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Small and Medium-Sized Enterprises Finance Project

Quantitative and qualitative improvements in financing for small and medium-sized enterprises, and support for strengthening the capabilities of banks

Loan Amount / Disbursed Amount 4.0 billion yen / 3.937 billion yen
Loan Agreement March 1999
Terms & Conditions 0.75% interest rate, 40 year repayment period (10 year grace period), Partially untied
Final Disbursement Date March 2005
Executing Agency The State Bank of Vietnam (<http://www.sbv.gov.vn/>) (Vietnamese language website)



Project Objectives

The objective of this project was to provide a two-step loan targeting all of Vietnam with a focus on four metropolitan areas, via The State Bank of Vietnam and intermediary banks*. By supplying medium and long term funds required for the development of small and medium-sized enterprises, and providing consulting services for strengthening their financing capabilities, the project aimed at quantitative and qualitative improvements in financing for small and medium-sized enterprises, contributing to development of private small and medium enterprises, and thereby facilitate progress towards a market economy.

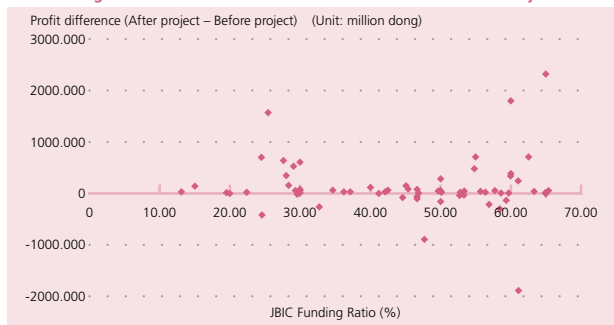
* Intermediary banks: The Industrial and Commercial Bank of Vietnam, The Bank of Investment and Development of Vietnam, Asia Commercial Bank, Eastern Asia Commercial Bank

Effectiveness and Impact

Rating **a**

The number of funds provided to small and medium-sized enterprises via the two-step loan intermediary banks greatly exceeded the plan (about 80% above plan as of 2004), with revolving fund operations also proceeding well. Also, there are few cases where financing from project funds became bad debts, so the banks are judged to be making sound financing decisions. Enterprises with high equity ratios which received loans tend to steadily grow their net income after receiving loans, so for solid progress in management of small and medium-sized enterprises, it is desirable that loans are provided to enterprises which are able to reserve greater shareholders' equity. Moreover, intermediary banks have begun to make financing decisions taking into consideration factors in addition to collateral, performing quantitative evaluation of project risks and considering long term business relationships, and intermediary banks are seen to have stronger capabilities. Thus implementation of this project is seen to have achieved results generally according to plan, and is highly effective.

JBIC Funding Ratios and Differences in Profits Before vs. After the Project



Relevance

Rating **a**

This project was consistent with national policies at the time of appraisal and ex-post evaluation, and its relevance is extremely high. Both at the time of appraisal and at the time of ex-post evaluation, support for small and medium-sized enterprises was emphasized, with the goals of improving competitive strength, generating employment, and developing basic industries, however, relieving the lack of investment funds required for small and medium-sized enterprises is becoming an issue.

Efficiency

Rating **b**

The project expenses were almost according to plan, but project duration exceeded the plan (113% of planned period). Thus its efficiency was judged to be about average. The project extension was mainly due to delay in the ODA loan agreement coming into effect. The information systems are operating in each intermediary bank, but the initially planned interbank system was not built.

Sustainability

Rating **a**

There are no problems with the implementation capability or operation and maintenance system of the executing agency and the project is expected to be highly sustainable. The intermediary banks are highly satisfied with the training seminars. Efforts are underway to spread and establish skills with seminar participants becoming teachers at their respective banks.

Conclusion, Lessons Learned, Recommendation

As described above, this project was given an extremely high evaluation. Lessons learned from this project are to consider conformance to the project objectives in the definition of small and medium enterprises targeted for support, secure sufficient budgets and time for construction of information systems, and consider participation of financial institutions which are not targeted by the project.

Third-Party Opinion

This project supported Vietnam's recovery from the Asian currency crisis, and was well timed. Also, the intermediary banks are currently providing high quality financial services to small and medium enterprises.

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