

ASIAN DEVELOPMENT BANK

TAR: VIE 34344

TECHNICAL ASSISTANCE
(Cofinanced by the Government of Italy)

TO THE
SOCIALIST REPUBLIC OF VIET NAM

FOR PREPARING THE
SMALL- AND MEDIUM-SIZED ENTERPRISE SECTOR DEVELOPMENT
PROGRAM

December 2002

CURRENCY EQUIVALENTS

(as of 30 October 2002)

Currency Unit	–	VND
VND1.00	=	\$0.00006
\$1.00	=	VND15,353.00

ABBREVIATIONS

ADB	–	Asian Development Bank
CSP	–	country strategy and program
GDP	–	gross domestic product
MPI	–	Ministry of Planning and Investment
SDPL	–	SME Development Program Loan (2004)
SME	–	small- and medium-sized enterprise
SOE	–	state-owned enterprise
TA	–	technical assistance

NOTE

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

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I. INTRODUCTION

1. Since the advent of *doi moi* (economic renovation), the Government of Viet Nam has recognized the small- and medium-sized enterprise (SME) sector as a core component for the country's socioeconomic development.¹ With the sector's high potential for increasing investments, generating employment, and reducing poverty, the Government has requested the Asian Development Bank (ADB) for assistance in SME development.² As outlined in the technical assistance (TA) framework in Appendix 1, this project preparatory TA will design and prepare for a SME development program loan (SDPL), which is included in the 2001 country strategy and program (CSP) for Viet Nam.³ A fact-finding mission fielded in October 2002 reached an understanding with the Government on the purpose, approach, and implementation arrangements of the TA.⁴

II. ISSUES

2. With an average annual growth of gross domestic product (GDP) during 1990–1999 at 8%, the Vietnamese economy grew more than three times the world average. Viet Nam has also been one of the most successful countries in reducing poverty. From the mid 1980s to the late 1990s, the proportion of people living in poverty has dropped from about 70% to just more 30%. The SME sector has had an important role in this rapid economic growth and reform, as it makes up 96% of all firms and 49% of nonagriculture employment. Currently, Viet Nam has about 80,000 SMEs, more than 40,000 of which have officially registered in the last 2 years, following the introduction of the Enterprise Law.⁵ Among these, about 60% are in services and trade, followed by 36% in manufacturing. Only about 3% of registered firms are in the agriculture sector, mainly because most of them have registered previously as either cooperatives or family-owned enterprises. As this sector is critical for employment generation/poverty reduction, it will also be addressed in the TA, in accordance with previous ADB projects.

3. ADB's CSP for Viet Nam identifies SME development as a means to ensure pro-poor, sustainable growth.⁶ Through ADB's public sector window, the CSP calls for supporting the development of a policy and institutional framework conducive to expansion of the private sector. This also identifies private sector development as a key means for providing the state-owned enterprises (SOE) reform. Several recent ADB operations are related to this approach, including (i) the State-Owned Enterprise Reform and Corporate Governance Program Loan, which aimed at reforming the SOE sector;⁷ (ii) two financial sector program loans, which aimed at developing alternative financial channels and laying the foundation for financial and legal

¹ The Government of Viet Nam. 2001. *The Ten-Year Socio-Economic Development Strategy*. Hanoi. Appendix 2 provides more details.

² The TA first appeared in *ADB Business Opportunities* (internet edition) on 22 July 2002.

³ The SDPL is in the pipeline for 2004 as a sector development program loan.

⁴ The Mission comprised Jin W. Cahn (Economist).

⁵ The Enterprise Law came into effect in 2000. Its aims are to (i) clarify and streamline the business registration process, (ii) reduce the registration requirements to a more practical level, and (iii) introduce provisions for the Government agencies involved in the process.

⁶ In addition, ADB initiated a sector study to examine the major issues faced by the SMEs. The sector study was conducted by a staff consultant for 3 person-months, from April to July 2002.

⁷ ADB. 1999. *Report and Recommendation of the President to the Board and Directors on Loan to Viet Nam for the State-Owned Enterprise Reform and Corporate Governance Program*. Manila.

infrastructure;⁸ and (iii) the Rural Enterprise Finance Project, which provides mid- and long-term credits as well as business development services to rural-based small enterprises.⁹

4. Many recent activities have made the support of the private and SME sectors timely and important. First, the Government issued the Decree 90 in 2001, which marks the first time that it has officially defined and recognized the SMEs.¹⁰ Second, based on the decree, the Government has created the formal institutional system to promote SMEs. To coordinate among ministries, the SME Encouragement Council has been created, and the SME Department within the Ministry of Planning and Investment (MPI) will become the focal point. Furthermore, the SME sector has received considerable international assistance? almost 50 projects have taken place by 2002. These recent activities indicate that the Government and external agencies have emphasized SMEs' significant role in the socioeconomic development of Viet Nam, especially as it comprises much of the private sector.

5. Nevertheless, Viet Nam's SME sector continues to face challenges that relate to the nascent stage of private sector in the Vietnamese economy. Furthermore, SME development is a relatively new task for Viet Nam, and the sector still faces various obstacles while receiving limited assistance from the Government.

6. **Limited SME Promotion Framework.** Despite recent efforts by the Government and external agencies, a framework for SME promotion is still incomplete, both in terms of policy and institutions. Because the SME Department and Encouragement Council are not yet adequately staffed, the Government has been unable to effectively formulate and implement policies for SME promotion. The many externally funded activities on SMEs are mostly scattered and narrowly focused without clear strategic priorities or a long-term perspective. The development of the overall framework is essential for the SME development that encompasses the other major challenges (paras. 7–9).

7. **Constrained Legal Environment for SMEs.** Although Viet Nam has been trying to develop a legal framework appropriate for a fair competitive business environment, a number of obstacles to SME development remain. These include delays in granting land use certificates, as well as complicated and cumbersome business licensing systems and procedures. The land use issuance is important because SMEs have limited access to bank credit, in part because they are unable to provide the certificates as collaterals.¹¹ A survey by the Japan Bank for International Cooperation identified the collateral issue as the most significant problem in attaining bank credit.¹²

⁸ ADB. 1996. *Report and Recommendation of the President to the Board and Directors on Loan to Viet Nam for Financial Sector Program Loan I*. Manila. ADB. 2002. *Report and Recommendation of the President to the Board and Directors on Program Loan Cluster to Viet Nam for Second Financial Sector Program*. Manila.

⁹ ADB. 2000. *Report and Recommendation of the President to the Board and Directors on Loan to Viet Nam for Rural Enterprise Finance Project*. Manila.

¹⁰ Decree of the Government (No.: 90/2001/CP-ND), *Supporting for Development of the Small and Medium Sized Enterprises*. According to the decree, SMEs are defined as firms with chartered capital of VND10 billion (about \$650,000) or with less than 300 employees.

¹¹ Although the Land Law does not distinguish against the private/SME sector, the limited allocation to the private/SME sector seems clear. A survey by Japan Bank for International Cooperation in 2001 shows that only about 14% of SMEs have benefited from the land use certificate issuance. The problem is mostly for manufacturing and trade SMEs. As of January 2000, land-use right certificates had been issued to 10 million farmers, representing 84% of farmers and 75% of farmland.

¹² Overall, the survey found that less than 40% of private SMEs have been able to access bank loans. This is despite the fact that there are about 5 credit lines targeting SMEs, amounting to almost \$500 million. The World Bank has recently announced a credit line of more than \$300 million, and both the European Union and Japan have credit lines totaling about \$100 million.

8. **Limited Access to Financial Resources.** SME-oriented credit lines are available in commercial banks, but few alternative financial channels support SMEs. Viet Nam has limited financial systems for SMEs such as leasing, and start-up and venture capital funds. Leasing is an important potential source of finance for SMEs, which lack capital to purchase intermediary goods. Start-up and venture capital funds could also provide a source of financing for SMEs.¹³

9. **Limited System for Capacity Building.** Despite many externally funded projects related to capacity building of SMEs, a coordinated approach to establish a systematic program and infrastructure is lacking. As a result, many projects are narrowly focused and short-term oriented. Viet Nam lacks a state-sponsored institution to support the SMEs' capacity building efforts. For example, SMEs could benefit from institutions to help them meet industrial and technical standards for both domestic and export markets.¹⁴

10. In addition to ADB operations, close coordination among funding agencies is important to address the issues surrounding the SMEs. This TA will seek active coordination and attempt to ensure complementarities between the initiatives of ADB and other institutions.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

11. The purpose of the TA is to support the preparation of the SDPL by formulating a focused and sustainable framework for SME promotion. The TA and SDPL will be consistent with the broad vision of the Government on SME development, as stated in the Decree 90, Directive No. 17/2002CT-Ttg (*Measures to Further Enhance the Implementation of the Enterprise Law*), and *The Plans for Enterprise Promotion*. The broad agenda identified in these documents include (i) formulation and implementation of overall SME promotion policies, (ii) enhancement of SMEs' access to finance, (iii) improvement of the current legal/registration processes, (iv) development of infrastructure for SMEs' capacity building and export promotion efforts, and (v) enhancement of SMEs' access to land use. The TA will combine policy and legal reforms with specific institutional development (based on investment components). The output of the TA will include diagnostic analyses and time-bound action plans for the overall design of the SDPL. The TA will have two main components.

12. **Long-Term Development Plan for Policy and Legal Reforms.** The TA will formulate a comprehensive framework for SME promotion, for the medium to long term (henceforth the *SME Roadmap*).¹⁵ After an in-depth diagnostic analysis of the issues, the *Roadmap* will also provide the overall policy and legal components of the SDPL. Within the overall framework, the specific components to be considered include (i) identifying the policy coordination framework and implementation aspects of SME related projects including capacity building and legal status of SME promotion institutions; (ii) completing policy and institutional framework for SME promotion on various issues as stated above (paras. 6-9), including improving market and other

¹³ The venture capital industry is just starting in Viet Nam, and it can benefit from the SME-oriented securities trading center in Hanoi, which is expected to be in operation by the year 2003. Establishment of the center has been supported by ADB. The leasing industry is still relatively small, although it has been growing rapidly. The total leased assets for 2001 are estimated to amount to VND2 trillion (\$133 million).

¹⁴ High-quality technical standards are potentially important for SMEs' certification signals to the market the quality of their products, and thereby enhances their exporting and subcontracting potentials.

¹⁵ The Vice Minister of MPI, in a letter of 5 August 2002 to Director General-MKRD, has requested ADB assistance for the formulation of the *SME Roadmap*. The MPI has agreed to provide an outline of the *SME Roadmap* before the implementation of the TA.

related information provision to SMEs; (iii) strengthening the system for capacity building for SMEs, including technical centers for enhancing the current industrial and technical standards and information on technology transfer for SMEs; and (iv) creating a favorable environment to improve the SMEs' access to the financial system, including the leasing and venture capital industries. The TA will also analyze the current efforts by the Government on developing major development finance components related to SMEs, including establishment of the credit guarantee fund, and an export-import bank, and enhanced role of the Development Assistance Fund for SMEs.

13. **Feasibility Study on Development of Institutions.** To complement the policy components, the TA will investigate the development of possible institutional (investment) components, such as (i) enhancing the development of venture capital and equity funds in Viet Nam? such development is important given the large number of SMEs recently being established, and that they still rely on informal contacts for financial resources;¹⁶ (ii) establishing a facilitating institution for SME-related projects? although some large-scale credit lines are available to SMEs, none is available for related projects such as capacity building programs, or SMEs' attempts to enhance their access to land; and (iii) developing industrial standards and technical assistance center, to help SMEs improve their products. These components will be investigated for their development impact, sustainability, and feasibility based on budget and potential demand.

B. Methodology and Key Activities

14. To address the two major categories of tasks, the TA will comprise two main phases. The first phase will initiate the formulation of the framework for the SDPL, and the second phase will focus on the specific feasibility studies for the targeted investment components. In the first phase, the medium-term framework will be developed in close consultation with the Government covering the necessary policy reforms, which will make up the overall policy reform agenda of the SDPL. A preliminary feasibility study will be conducted to prepare for more in-depth analyses of the second phase on the investment components. To achieve the goals of the first phase, the TA will undertake the following tasks: (i) an in-depth diagnostic analysis of the key issues facing the SME sector, (ii) a detailed draft of the *framework for SME promotion*, (iii) identification of the overall framework for the SDPL, and (iv) pre-feasibility analyses of the investment components.

15. Based on the achievements of the first phase, both the framework for SME promotion and the framework for the SDPL will be refined throughout the second phase, based on active consultation with the Government. The detailed feasibility studies on the specific investment components that have been determined in the first phase will be based on the two frameworks. As each step of the TA will require close consultation with stakeholders, several workshops will be organized and other opportunities will be made to build consensus on these outputs for the SDPL.

¹⁶ In this task, ADB will seek close coordination with the Mekong Project Development Facility and Mekong Enterprise Fund.

C. Cost and Financing

16. The TA is estimated to cost a total of \$820,000 equivalent, comprising a foreign exchange cost of \$560,000 equivalent and a local currency cost of \$260,000 equivalent. The Government of Italy will finance \$400,000 equivalent and ADB will finance \$160,000 equivalent to cover the entire foreign exchange cost and \$90,000 equivalent of the local currency costs, or \$650,000 total, on a grant basis. ADB financing will be from ADB's TA funding program. The Government will finance the remaining \$170,000 equivalent of the local costs, including provision of counterpart staff, office space, administrative services and physical facilities. The cost estimate and the financing plan are in Appendix 3. Detailed implementation arrangements for the two main phases will be discussed with the selected consultants during contract negotiations. The contract is based on quality-cost-based selection process and the simplified technical proposal will be used. The terms of reference for the consultants are in Appendix 4.

D. Implementation Arrangements

17. To facilitate implementation of the TA, ADB has requested that a high-level working group be established headed by the vice minister of MPI, the Executing Agency. The implementing agencies include the Ministry of Finance, State Bank of Viet Nam, Ministry of Science and Technology, Ministry of Natural Resources and Environment (General Department of Land Management), and other Government agencies. The Government and ADB will allow flexibility in the overall design of the TA to address the dynamic issues facing the SME sector.

18. The TA will be implemented over a period of 6 months from March to September 2003 and require three international (14 person-months total) and four domestic (22 person-months total) consultants. The consultant team will produce an inception report, two interim reports, and a draft final report, and each will be discussed during tripartite meetings. The consultant team will be selected according to ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB on the engagement of domestic consultants.

IV. THE PRESIDENT'S DECISION

19. The President, acting under the authority delegated by the Board, has approved (i) ADB administering a portion of technical assistance not exceeding the equivalent of \$400,000 on a grant basis by the Government of Italy; and (ii) ADB providing the balance not exceeding the equivalent of \$250,000 on a grant basis, to the Government of Viet Nam for preparing the Small- and Medium-Sized Enterprise Sector Development Program, and hereby reports this action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Goal Sustainable economic development with a vibrant small- and medium-sized enterprise (SME) sector</p>	<p>??Increased investment by SMEs ??Increased employment in SMEs ??Increased SME contribution to gross domestic product</p>	<p>The Government's statistical reports</p>	<p>??The Government's commitment to SME development ??Stable political and macroeconomic environment</p>
<p>Purpose Enhance institutional and policy framework for SME development</p>	<p>??The Government's endorsement of the project preparatory technical assistance (TA) and the SME Development Program Loan (2004) (SDPL) ??Asian Development Bank (ADB) operations for SME development based on the TA ??Effective coordination of funding agencies based on the TA</p>	<p>??The progress of the design of the SDPL and framework for SME promotion ??ADB review missions ??Government's plans for SME development</p>	<p>??The Government's commitment to SME development ??Coordination of all institutions involved in private sector and SME sector development</p>
<p>Outputs Specific and focused assistance modality for the SDPL</p>	<p>??Prepare for the SDPL based on (i) the <i>SME Roadmap</i>, for the long-term development plan for the SME sector; (ii) the SDPL's specific policy reform agenda for the medium term; and (iii) institutional development plans for the SDPL. ??These outputs will be based on the analysis of the SME sector, including (i) diagnostic review; (ii) activities and plans of the Government and other stakeholders; (iii) prioritization of the current needs; and (iv) guidelines for ADB operations</p>	<p>??TA Progress report ??ADB review missions and consultations with the Government and other stakeholders</p>	<p>??Support of related Government agencies ??Competence of consultants ??Ability of ADB to closely communicate with relevant actors</p>
<p>Activities Workshops and other consultations with the Government and other stakeholders for consensus-building</p>	<p>??Hold at least 5 workshops with stakeholders to build consensus for both the SDPL and the framework ??Consultants and ADB missions to engage in close consultation with the Government and others</p>	<p>??TA Progress reports ??ADB review missions and consultations with the Government and other stakeholders</p>	<p>??Support of related Government agencies ??Competence of consultants ??Ability of ADB to closely communicate with relevant actors</p>
<p>Inputs Phase 1: 10 person-months of international and domestic consultants Phase 2: 26 person-months of international and domestic consultants</p>	<p>??Framework for both the SDPL and the framework and pre-feasibility studies for investment components ??Fine-tuning of both the SDPL and the framework and full feasibility studies for investment components</p>	<p>??TA Progress reports ??ADB review missions and consultations with the Government and other stakeholders</p>	<p>??Support of the related Government agencies ??Competence of consultants ??Ability of ADB to closely communicate with relevant actors</p>

SUMMARY INITIAL POVERTY AND SOCIAL ANALYSIS

A. Linkages to the Country Poverty Analysis

Sector identified as a national priority in country poverty analysis?	Yes	Sector identified as a national priority in country poverty partnership agreement?	Yes
<p>Contribution of the sector/subsector to reduce poverty in Viet Nam:</p> <p>The development of Small- and Medium-Sized Enterprise (SMEs) has significant implications for poverty reduction. It will enhance the current economic structure, income, and employment-generating activities; reduce income fluctuation of individuals and businesses; and thereby contribute to macroeconomic stability and poverty reduction.</p> <p>About 22 million people are unemployed or underemployed in Viet Nam, and another 1.3 million young people are entering the workforce each year. As growth in the state-owned, foreign-invested, and agriculture sectors are expected to slow, the private sector needs to grow by about 150% during the next 5 years to meet the growing demands (Asian Development Bank. 2002. Private Sector Assessment -draft).</p> <p>To reach these ambitious goals, and to achieve growth of industrial gross domestic product (GDP) of around 10% per year, the private sector will have to contribute most of the total domestic investment. Based on Asian Development Bank projections, the domestic private sector will need to double its investment, from the current 7% to 10-13% GDP to meet these targets.</p>			

B. Poverty Analysis

Proposed Classification: Beneficiary Non-Specific

<p>Analysis:</p> <p>The project preparatory technical assistance aims to have a significant impact on poverty reduction. The implementation of the SME Development Program Loan (2004) will lead to a more balanced and competitive industrial structure, increased income and employment generating activities, reduced fluctuation of incomes of individuals and businesses, and export competitiveness. Thus, the loan contributes to macroeconomic stability and poverty reduction.</p> <p>The private sector and SMEs have a crucial role in raising the level of investment and are essential for improving the quality of investment; i.e., creating new, more productive, and higher paying employment. Private SMEs generate more labor opportunities per unit of capital than large enterprises. SMEs are therefore vital for the country to absorb the more than 1 million (and growing) new entrants into the job market each year, and to stimulate employment-intensive growth in rural areas, moving workers out of agriculture. Private sector SMEs are likely to be the main source of investment opportunities, generating economic growth and creating employment.</p>

C. Participation Process

<p>Stakeholder analysis: None required</p> <p>Participation strategy required: No</p>

D. Potential Issues

Subject	Significant, Not Significant, Uncertain, None	Strategy to Address Issues	Plan Required
Resettlement	None		None
Gender	None		None
Affordability	None		None
Labor	None		None
Indigenous People	None		None
Other Risks/Vulnerabilities	None		None

COST ESTIMATES AND FINANCING PLAN
(\$)

Item	Foreign Exchange	Local Currency	Total
A. ADB Financing			
1. Consultants			
a. Remuneration and per diem			
i. International Consultants	415,100	0	415,100
ii. Domestic Consultants	0	55,000	55,000
b. International and local transportation	24,000	6,000	30,000
c. Reports preparation	7,000	7,000	14,000
2. Equipment and materials	6,000	0	6,000
3. Workshops	0	10,000	10,000
4. Contract negotiation for Executing Agency	2,435	0	2,435
5. Communication and administration	7,965	7,035	15,000
6. Translation	0	4,965	4,965
7. Contingency	97,500	0	97,500
Subtotal (A)	560,000	90,000	650,000
B. Government Financing			
1. Office, secretarial, and related services	0	58,000	58,000
2. Local counterpart	0	66,000	66,000
3. Facility for workshops	0	16,000	16,000
4. Miscellaneous administration	0	10,000	10,000
5. Contingency	0	20,000	20,000
Subtotal (B)	0	170,000	170,000
Total	560,000	260,000	820,000

Note: Cofinancing by the Asian Development Bank (\$250,000) and the Government of Italy (\$400,000).
Source: Asian Development Bank staff estimates.

OUTLINE TERMS OF REFERENCE

1. The work plan and consultant selection for phase 2 are subject to refinement by the Asian Development Bank (ADB). The work plan of the domestic consultants may be refined, based on the needs of the team leader for both phases.

A. International Consultants

1. SME Development Specialist and Team Leader (6 person-months)

2. The team leader will have extensive working knowledge of Small- and Medium-Sized Enterprise (SME) development, its policy framework, and applicable international best practices. In addition, the team leader should demonstrate good understanding of the history and development of the Vietnamese private sector and the development situation of the country's legal and regulatory system, on which the SMEs depend, including promotion policies, legal reforms, and capacity building measures for SMEs. The team leader will be responsible for all outputs from the technical assistance (TA) and will provide necessary guidance to all other consultants. The tasks and responsibilities of the specialist include the following:

a. Phase 1 (2 person-months):

- (i) Coordinate with other consultants to draft a long-term SME development plan. This will entail developing a framework for SME promotion policies as well as institutional and legal reforms, based on the in-depth diagnostic (including sectoral issues for policy formulation) analysis of the SME sector. The in-depth diagnostic analysis should include a (a) profile of SMEs, (b) detailed analysis of binding constraints, and (c) profile of externally funded activities.
- (ii) Study the investment components, which include (a) SMEs' access to banking and nonbanking finance (financing mechanisms for SME-related projects), and development of a fund for enhancing SMEs' access to land use; and (b) a technical and industry standards testing laboratory and SME assistance center.
- (iii) Assist ADB missions with the related activities as well as conduct discussions and workshops with the relevant stakeholders, to build consensus on the SME sector development program loan (SDPL) framework.

b. Phase 2 (4 person-months):

- (i) Refine the SDPL framework and the framework for SME promotion.
- (ii) Conducting feasibility studies for ADB and the Government (a) on pilot investment projects, along with other consultants, including a pilot fund for enhancing SMEs' access to finance (such as venture capital or start-up funds); and (b) for SME-related projects (including development of fund for enhancing SMEs' access to land use/industrial districts). Base the work on detailed feasibility studies and action plans, that include specific projections of costs, demands, overall development impact, and long-term financial sustainability.
- (iii) Conduct pilot investment projects for an industrial and technical standards program and testing and SME assistance laboratory based on a detailed

feasibility study and action plan. These projects will be prepared for ADB and the Government, and will include specific projections of the costs, demands, and overall development impact.

- (iv) Assist ADB missions with the related activities as well as conduct discussions and workshops, with the relevant stakeholders, to build consensus on the SDPL framework.

2. Economist (4 person-months)

3. The international economist will have extensive working knowledge of economic development, policy framework, and relevant international best practices. In addition, the economist should demonstrate good understanding of the history and development of culture of the Viet Nam's private sector and the country's legal and regulatory system on which the SMEs depend, including promotion policies, legal reforms, capacity building measures for SMEs. The international economist will work closely with the team leader and will share the responsibilities as needed. The specific tasks and responsibilities of the economist include:

a. Phase 1 (2 person-months):

- (i) Draft the framework for SME promotion, which entails developing a framework for policies and institutional and legal reforms that will make up the framework for the SDPL, based on the in-depth analysis of the SME sector.
- (ii) Assist ADB missions with the related activities as well as conduct discussions and workshops, along with the team leader, with the relevant stakeholders to build consensus on the SDPL framework.

b. Phase 2 (2 person-months):

- (i) Refine and conclude the framework for SME promotion which the short- and medium-term objectives will become a basis of the SDPL's reform framework.
- (ii) Assist the team leader to develop a framework for enhancing SMEs' access to land use, including (a) diagnostic review, (b) possible policy reform agenda, (c) development of appropriate legal framework for reforming land use system, and (d) formulation of the master-plan for enhancing SMEs' access to land use/industrial districts.¹⁷
- (iii) Analyze the poverty and social impact of ADB policy reform programs for SME development in Viet Nam.
- (iv) Assist ADB missions with the related activities as well as conduct discussions and workshops, along with the team leader, with the relevant stakeholders to build consensus on the SDPL framework.

¹⁷ Depending on the nature of the reform on legal issues, a legal expert may be recruited during the second phase.

3. **Financial Economist** (phase 2: 4 person-months)

4. The international financial economist will have extensive working knowledge of financial systems and their operations and experience conducting feasibility studies based on international best practices. In addition, the specialist should demonstrate a good understanding of the development of Viet Nam's private sector and the country's financial system. The tasks and responsibilities of the international financial economist include the following:

- (i) Provide help to the team leader in drafting the frameworks especially those covering the financial and investment components.
- (ii) Design pilot investment component projects to enhance SMEs' access to finance (such as venture capital or start-up funds) and for SME-related projects (including development of a fund for enhancing SME access to industrial districts and the related information systems). Based on the nature of the feasibility study, the consultants may also need to prepare financial and economic analyses, engineering and management aspects, as well as impact assessment on poverty, environmental and social issues according to the ADB guidelines.
- (iii) Develop a time-bound action plan for enhancing the leasing industry for the benefit of the SMEs.
- (iv) Assist ADB missions with the related activities as well as conduct discussions and workshops, along with the team leader, with the relevant stakeholders to build consensus on the SDPL framework.

B. **Domestic Consultants**

1. **Economist** (6 person-months)

5. The domestic economist will have a background in SME development, understand private sector development, and be proficient in English. The economist will be responsible for providing inputs related to the frameworks, especially in legal and policy reform areas. Preferably, the economist will have had experience working with international consultants and governments. The economist will undertake the following tasks:

- (i) Assist the team leader in all aspects of their tasks within the terms of reference.
- (ii) Under the guidance of the team leader, collect and analyze required information and data, and make these available in English and in an organized, readable form.
- (iii) Conduct research on specific topics as required by the team leader.
- (iv) Arrange and organize discussions and workshops, and assist the team leader in preparing materials for them including translation of documents and interpretation of the discussions.

2. Land Use Specialist (6 person-months)

6. The specialist will have background in SME development, understand private sector development, and be proficient in English. The specialist will provide inputs related to the framework of the SDPL, especially for issues related to improving SMEs' access to land use in Viet Nam. This will include the legal reforms and programs. Preferably, the specialist will have had experience working with international consultants and governments. The specialist will undertake the following tasks:

- (i) Assist the team leader and international economist in all aspects of the tasks within the terms of reference.
- (ii) Under the guidance of the team leader and international economist, collect and analyze required information and data, and make these available in English and in an organized, readable form.
- (iii) Conduct research on specific topics as required by the team leader and international economist.
- (iv) Arrange and organize discussions and workshops, and assist the team leader and international economist to prepare materials for them, discussions including translation of documents and interpretation of the discussions.

3. Technical Standards Specialist (6 person-months)

7. The domestic specialist will have a background in developing technical standards, understand private sector development, and be proficient in English. The specialist will be responsible for providing inputs related to the frameworks, especially for designing programs to enhance industry and technical standards and SME assistance centers (testing and research laboratories). The specialist will provide information to the SMEs on technology transfer. Preferably, the specialist should have experience working with international consultants and governments. The specialist will undertake the following tasks:

- (i) Assist the team leader in all aspects of the tasks within the terms of reference.
- (ii) Under the guidance of the team leader, collect and analyze required information and data, and make these available in English and in an organized, readable form.
- (iii) Conduct research on specific topics as required by the team leader.
- (iv) Arrange and organize discussions and workshops, and assist the team leader in preparing materials for them including translation of documents and interpretation of the discussions.

4. Financial Economist (phase 2: 4 person-months)

8. The specialist will have a background in finance, understand private sector development, and be proficient in English. The specialist will be responsible for providing inputs related to the framework of the SDPL, especially for developing investment project components related to enhancing SMEs' access to finance and SME-related projects, as well as developing the leasing industry. Preferably, the specialist should have experience working with international consultants and governments. The specialist will undertake the following tasks:

- (i) Assist the international financial economist and Team Leader in all aspects of the tasks within the terms of reference.
- (ii) Under the guidance of the international financial economist, collect and analyze required information and data, and make these available in English and in an organized, readable form.
- (iii) Conduct research on specific topics as required by the international financial economist.
- (iv) Arrange and organize discussions and workshops, and assist the international financial economist and team leader in preparing materials for them, including translation of documents and interpretation of the discussions.

C. Arrangements and Schedule

9. This TA is scheduled to commence in 1 March 2003. All consultants will begin their work on 1 March 2003, except the international and domestic financial economists, who will begin on 1 May 2003. The work will produce four sets of draft reports, all conforming to ADB format.

- (i) The first report is due by 1 April 2003. This version (entailing a comprehensive outline of the TA) will be based on this terms of reference and initial discussions with the Government and ADB.
- (ii) The second report is due by 1 May 2003. This version (entailing the frameworks and the pre-feasibility studies) will be based upon the comments received by both the Government and ADB.
- (iii) The third report is due by 1 July 2003. This will entail the specific design of both frameworks (including the feasibility studies), aiming to build consensus among the stakeholders.
- (iv) A draft final report is due by 1 September 2003. The report will be revised based upon comments by ADB and the Government.

10. Extensive consultations (and workshops) with stakeholders, including local and central government officials and external agencies, are envisioned in the process of finalizing the TA. The consultants are to hold at least 5 workshops (including one workshop at TA inception to clarify the consultants' work plan and build consensus) before the delivery of the final report.