

**UPDATE ON THE ACTIVITIES OF THE PARTNERSHIP GROUP FOR SME PROMOTION
AND PRIVATE SECTOR DEVELOPMENT (SMEPG)
Embassy of Japan, 15 June 2005
REPORT TO THE CONSULTATIVE GROUP**

On 15 June, the SME Partnership members convened at the Embassy of Japan.

As in previous gatherings, the Agency for SME Development, the Embassy of Japan and UNIDO¹ co-chaired the event that drew an attendance of 80 representatives from both Government agencies and Donor community.

From the Government side, the MPI's ASMED leadership, and the drafting team of the SME Development Plan participated in the forum. Mr Phuc, former Director-General of the Agency for SME Development and in that capacity, co-chair of the Partnership had been meanwhile promoted to the rank of Vice-Minister of MPI and attended the meeting as keynote speaker. From the donors side, representatives from multi and bi-lateral donors as well as International Non Governmental Organisations attended the event: Canada, Denmark, Finland, Germany (GTZ, KfW), Italy, Japan (JICA), the Netherlands (SNV), Norway, Sweden, Switzerland (SDC), and the United States (USAID); Asian Development Bank, the European Commission, the International Finance Corporation (MPDF), International Labour Organization, United Nations Development Programme, United Nations Industrial development Organization, World Bank were represented.

Three topics shaped the agenda of the meeting: firstly, ASMED's report to the donor community on the first draft of the SME Development Plan 2006-2010, to be integrated in the SEDP 2006-2010; secondly, the establishment of technical sub-working groups under the Partnership; finally, the presentations of current and planned projects and programmes in the SME field.

In his **Opening speech**, **Vice Minister Nguyen Ngoc Phuc** highlighted the importance of the SME sector as engine of Vietnam's economic growth, being the entrepreneurial activity at the same time source of employment generation and deterrent to poverty, especially in rural and remote areas.

He complimented the work done in partnership with those donors that have been supporting the sector, and stressed the importance of reviewing donors' assistance for a better coordination and cooperation.

Mr Phuc also invited donors to provide their comments on the draft plan before it is submitted to the SME Promotion Council.

Lastly, he thanked the donors for their friendly and fruitful cooperation and introduced to the audience Mr Nguyen Van Trung, the newly-appointed Director-General (DG) of ASMED.

Remarks by the co-chairs

- **Mr Trung**, DG of ASMED and *ex officio* co-chair of Partnership briefed the donors on the SME Plan and guidelines of implementation, and pointed out the role of the SME support programme that aims to ease the challenges for both exporters and domestic producers to maximize the positive impact of WTO accession. While thanking the donors that constituted the sub-groups and drafted the relative ToRs, he stimulated the discussion on the creation of the sub-groups and their working modalities by raising three issues: participation of additional donors to the already established sub-groups; possibility to set up additional sub-groups; and working modalities and reporting procedures to the Partnership Group.

¹ Upon instruction of MPI, Japan and the United Nations Industrial Development Organization (UNIDO) act as co-chairs of the "Partnership Group for SME Promotion and Private Sector Development" in Vietnam.

He concluded with a note of appreciation towards the SME survey and gap analysis run by MPDF that helps identify the needs of SMEs as well as donors target their interventions.

- **Mr Fukahori**, Head of Economic Division of the Embassy of Japan, reported about the need for cooperation in order to reach WTO accession, the Japan-Vietnam Joint Initiative on Monitoring, and the paper on "Suggestions for Strengthening the Competitiveness of Vietnamese Industries" that provides a summary of recommendations and comments for the next SEDP.
He concluded by supporting the idea of linking up the SMEPG to the Partnership Group for Aid Effectiveness (PGAE).
- **Mr Scholtès**, UNIDO Representative, congratulated Mr Phuc for his appointment. Considering the importance of the SME Development Plan, he informed the Partnership that the three co-chairs had chosen not to convene a meeting of the Partnership before the mid-year CG meeting in Can Tho, but to wait for the release of a first draft of the SME Strategy and Action Plan scheduled for early June in order to make the meeting more effective. Mr Scholtès also stressed that UNIDO saw this particular meeting as a turning point in the history of the Partnership, on three counts: first, the constitution of technical sub-groups amongst experts and practitioners will make the Partnership more action-oriented; second, Vietnam is making rapid progress overall on the front of harmonization and aid effectiveness: the conclusions of a high-level meeting (Paris, February 2005) under the aegis of the OECD/DAC were localized in a matter of weeks in the April 2005 Hanoi Core Statement, and the SME Partnership is in a good position to contribute, with its expected results in the fields of harmonization, simplification of procedures and a monitoring system of indicators, a valuable case-study on aid effectiveness; third, the possibility of linking up the Vietnam SME Partnership to the Committee of Donor Agency for SME Development (SEDONORS), and more generally to the SME donor community at the global level, would provide guidance on best practices for the benefit of all technical assistance projects and programmes.

Presentation of the first draft of the SME Development Plan 2006-2010

- **Ms Pham Thanh Ha**, Deputy Division Manager, General Issues & Domestic Investment Encouragement Division of ASMED, on behalf of the Drafting Team, presented the first draft of the SME Development Plan 2006-2010 and Action Plan for its implementation. She introduced the latest census and survey statistics that show the role and potential of SMEs and the Government strategy for the sector; she also described the process and the drafting team work that has led to the Plan and invited the participants to refer to the website www.business.gov.vn for the details regarding SME Development Reports by Ministries, Agencies, and Cities.
She then listed the SME Plan's seven major priorities related to business regulations, access to land, access to finance, access to tools for increased competitiveness, access to skilled labour, entrepreneurship culture, management of implementation of the plan. For each priority, a number of measures and activities were presented along with success indicators and two support programmes on "Maximizing the impact of WTO accession in four selected sectors" and "Creating employment in rural areas, disadvantaged areas and amongst minorities".
The financial plan was also presented for consideration of all stakeholders: private sector and donors were invited to conceive their contribution according to that plan.
As concluding part, Ms Ha illustrated the next steps needed for the completion of the final draft before the submission to the Prime Minister.

Comments from donors

- Mr Kohata, Chief Technical Advisor of the JICA project aimed at supporting the three TACs, expressed his compliments for the comprehensiveness of the draft and put forward some observations: in relation to policy measure and taxation, (page 17 of the June 08 version of the SME Strategy and Action plan) while considering ASMED as the leading Agency on the issue, he noted that there were no indications about possible ASMED divisions in charge of the matter; as far as credit funds are concerned (page 32), he asked ASMED leadership to promote and accelerate their establishment throughout the country; (page 36) as regard to the institutional setting, he observed that ASMED should be the key agency under the MPI; (page 76) he stressed the importance of data collection; (page 70) on the guarantee fund, he asked to consider the setting up of financial institutes as priority.
- Ms Araya, ADB Head of Finance, Trade, Governance and Private Sector, commended the Government to assume full ownership in developing the strategy, and informed that ADB technical assistance is targeting, inter alia, the field of land registration an National Business Information Network (NBIN); the refinement of the monitoring system in the plan by establishing output indicators and the definition of timeline with sequencing and identification of short, mid and long term actions would help the priority groups.
- Ms Meissner, Technical advisor of the EU Private Sector Support Programme, raised two issues: the Plan neglects the role of the private sector whereas good practices show that it has a leading role in designing and implementing strategy and therefore recommended its stronger involvement in support programme design; she affirmed the need for a stronger role of private agencies in implementation as well as for building up capacities of the private sector to formulate strategies; she then referred to the possible catalyst role of large companies as main forces and providers of know how in these strategies.
- Mr. Holde, Advisor of component one of DANIDA's BSSP, delivered a note of appreciation towards the very participatory process, and asked whether there was a deadline for written comments.
He referred to the "Government will take steps to encourage an effective market for BDS and phase out functions..." (page 60) as a very important statement.
- Mr Scholtès, UNIDO Representative, provided the following comments: with regard to the monitoring issue (page 61) the quantitative objectives as they are defined in the draft SME Strategy are neither specific nor verifiable. He also questioned the links between the formulation of SME Strategy on the one hand, and the work in progress towards a Unified Enterprise Law. To the extent that the latter piece of legislation will set the legal framework for SME activity in the years to come, it is somewhat surprising that there should be so little synergy between the two drafting teams: there is little intersection indeed between the experts working on legal issues (Common Investment Law and Unified Enterprise Law) and those working on the SME strategy.
He also regretted that the SME Plan missed an opportunity to articulate in that sector the Government's Agenda on Sustainable Development; the implementation of Agenda 21 is moving rapidly at both central and local levels, and the SME Strategy should likewise promote the environmental and social responsibility of enterprises.
- ASMED replied to the issues raised: as far as the deadline is concerned, ASMED requested donors to provide their written comments as soon as possible; the quantitative targets indicated in the SME Strategy are in effect backed by detailed analyses; and the personal involvement of the DG in the field of UEL as an instance of linkage with the SME Plan.

Discussion on the Partnership sub-groups

Acting as a co-chair, Mr To Dinh Thai, Manager of International Cooperation Division of ASMED, opened the discussion on the sub groups that will lead towards a more action-oriented Partnership; he referred to the meetings in March between ASMED and representatives of a number of programme and project managers/advisors. At those occasions, participants proposed on the establishment of seven sub Working Groups under the SME Partnership. Some of the participants volunteered to draft preliminary TORs for the identified sub groups as listed below. Mr Thai also emphasized that at this meeting ASMED proposed these persons to actively initialize the operation of the sub groups and to bring the results of discussion to the next SMEPG meeting about their sub group's performance):

1. WG on Business regulation reform (Mr Ray, USAID)
2. WG on Local economic governance (Ms Kuesel, GTZ)
3. WG on BDS (Mr Vistisen, DANIDA)
4. WG on Sectoral approaches (Ms Meissner, EU)
5. WG on SME finance (Mr Kohata, JICA)
6. WG on Sustainable business practice (Ms Nguyen, MPDF)
7. WG on Business research and monitoring (Ms Tas, UNIDO)

As detailed ToRs are drafted and a driver for each group identified, Mr Scholtès urged the sub-groups to starting working on coordination between projects and to engage in a more proactive involvement in the form of joint activities or pulling resources. He also encouraged other projects with concrete operations underway and interested to be part of any sub-group to touch base with the relevant WG coordinator; however, the sub-groups should remain focussed and include only those donors that have a concrete interest in the respective themes: allowing too broad a participation would undermine their effectiveness and would only duplicate the work of the Partnership itself.

- Ms Nga, UNDP Programme Officer, requested to participate in the group on Business regulation reform (Mr Ray, USAID) since UNDP is involved in regulatory reform projects at central land local level as well as in the work related to CIL and UEL.
- Ms Araya, ADB, proposed that a group on land issue be established, as this is the second priority of the SME Plan; she also affirmed that there are no linkages between the priorities and WGs.
She added that as the ADB funded project "Making market work better for the poor" and the ADB technical assistance project are dealing respectively with value chain and licensing, representatives from these two projects will be willing to participate in the WG on Sectoral approaches and WG on Business regulation reform.
- Mr Ray added that the establishment of the land sub-working group can depend on the number of interested donors who will indeed join the activities of that particular sub group.
- Mr Guitard, Advisor of SMEDF, observed that representatives from banks are not represented and that would be interesting to link the different projects, including their funding, to the planning strategy.
- Ms Tas, CTA of UNIDO-ASMED project, while responding to the proposal of linking the sub-groups work to the draft of the SME plan, she referred to the need for maintaining full national ownership in the formulation process. She also recommended that those projects/programmes representatives of WGs with critical mass of members to assess their input to the group by the end of June.
- Mr Scholtès thanked the participants for their comments, and suggested that additional sub-groups such as the one on land use proposed by ADB can be created whenever there was sufficient interest amongst several donors and one of them willing to act as a driver of the group.

- Mr Thai concluded by encouraging the WGs to initiate the work and proposed that the future results be submitted and discussed on the occasion of the next Partnership; regarding the formation of additional sub-groups, ASMED will welcome any new idea, but reminded the importance of having practitioners involved. Land policy can be discussed within the WG on Regulatory reform.

Presentation of current and planned project and programmes

- Mr Kohata, made a presentation on “Enterprise survey in northern province and SME policy”. In his presentation, he proposed ASMED to consider the experience and best practices of the main SME policy in advanced countries (US, UK, Japan, etc.), and particularly under each one of the four major components of finance, taxation, technical and management support. He also presented the functions of TACs as key bodies that work in cooperation with the DPI at provincial level and that receive support from ASMED’s different divisions.
He announced that the final report will be available in July.
- The independent consultant Nhu-An Tran, MPDF’s “Donor PSD interventions in Vietnam: an analysis of potential gaps and conflicts”.
Following donors’ request, this study was carried out in cooperation with ASMED with the objective to identify gaps, overlaps and conflicts, and provide recommendations to harmonize PSD activities.
Current PSD activities amount to 58 projects inventoried with 27 donors involved. Findings in terms of technical areas, location, counterparts, beneficiaries, sectors, technical approach, and donor coordination were presented. Finally recommendations to ASMED, the SMEPG, and donor-to-donor were put forward.
- Mr Shrestha presented SNV international activities with a focus on the component “Market to access for the poor”. The activities under this component cover seven provinces (Lai Chau, Lao Cai, Son La, Thai Nguyen, Ninh Binh, Quang Binh, Thua Thien Hue) and are related to value chain development, enabling environment, access to finance (microfinance).
- Ms Kuesel announced that the GTZ programme was signed early June and that she will provide further information on the occasion of the WG presentation in the next Partnership. Besides, as GTZ is involved with UNDP, GTZ, PMRC to support the CIL, UEL, she informed that the available documents will be shared with the partnership members.
- Support to Trade Promotion and Export Development in Vietnam (seco-SIDA)
Mr Chevalier, Technical advisor of the project, underlined the importance of two priorities in the Plan, enterprise culture and competitiveness; the current project, which is being implemented with Vietrade, is concentrating on various aspects of these two priorities.
At present, the project activities are focusing on the assessment of export potential in the handicraft, wood and furniture, plastic, tea and medicinal herb sectors.
- Mr Holde, advisor of BSPS, provided a snapshot of the main activities to be carried out and invited donors to share information on the issue of occupational health and HIV/AIDS in the workplace.

Concluding remarks

The Embassy of Japan co-chair concluded by affirming the need to link whatever decision taken under the SMEPG to the Partnership Group for Aid Effectiveness (PGAE).

In his concluding remarks, UNIDO co-chair made reference to the explicit request from ASMED to look into the management and operational modalities of the JICA project. As these

modalities are considered to be a model to be followed by other donors, he invited the organization's leadership to provide additional information on the issue.

ASMED co-chair wrapped up the meeting by expressing the gratitude for all donors' and projects' representative for their presence and efficient comments at the meeting; also, he thanked Embassy of Japan for hosting the event.

**SME Partnership Group Meeting
15 June 2005**

Registered Participants

Invited

N.	Donors	Organization
1	Ms. Kanokpan Lao-Araya Head of Finance, Trade, Governance and Private Sector	ADB
2	Mr. Dominic Smith Coordinator, Making markets work better for the poor	ADB
3	Mr. Le Cong Luyen Viet Markets4poor	ADB
4	Mr. Ernest Koch CTA, ADB ADTA	ADB
5	Mr. Manuel Vicente Encarnacion Accounting Consultant, ADB ADTA	ADB
6	Mr. Henrich Dahm IT consultant, ADB ADTA	ADB
7	Ms. Sylvie Dupuis Project Manager, Rural Enterprise Expansion Project	OXFAM-QUEBEC
8	Ms. Luong Minh Ngoc Program Officer	OXFAM-QUEBEC
9	Mr. Henrik Vistisen Development Counsellor	DANIDA
10	Mr. Svend Erik Holde Advisor, BSPS	DANIDA
11	Mr. Francisco Fontan Deputy Head, Development Cooperation	EC
12	Mr. Patrick Cooney Program Officer	EC
13	Ms. Ricarda Meissner CTA, VPSSP	EU
14	Mr. Philippe Guitard Team Leader, SMEDF	EU
15	Ms. Chi SMEDF	EU
16	Ms. Nguyen Kim Chung SMEDF	EU
17	Mr. Le Dai Nghia Program Officer	FINLAND
18	Mr. Marc Gilbert Deputy Head	FRANCE-AFD
19	Ms. Corinna Kuesel CTA, SME Development Program	GTZ
20	Mr. Thomas Finkel Senior Technical Advisor	GTZ
21	Mr. Le Duy Binh Senior Program Officer	GTZ
22	Ms. Do Thi Thanh Binh Program Assistant	ILO
23	Mr. Pietro Sequi	ITALY

	Director, Development Cooperation Office	
24	Ms. Alessandra Bravi Program officer, Development Cooperation Office	ITALY
25	Mr. Alain Chevalier Senior Trade Promotion Advisor	ITC
26	Mr. Yasukata Fukahori First Secretary	JAPAN
27	Mr. Oshikiri Koji Deputy Resident Representative	JICA
28	Ms. Ebihara Yuko Deputy Resident Representative	JICA
29	Mr. Kenichi Kohata Advisor	JICA
30	Ms. Trieu My Chau Secretary to Mr. Kohata	JICA
31	Ms. Tran Huong Giang Project Manager	KFW
32	Ms. Tran Nhu An Consultant	MPDF
33	Ms. Nguyen Tuyet Hanh Biz Enabling Program	MPDF
34	Ms. Nguyen Thien Huong Biz Enabling Program	MPDF
35	Ms. Ingrid Norstein First Secretary	NORAD
36	Mr. Tran Trong Chinh Advisor	NORAD
37	Ms. Dang Mai Dung Program Officer	SDC
38	Ms. Cu Thi Le Thuy Project Assistant	SDC PROJECT
39	Mr. Ranjan Shrestha Development Advisor	SNV
40	Ms. Le Ngoc Anh Advisor, Market access for the poor	SNV
41	Ms. Do Thi Nguyet Nga Program Officer	UNDP
42	Mr. Philippe Scholtes Representative	UNIDO
43	Mr. Paolo Casilli Program Officer	UNIDO
44	Mr. Nobuya Haraguchi Program Officer	UNIDO
45	Ms. Nilgun Tas CTA, UNIDO project	UNIDO
46	Mr. Dennis Zvinakis Country Director	USAID
47	Mr. Nguyen Quang Anh Program Officer	USAID
48	Mr. David Ray Deputy Project Director	VNCI
49	Mr. Doan Tien Giang Regional Coordinator	VNCI
50	Ms. Amanda Carlier Senior Specialist	WORLD BANK
51	Mr. Nguyen Van Vinh Deputy Division Manager	DSI

52	Director	MCG
53	Mr. Tran Kim Hao Deputy Director-In-Chief, Economic Management Review	CIEM
54	Ms. Dinh Thi Chinh Division Manager, Dept of National Economic Issues	MPI
55	Mr. Dao Quang Vinh Vice President	ILSSA, MOLISA
56	Mr. Nguyen Thanh Ha Director	VIETBID
57	Mr. Trinh Thanh Binh Director	LAMAC
1	Mr. Nguyen Ngoc Phuc Vice Minister	MPI
2	Mr. Nguyen Van Trung Deputy Director-General in charge	ASMED
3	Mr. Nguyen Van Quang Deputy Director-General	ASMED
4	Mr. Ta Dinh Xuyen Director, TAC	ASMED
5	Mr. To Dinh Thai Manager, Int'l Cooperation Division	ASMED
6	Ms. Nguyen Hong Lien Director, Business Information Center	ASMED
7	Ms. Pham Thi Thanh Ha Deputy Division Manager, General Economic Issues Div.	ASMED
8	Mr. Vu Xuan Thuyen Senior Officer, General Economic Issues Division	ASMED
9	Mr. Nguyen Trong Hieu Principal Officer, SME Promotion Division	ASMED
10	Mr. Nguyen Ngoc Hien Principal Officer, ASMED Office	ASMED
11	Mr. Nguyen Hoa Cuong Officer, ICD	ASMED
12	Ms. Bui Thu Thuy Officer, ICD	ASMED
13	Ms. Nguyen Thi Minh Hue Officer, SME Promotion Division	ASMED
14	Mr. Bui Anh Tuan Officer, Biz Registration Division	ASMED