

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. The Asian Development Bank (ADB) has supported the development of the microfinance sector in Vietnam since 2001. ADB's initial technical assistance¹ provided to improve the legal, regulatory, and supervisory framework resulted in issuing in March Decree No. 28/2005/ND-CP on the Organization and Operation of Microfinance Institutions (MFIs) to enable the expansion of MFIs in Vietnam. To support the Government implement, monitor and review the regulatory and supervisory framework embodied in Decree 28, another technical assistance² was provided to assist the State Bank of Vietnam (SBV) and Ministry of Finance (MOF) which resulted to the issuance of Decree No. 165 and Circular No. 02, which provided among others, the guidelines required for the implementation of Decrees No. 28 and 165 covering (i) the organization and operations of microfinance institutions; (ii) mobilizing capital and lending by microfinance institutions; (iii) the organization and operations of transaction offices, branches, representative offices and transaction points of microfinance institutions; and (iv) special control, bankruptcy, dissolution and liquidation of microfinance institutions. Finally, ADB's project "Formalizing Microfinance Institutions"³ is currently being undertaken to transform up to five (5) unregulated microfinance programs to formal regulated microfinance institutions (MFIs), provide training to enhance the capacity of MFIs staff and SBV's capacity to supervise newly licensed MFIs.

2. Among the notable sector projects in the pipeline being undertaken by other development partners in the Vietnam, include the Agence Francaise Developpement (AFD) technical assistance program to SBV⁴ to improve and strengthen the legal framework, supervisory and regulatory capacity of SBV for the development of a commercially viable microfinance industry. AFD shall also provide a grant to the Central People's Credit Fund (CCF) for trainings⁵, study tours, and studies to further enhance and strengthen the CCF/PCF system. The World Bank's (WB) Rural Finance Project III (RF 111) includes part of the loan the Government converted into technical assistance⁶ to improve the capacity of regulation, off-site supervision and on-site inspection for staff and inspectors of the Bank Supervision Agency of SBV (BSA) in licensing, regulating, supervising the microfinance system and institutions having micro-finance activities in Vietnam, with particular focus on the CCF and PCF system. The Rabo International Advisory Services BV (RIAS) has already undertaken an operational and organization review of the CCF, Peoples Credit Fund (PCF) and the Association of Peoples Credit Fund (VAPCF) and the role of SBV as an initial step to provide assistance in the transformation of the PCF/CCF system into a one tier structure with a full banking license, clear commercial goals while maintaining their cooperative characteristics. Other development partners with past and on-going programs and activities to strengthen existing microfinance service providers include the Spanish Agency for International Development Cooperation (AECID), Center for International Development Issues (CORDAID), Desjardin International Development (DID), the OPEC Support Fund, and Bill and Melissa Gates Foundation.

3. Cofinancing arrangements were discussed with key donors in the sector, AFD and IFAD in particular. While AFD was not in a position to cofinance ADB's proposed program and TA, it

¹ ADB. 2001. *Technical Assistance to Viet Nam for Preparing the Framework for Microfinance Implementing Development*. Manila.

² ADB. 2005. *Technical Assistance to Viet Nam for Implementing the Regulatory and Supervisory Framework for Microfinance*. Manila.

³ ADB. 2009. *Grant Assistance to Viet Nam for Formalizing Microfinance Institutions*. Manila.

⁴ "Improving Legal Frameworks And Strengthening Regulatory And Supervisory Capacity For the Microfinance Sector"

⁵ Includes training on Financial Analysis, Risk Management and Credit Appraisal and Financial Analysis of Clients.

⁶ Strengthening the Capacity of Inspecting Supervising Microfinance Activities in Viet Nam and

was agreed that a close coordination be continued to ensure the ongoing assistance complimenting each other. Additional discussions were held with IFAD regarding cofinancing. Because IFAD's timeline is more than one year out, it was determined that cofinancing would not be possible at this time.

Major Development Partners

Development Partner	Program Name	Duration	Amount (million)
ADB	TA 3741-VIE - Preparing the Framework for Microfinance Development (SBV)	2001-2004	\$0.30
	TA 3638 VIE- Implementing the Regulatory and Supervisory Framework for Microfinance	2007-2008	\$0.25
	JFPR 9140-VIE – Formalizing Microfinance Institutions (SBV)	2009-2011	\$1.65
	TA 7499-VIE - Preparing Microfinance Sector Development Program for Viet Nam (SBV)	2010-2011	\$0.75
	Microfinance Development Program	2011	\$40.00
ADA	Building a sustainable microfinance sector through strengthening the Vietnam Microfinance Working Group	2010 -2011	\$0.04
AFD	Technical Assistance Grant to CCF/PCF for training, study tours and studies	2010-2012	\$0.50
	Technical Assistance Program State Bank of Vietnam Microfinance Support Program	2010-2013	\$1.37
BTC	ACCESS: Access to Coordinated Credit and Enterprise Support Services (VWU)	2007-2011	\$0.51
		2010-2011	\$1.50
CORDAID/ILO	Microfinance Support Programme Viet Nam	2010-2011	\$0.04
CORDAID	Building A Sustainable Microfinance Sector Through Strengthening The Vietnam Microfinance Working Group (MFWG)	2010 -2012	\$0.50
ICO – Spain	AECID – ICO Microfinance Project of Spanish Government (PCF)	2006-2018	\$24.14
Citibank Foundation	Country Microentrepreneur of the Year Award	2010	\$0.07
DID	Linking Rural Areas – Urban Areas to Eliminate Hunger and Reduce Poverty (PCF)	2008 - 2010	\$3.60
DFID / Ausaid	Project on Supporting VBSP to Formulate Development Strategy (Project Beyond WTO I)	2007-2008	\$0.07
DID/WB	VBARD Microfinance Development Strategy (RFD11)	2007	\$0.02
German Savings Association	Capacity building support for TYM Fund / Vietnam Women's Union	2007-	Consultant salary
IDF - OPEC Fund	"Fund for the Rural poor" Project (VBSP)	1999 - 2015	\$10.00
IFAD	Project for the Economic Empowerment of Ethnic Minorities in Poor Communes of Dak Nong Province	2010 - 2016	\$20.00

	Developing Business with the Rural Poor Programme	2007-2014	\$35.50
	Programme for Improving Market Participation of the Poor in Ha Tinh and Tra Vinh Provinces	2007-2012	\$26.4
FORD	Project "Supporting the Extension of savings service for the Poor	2007-2010	\$0.30
Japan Ministry of Finance, and NLFC	The Technical Assistance Project of Policy Research Institution (PRI) - National Life Finance Cooperation (NLFC) of Japan Phase 1)	2003-2006	\$0.42
RaboBank Foundation	Technical Assistance Project for CCF-PCF Network	2011-2013	\$3.00 (Indicative Amount)
WB	Rural Finance III	2010 - 2032	\$200.00
Unilever Vietnam	Microfinance For The Poor Project	2008-2010	\$0.46

ADA = Appui au Développement Autonome; ADB = Asian Development Bank; AECID = Spanish Agency for International Development Cooperation; AFD = Agence Française Développement; BTC = Belgian Technical Cooperation; CCF = Central People's Credit Funds; CORDAID = Centre for International Development Issues; DID = Desjardin International Development; MFIs = Microfinance Institutions; MFWG = Microfinance Working Group; NLFC - National Life Finance Cooperation (NLFC) of Japan; PCFs = People's Credit Funds; SBV = State Bank of Vietnam; VBARD = Vietnam Bank for Agriculture and Rural Development; VBSP = Vietnam Bank for Social Policy; WB = World Bank; WTO = World Trade Organization

^a the numbers are rounded off to two decimal digits

Source: Asian Development Bank, Data getting directly from various stakeholders.

B. Institutional Arrangements and Processes for Development Coordination

4. Cooperation with development partners is an important feature of ADB's activities to develop the microfinance sector in Vietnam. In processing this project, ADB consulted closely with the AFD, WB, IFAD, DID, BTC and RAIS to ensure that the activities under the proposed project and grant component shall complement the initiatives of other development partners. Finally, during the implementation of the project, ADB shall continue to conduct and hold continuing dialogue and consultation with other development partners to further strengthen areas of cooperation and complementation in developing the microfinance sector in Viet Nam.

C. Achievements and Issues

5. As a result of the close coordination during the project preparatory phase, WB had asked the mission team engaged in this project to provide their inputs and comments to the proposed terms of reference of the technical assistance project "Strengthening the Capacity of Inspecting and Supervising Microfinance Activities in Viet Nam"⁷. Likewise, AFD proposed to organize regular donor coordination meetings to ensure greater collaboration and coordination of programs and activities to develop the microfinance sector in Viet Nam.

D. Summary and Recommendations

6. The scope and intention of the proposed project to develop the microfinance sector in Vietnam inclusive of all its components, has been closely coordinated with all major development partners, including AFD and WB. ADB's continued support for the sector is considered appropriate and timely, and the proposed project is complementary to existing aid agency programs.

⁷ A component of the World Bank RFD 111 Project.