. Uniform policy and standardized procedural guidelines for registration of land user rights certificate (LURCs) have been developed, and three pilot land transaction offices (LTOs) have been identified to undertake the standardized work flows for LURC issuance.

The TA also assisted the Ministry of Natural Resources and Environment (MONRE) with review of existing legal normative documents and their updates. Decree 17/2006/ND-CP was issued in January 2006 to supplement preceding Decree 181/2004/ND-CP for land law implementation. Supplementary Decision 8/2006/QD-BTNMT reflecting lessons learned from the pilot LTOs was issued by MONRE subsequently on 21 July 2006.

The TA also extended support to the National Agency for Secured Transactions (NRAST) of the Ministry of Justice (MOJ), with an aim to establish a system of prioritization of creditors' and lien holders' rights upon registration. Following the amendments to the Civil Code, its TA-assisted draft implementation decree on secured transactions was submitted to the Office of the Government on 28 September 2006.

In the course of TA implementation, a minor change in scope and implementation arrangements dated 25 October 2005 and an extension of the closing date dated 10 February 2006 were approved, to give support to the Ministry of Science and Technology (MOST) to implement policy conditions related to technical standards under the SDPL Subprogram II. This component was originally envisaged to be supported fully by another TA by Agence Française de Développement (AFD) – one of SDPL cofinancers – but its start-up delay necessitated mobilization of TA 4418, that successfully bridged the gap till eventual launch of AFD's TA.

Extensive capacity building and stakeholder consultations have been conducted, in Hanoi and outside provinces, mainly through a series of milestone events including: MONRE coordination workshop on 15 August 2005; workshop on SME accounting system on 26 August 2005; training workshop to MONRE staff on 24 October 2005; workshop on model integrated LTOs on November 2005; MOJ/NRAST workshops on the ordinance and inter-ministerial circular on secured transactions on 16 November and 16 December 2005; training workshop for model LTO staff on 18 November 2005; ASMED workshop on 28 November 2005; training for trainers on land valuation in November-December 2005; workshops on NBIN expansion in November-December 2005; workshops on business licensing in November-December 2005; and MONRE workshop on integrated LTOs on 16 December 2005, among others.

The consultant team completed the inception report in July 2005, the first interim report in August 2005, the second interim report in November 2005, the draft final report in January 2006, and the final report in November 2006.

Overall formulation, terms of reference, performance of consultants, other inputs, review missions, and inputs of recipients were all adequate for successful completion of the TA.

Evaluation of Outputs and Achievement of Outcome: Satisfactory performance of the TA, in terms of both quality of reports generated and institutional and capacity development, have been reflected in successful compliance with all related policy conditions by the Government for release of the second tranche under Loan 2095-VIE: SDPL Subprogram I in 2006. The TA also laid a solid foundation for further reforms currently undertaken with Loan 2284-VIE: SDPL Subprogram II.

Overall Assessment and Rating: The TA implementation was successful, as demonstrated by completion of the Loan 2095-VIE: SDPL Subprogram II.

Major Lessons: While TA was very successful from the technical point of view, participation of many Government ministries as implementation agencies imposed challenges for overall TA coordination by MPI and ADB in the course of project administration. A need for careful and up-front streamlining of the TA scope and a mode of concerned ministries' participation at the project preparatory stage deserved greater attention, as a practical way to contain complexity of inter-ministerial coordination to a more manageable level.

Recommendations and Follow-Up Actions: The reform efforts initiated under Loan 2095 and TA 4418 have been succeeded by a new set of goals under Loan 2284-VIE: SDPL Subprogram II approved in December 2006. Experience of Loan 2095 and TA 4418 demonstrated the value of large-scale advisory support for implementation of a complex program loan. Supplementary resource mobilization for follow-up technical advisory services may deserve consideration, in the course of implementation of Loan 2284.

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