

## **Third Party Evaluation's Opinion on Small and Medium Sized Enterprises Finance Project**

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### **Criteria 1. Relevance**

Conclusion about the relevance of the Project in terms of momentum of appraisal project as well as momentum of ex-post evaluation is correct.

Though the monetary crisis in Asia did not have any critical impact to Vietnam, but it still caused considerable difficulties to Vietnamese economy at early years of the 5-year socio-economic plan (2001-2005) with the consequence that GDP growth rate dropped down to bottom in 2000 compared to 1990s of the past decade; the import-export market share of goods and services in the region was shrunk; FDI volume saw a sharp fall, especially from the countries and regions that suffered heavily from the monetary crisis in the continent.

To overcome the negative impacts caused by the regional monetary crisis and to continue the implementation of consistent policies on development of multi-sectoral economy with rapid speed in a competitive and integrating environment, the Government of Vietnam has introduced and realized a great deal of policies and measures, in which a strong emphasis has been given to the thrive of private sector and small and medium size enterprises.

Private sector in Vietnam has made great contribution to the economic growth and normally achieved higher speed in its development than the State sector, especially in industrial sector. The private enterprises which mainly are corporatized small and medium enterprises have enjoyed higher growth and more effective performance than the enterprises in the State sector. However, these enterprises still face difficulties in tapping on the capital funds from the banks due to a lot of mismatching in the banking services for them. Recognizing this issue, a number of banks have been selected to receive funding and capacity-strengthening support with the aim to help them improve the quality of their banking services for small and medium size enterprises. This solution has timely facilitated the small and medium size enterprises to make a full play of their advantages for contributing the high economic growth in the 5-year socio-economic development plan (2001-2005). Entering the 5-year socio-economic development plan (2006-2010), the sustained high development rate of 8 percent per year on average is a very important target in Vietnamese economic development agenda. The lessons drawn out from the ex-evaluation project is very appropriate and timely to convince Vietnam to continue making their efforts of providing more support to private sector in general and to small and medium size enterprises, in particular the efforts that these enterprises access to the capital funds and good services from the banks so that these enterprises can make greater contribution to the achievement of rapid and sustainable development in period of 2006-2010.

By providing ODA to Vietnam, especially by scheme of Yen loans, the Japanese Government has helped Vietnam in its economic reform and in development of socio-economic infrastructure. Project on Small and Medium Enterprises Financing Project together with New Miyazawa Initiative (1999) and Initiative to improve Vietnamese Investment Environment (2003) are relevant to the Japanese Government's cooperation policies to Vietnam.

### **Criteria 5: Sustainability**

After this Project, the participating banks (PFI) have effectively performed with their improved quality of services. Their professional skills and banking facilities have been upgraded. Thanks to

this, these banks acquired adequate conditions to continue providing capital funds and delivering their qualified services to customers in general and to the small and medium size enterprises in particular. Apart from this, these banks have also played a leading role in provision of skills and experiences to other banks, creating leveraged impact and contributing to the reform of Vietnamese banking system.

Though the Management Information System (MIS) has not yet made full play of its role due to the constraint of resources, the lessons drawn from this fact is that when designing this Project, one should consider conditions on comprehensive manner to define appropriate targets and contents and at the same time should have broader vision in linking up with other activities of the banking system. MIS in this case is just one of the components in the system of banking modernization for Vietnam that Vietnam is now in process of implementation through the support from an IDA loan project from the World Bank.