

POLICY AND ADVISORY TECHNICAL ASSISTANCE

VIET NAM: SUPPORTING THE MICROFINANCE SECTOR DEVELOPMENT

A. Rationale

1. As an integral part of the MDP, the technical assistance (TA) will support the development of a medium-term reform agenda in microfinance and its implementation, and provide the Government with policy advice.
2. Following on the achievements made under the PPTA, which paved the way for the MDP, the TA will complement and reinforce the policy actions to be taken by the government under the MDP.

B. Objectives and Scope

3. The objective of the TA is to assist the Government in the implementation of the microfinance regulations and in the development of fiscal and regulatory incentives for microfinance operating credit institutions (CIs), a microfinance credit information exchange system, and the microinsurance regulations. Specifically, the TA scope involves:
 - (i) the formulation of implementing rules and regulations (IRRs) of the microfinance provisions in the Credit Institutions Law (CIL) promulgated in 2010 through consultations with SBV Banking Supervision Agency (BSA) and microfinance operating CIs;
 - (ii) the study and recommendation of fiscal and regulatory incentives for microfinance CIs;
 - (iii) the planning, development, and training for a microfinance credit information exchange system to be used by reporting CIs and the Credit Information Center (CIC); and
 - (iv) the improvement of the current insurance regulations to support the development of microinsurance, as part of microfinance services, to meet the risk protection needs of low-income households.

C. Cost Estimates and Financing Plan

4. The total cost is estimated at \$600,000. JFPR will finance \$500,000 and the Government will finance \$100,000. Disbursements under the TA will be made in accordance with the ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). Equipment will be procured in accordance with ADB's Procurement Guidelines (2010, as amended from time to time). The TA expenditures will comply with *JPFR Policy Guidelines for JFPR Project Grants* (as amended from time to time). Upon the TA completion, all equipment purchased under the TA will be handed over to the EA in accordance with ADB's normal practice.

D. Implementation Arrangements

1. Executing Agency

5. SBV will be the EA for all components of the TA. The project management unit (PMU) to be established in the EA will coordinate with the implementing agencies (IAs) the TA activities. The IAs will be SBV, MOF and CIC. Each IA will set up a project implementing unit (PIU) for necessary coordination of the TA activities with the PMU. The PMU will undertake the overall

TA administration, supervision, communication and financial transactions with the Asian Development Bank (ADB), annual auditing, progress monitoring, and impact evaluation. SBV will appoint a project director and two full-time counterpart staff for the duration of the TA to be based in the PMU. SBV will also ensure that staffs assigned are appropriately qualified and available to carry out all work in connection with the TA for the duration of the TA.

2. Consulting Services

6. The TA will provide 10 person-months international consultant services and 12 person-months national consultant services: (i) an International Microfinance Sector Development Specialist/Team Leader (5 person-months); (ii) an International Microfinance Regulation Specialist (1.5 person-months), (iii) an International Credit Information System Development Specialist (2 person-months); (iv) an International Microinsurance Development Specialist (1.5 person-months); (v) a National Microfinance Specialist (6 person-months); and (vi) a National Project Assistant (6 person-months). All the consultants will work on an intermittent basis. The consultants will be engaged by ADB in accordance with ADB's Guidelines on the Use of Consultants (2010, as amended from time to time). Consultant terms of reference are given in H. Consultants Terms of reference.

E. Implementation Schedule

7. The TA will begin in September 2012 and will be implemented over 18 months ending February 2014. An inception meeting will be held in Hanoi during the first month of implementation to discuss and agree on the detailed work plan. Subsequently, meetings will be held at the end of each quarter for the first year and thereafter at six-month intervals. Lists of participants and budgets for training will be submitted to ADB for prior approval. The implementing schedule is given in Table 2 below.

F. Reporting Requirements

8. The consultants will prepare (i) an inception report including a detailed work program, to be submitted within one month of the start of the TA and to be discussed at the initial tripartite review meeting with ADB and PMU; (ii) quarterly progress reports; (iii) mid-term report within 10 months of the TA inception; (iv) a draft final report covering progress, the achievements of the TA, and requirements for future assistance 1 month before completion of the TA; and (v) a final report 1 month after receipt of comments from the Government and ADB on the draft final report. Training reports will be included in these reports as appropriate.

G. Cost Estimates

9. Table 1 shows the TA cost estimates:

Table 1: Cost Estimates
(\$'000)

			Total Cost	% of Total Cost of JFPR Financing
A. JFPR Financing				
Consultant Costs				73%
1. Consultant			365.0	
a. Remuneration and per diem		276.0		
i. International consultants	225.0			
No. of person-months	10			
Remuneration	175.0			
Per diem	50.0			
ii. Domestic consultants	51.0			
No. of person-months	12			
b. International and local travel		64.0		
c. Reports and communications		25.0		
Non-Consultant Costs				19%
2. Equipment ^a		5.0		
3. Workshops, consultation, seminars, and conferences ^b		30.0		
4. Surveys		0		
5. Miscellaneous administration and support costs		5.0		
6. Representative for contract negotiations		5.0		
7. Software development cost for CIC		50.0		
Contingencies		40.0		8%
Subtotal (A)			500.0	
B. Government Financing				
1. Office accommodation and transport		60.0		
2. Remuneration and per diem of counterpart staff		30.0		
3. Others		10.0		
Subtotal (B)			100.0	
Total			600.0	

^a **Equipment**

Type	Quantity	Cost
Desktop Computers and software	2	\$3.0
Printer	1	\$1.0
Other office equipment, furniture, fixtures and fittings		\$1.0

^b **Workshops, consultation, seminars, and conferences**

Purpose	Number of Participants	Venue	Duration	Cost
				\$30.0
Consultation on the formulation of the IRRs relating to the CIL provisions on MFIs	To be determined	Hotels	To be determined	15.0
Consultation on the formulation of the IRRs relating to the development of microinsurance	To be determined	Hotels	To be determined	10.0
Training on micro credit information exchange system	To be determined	CIC, SBV	To be determined	5.0

Source: Asian Development Bank.

H. Consultant Terms of Reference

1. International Microfinance Sector Development Specialist /Team Leader (5 person-months)

10. The international microfinance sector development specialist/team leader (IMSDS/TL) will have a postgraduate degree in banking or finance and at least 10 years of recognized professional experience in microfinance, focusing on microfinance institution (MFI) regulation, establishment, and institutional development and project management. Experience in Southeast Asia, especially knowledge of Viet Nam's microfinance sector, is preferable.

11. Working with the SBV staff assigned to the project office, the IMSDS/TL will:

- (i) assist with the establishment of a project office (along with staff provided by SBV) including preparation, adoption, and approval of the PMU and PMU mandates and the terms of reference for allocated full-time counterpart staff;
- (ii) conduct a comprehensive review of the CIL 2010 to identify IRRs need to clarify the governance structure required for MFIs, and procedures in the transition of a semi-formal microfinance program to a licensed MFI;
- (iii) identify a strategy and work with SBV to promote semi-formal MFIs to be licensed by SBV;
- (iv) develop draft IRRs allowing microfinance operating CILs to provide innovative services including electronic banking services for SBV consideration;
- (v) organize, with the International Microfinance Regulation Specialist, consultations on IRRs with stakeholders;
- (vi) provide inputs to the Capacity Development Technical Assistance consultant team in formulating a supervision manual and a manual of rules and regulations;
- (vii) study and provide recommendations for the development of fiscal and regulatory incentives for microfinance operating CIs including exemption from income tax, tax holiday, and access to SBV rediscounting window, and relaxation of the branching requirements for SBV and MOF consideration for issuance; and
- (viii) guide and manage inputs of other consultants, take lead responsibility for the preparation of the inception, quarterly progress, midterm, draft final and final reports, incorporating as appropriate contributions from other consultants;

2. International Microfinance Regulation Specialist (1.5 person-months)

12. The international microfinance training specialist (IMRS) will have a postgraduate degree in banking or finance or a development-related subject and at least 7 years recognized professional experience in the areas of microfinance regulation. Experience in Southeast Asia, especially knowledge of Viet Nam's microfinance sector, is preferable.

13. Working with the IMSDS/TL, other consultants and the PMU, the IMRS will:

- (i) organize consultations on IRRs with stakeholders, and based on the discussions at the consultations, develop draft IRRs relating to the microfinance provisions of the CIL 2010 ; and
- (ii) prepare progress reports on IRRs formulation and provide inputs to assist the MDS/TL in preparing the Inception, Quarterly Progress, Mid-term, Draft Final and Final Reports.

3. International Credit Information System Development Specialist (2 person-months)

14. The international credit information system development specialist (ICISDS) will have a minimum of 10 years professional experience, including experience in the development and management of credit information systems, which include data on the microfinance sector. Experience in Southeast Asia is preferred.

15. Working with the IMSDS/TL, IMRS, other consultants, and CIC management and staff assigned to the PIU, the ICISDS will:

- (i) conduct a full review of the needs and capacity of the CIC and microfinance operating CIs in the development and management of a microfinance credit information exchange system;
- (ii) formulate the implementation plan to develop software to establish an IT based and cost effective localized credit information exchange system for microfinance in CIC ensuring that data collected is disaggregated by sex and ethnicity;
- (iii) formulate terms of reference of software developers based on the software development plan;
- (iv) monitor and evaluate the CIC software development for a microfinance information exchange system; and
- (v) coordinate with IMRS in the formulation and conduct of training on the effective credit information management for CIC staff and management, SBV regulators, and microfinance operating credit institutions.

4. International Microinsurance Development Specialist (1.5 person-months)

16. The international microinsurance development specialist (IMDS) will have a postgraduate degree in banking or finance and at least 10 years professional experience, including experience in the development of microinsurance products/services. Experience in Southeast Asia is preferred.

17. Working with the IMSDS/TL and the MOF staff assigned to the PIU, the MIDS will:

- (i) conduct a study on the current insurance regulatory framework and provide recommendations for revisions to support the development of microinsurance, as part of microfinance services, to meet the risk protection needs of low-income households;

- (ii) specifically, propose IRRs related to the Amendment Law on Insurance 2010 including the revision of capital requirement for setting up an Mutual Assistance Insurance (MAI) to promote the outreach and ensure the integrity of microinsurance; and
- (iii) through consultations, formulate and recommend IRRs related to the Amendment Law on Insurance 2010 to encourage insurance companies to offer microinsurance products/services and that these products/services include gender and social considerations.

5. National Microfinance Specialist (6 person-months)

18. The national microfinance specialist (NMS) will have a degree in banking or finance or a related discipline and at least 5 years professional experience in microfinance. Knowledge of Viet Nam's microfinance sector is required. Experience in working for international aid organizations is preferable. Working with the IMSDS/TL and the PMU, the NMS will:

- (i) assist TL with all aspects of the terms of reference as required;
- (ii) collect and analyze required data and information, and make these available in English in an organized, readable form;
- (iii) assist in the preparation of guidelines, mandates, manuals, training materials, and delivery of workshops and training, including translation of documents and interpretation;
- (iv) undertake other tasks necessary for the efficient implementation of the TA as may reasonably be required by the TL; and
- (v) contribute as required to the inception, quarterly progress, midterm, draft final and final reports.

6. National Project Assistant (6 person months)

19. The national project assistant (NPA) will have a degree in banking or finance or a development-related subject and at least 4 years recognized professional experience in the areas of project assistance and management. Experience in working for international aid organizations is preferable. The NPA will:

- (i) assist in the arrangement and organization of meetings for the TA activities and ADB missions;
- (ii) assist in the preparation of materials for reports, meetings and workshops, including translation of materials, and document production;
- (iii) provide written and oral translation from English to Vietnamese and Vietnamese to English as required including participation in meetings and workshops;
- (iv) provide assistance to the TA consultants on specific technical matters as requested;

- (v) provide assistance to the TA consultants in administrative matters including travel and visa arrangements, maintenance of hard and soft copy files including back-ups, and general office administration;
- (vi) contribute as required to the inception, quarterly progress, midterm, draft final, and final reports; and
- (vii) other work in connection with the project as may be reasonably requested by the TA consultants.

Table 2: Implementation Schedule

Item		Months																	
Activities		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Work Planning for MDP																			
Study of CIL and recommendations for IRRs																			
Study and recommendation of fiscal and regulatory incentives for microfinance operating CIs																			
Inclusion of CI data in CIC																			
Study and recommendation on microinsurance regulation																			
Consultation Planning				0.5								0.25							
Consultation					0.5								0.25						
Staffing Schedule	Mos.																		
International Microfinance Sector Development Specialist /Team Leader	5												0.5						0.5
International Microfinance Regulation Specialist	1.5			0.5	0.5								0.5						
International Credit Information System Development Specialist	3																		
Microinsurance Development Specialist	1.5		0.5																
National Microfinance Specialist	6											0.5	0.5						
National Project Assistant	6																		

CI = credit institutions, CIL = Credit Institutions Law, MDP = Microfinance Development Program.

Source: Asian Development Bank.