

Technical Assistance

TAR: VIE 39100

Technical Assistance to the Socialist Republic of Viet Nam for Implementing the Regulatory and Supervisory Framework for Microfinance (Financed by the Poverty Reduction Cooperation Fund)

August 2005

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 15 August 2005)

Currency Unit	–	dong (D)
D1.00	=	\$0.0001
\$1.00	=	D15,874

ABBREVIATIONS

ADB	–	Asian Development Bank
BID	–	Banking Inspectorate Department
Decree No. 28	–	Prime Minister's Decree No. 28/2005/ND-CP on the Organization and Operation of Microfinance Institutions in Viet Nam
IFRS	–	international financial reporting standards
MFI	–	microfinance institution
MOF	–	Ministry of Finance
NGO	–	nongovernment organization
SBV	–	State Bank of Viet Nam
SPB	–	Social Policy Bank
TA	–	technical assistance
VBARD	–	Viet Nam Bank for Agriculture and Rural Development
VWU	–	Viet Nam Women's Union

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	General intervention
Sector	–	Finance
Subsector	–	Microfinance
Themes	–	Governance, private sector development, capacity development

NOTE

In this report, "\$" refers to US dollars.

This report was prepared by B. Coleman.

I. INTRODUCTION

1. During the Country Programming Mission in April 2004, the Government requested the Asian Development Bank (ADB) to provide small-scale technical assistance (TA) to implement the newly developed regulatory and supervisory framework for microfinance. An ADB Fact-Finding Mission visited Viet Nam on 16–20 May 2005 and reached an understanding with the Government on the purpose, scope, implementation arrangements, cost, financing arrangements, and terms of reference for the TA.¹ The TA is included in the Country Strategy and Program Update for 2004–2006.²

II. ISSUES

2. Some 80% of Viet Nam's poor live in rural areas, and 45% of rural households are poor. Viet Nam's poor depend largely on farming and are characterized by relatively low agricultural productivity resulting partly from low access to capital and land. About 8% of rural households are landless. The poor are also vulnerable to shocks from illness and death in the household, commodity price fluctuations, and natural disasters. Development of sustainable rural finance can therefore have a significant impact on economic growth, poverty reduction, and risk management.

3. Efforts to increase access to rural financial services in Viet Nam coincided with agricultural reforms in the early 1990s, particularly the formation of private farms. The reforms created a demand for capital by the 12 million rural households, of which about 10 million constitute decollectivized farms. National strategies to expand rural finance have been pursued mainly through the state sector using specialized banks and credit unions. For example, the Viet Nam Bank for Agriculture and Rural Development (VBARD) has about 4 million clients, the Social Policy Bank (SPB, formerly the Viet Nam Bank for the Poor) has about 2.5 million clients, and the credit union network of the Central Credit Fund and its affiliated People's Credit Funds have almost 1 million clients. The expansion of the banking network made financial services accessible to about 7 million rural households, including about 3 million poor households. While expansion of outreach has been impressive, nearly half of rural poor households, mostly in more remote regions of the country where poverty is most concentrated, still do not have access to financial services from institutional sources. Policy makers have recognized that, in addition to the state-owned institutions, the approaches and methods of microfinance institutions (MFIs) can make an important contribution to poverty reduction in Viet Nam, particularly with their outreach to the remoter areas.

4. The "semiformal sector" (as it is termed in Viet Nam) consists of (i) government ministries providing microfinance services; (ii) mass organizations including the Viet Nam Women's Union (VWU), the Viet Nam Farmer's Union, and the Viet Nam Youth Union, which provide small loans on their own account, implement programs for international nongovernment organizations (NGOs), and facilitate the formation of credit groups for VBARD; and (iii) some 58 international NGOs that support microfinance programs, for the most part channeled through the mass organizations, especially VWU, which is authorized by Prime Minister's Letters to carry on credit and savings activities. The semiformal sector is small and accounts for only about 5% of the rural finance market. Following the lead of VBARD and SPB, virtually all semiformal programs deliver services at interest rates below levels required for sustainability, constraining their ability to expand outreach.

¹ The TA first appeared in *ADB Business Opportunities* (internet edition) on 30 June 2005.

² ADB. 2003. *Country Strategy and Program Update for 2004–2006*. Viet Nam.

5. Until recently, there was no comprehensive legal framework for microfinance services because they effectively fall outside the Law on Credit Institutions. As a result, the legal status of activities carried out under microfinance projects supported by ministries, mass organizations, and international development agencies was ambiguous. This lack of clarity in the legal and regulatory environment, along with crowding out by VBARD's and SPB's subsidized lending, has been a major reason for the reluctance of international development agencies and potential investors to expand existing microfinance programs or start new ones. The absence of an effective legal form for MFIs has meant that the transition from mass organization or NGO activities to formalized MFI has not been possible.

6. The State Bank of Vietnam (SBV) Banking Inspectorate Department (BID) is responsible for inspecting all credit institutions (as defined by the Law on Credit Institutions) onsite at least once a year. Rural credit institutions are inspected the same way as other financial institutions. Offsite inspection is done monthly based on financial institution reporting to BID. However, because microfinance services fall outside the Law on Credit Institutions, there is no inspectorate system for them.

7. To improve the legal, regulatory, and supervisory framework and thus enable the establishment and expansion of formal microfinance initiatives, ADB provided assistance through TA 3741-VIE: Preparing the Framework for Microfinance Development.³ Among other activities, that TA assisted (i) prepare a microfinance framework for developing the sector, (ii) prepare a Prime Minister's Decree on the legal framework for microfinance, (iii) specify supervisory and regulatory procedures and accounting and financial reporting requirements, (iv) prepare manuals for onsite and offsite supervision and reporting formats, (v) prepare reporting and disclosure requirements for MFIs whose scale of operations is too small for formal regulation, and (vi) train SBV staff.

8. The Prime Minister's Decree No. 28/2005/ND-CP (Decree No. 28) on the Organization and Operation of Microfinance Institutions in Viet Nam, issued on 9 March 2005, authorizes SBV to issue a variety of legal documents (e.g., guidelines, regulations, circulars, etc.) to implement the decree. For example, SBV must issue (i) guidelines on MFI branch establishment; (ii) regulations regarding sound operations of MFIs wishing to mobilize deposits; (iii) guidelines for consolidation, merger, splitting, dissolution, bankruptcy, and liquidation of MFIs; (iv) guidelines on the qualifications, election, appointment, and dismissal of an MFI's board of management, control committee, and general director; (v) regulations on entitled microfinance operations; (vi) guidelines on the maximum size of loans made, and deposits accepted, by MFIs; (vii) guidelines on MFI accounts and ledgers; (viii) guidelines on reporting and statistical obligations (in conjunction with the Ministry of Finance [MOF]); and (ix) provisions on the rights and duties of inspected MFIs.

9. Moreover, MOF is to issue (i) instructions on licensing fees of MFIs; and (ii) a circular covering guidelines on finance in (receipt) and out (payment) of MFIs; regulations on the development, maintenance, and use of funds in MFIs; and guidelines on reporting and statistical obligations (in conjunction with SBV).

10. In addition, SBV must establish systems and procedures for licensing MFIs and opening accounts at SBV for MFI legal capital and deposits. Furthermore, the following were prepared

³ ADB. 2001. *Technical Assistance to the Socialist Republic of Viet Nam for Preparing the Framework for Microfinance Development*. Manila.

under TA 3741-VIE (footnote 3) based on a draft decree that varied significantly from the decree that was eventually issued, and therefore must be reviewed and revised in accordance with the new legal framework:⁴ (i) supervisory and regulatory procedures, (ii) accounting and financial reporting requirements, (iii) manuals for onsite and offsite supervision and reporting formats, and (iv) reporting and disclosure requirements for MFIs whose scale of operations is too small for formal regulation.

11. While the new legal framework embodied in Decree No. 28 marks an improvement in the enabling environment, the Government recognizes the need to monitor the development of the sector resulting from the new framework and the possibility that future revisions to the decree may be beneficial to promote microfinance development. There is, therefore, a need to develop a framework for monitoring the impact of the new legal framework on sector development. Collectively, these tasks will require considerable technical inputs, systems development, and consensus building to be accomplished within the time frame demanded by the decree. With the constraints and difficulties faced by SBV, the Government, and microfinance practitioners to carry out their respective obligations, technical assistance is required.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

12. The TA will help develop a sound regulatory and supervisory environment for the microfinance sector that encourages market-oriented, financially self-sustainable MFIs that can contribute to poverty reduction and the country's economic growth and prosperity. The TA will assist the Government to implement, monitor, and review the regulatory and supervisory framework embodied in Decree No. 28. Key outputs will include (i) the various legal documents (e.g., guidelines, regulations, circulars, etc.) to be issued per the decree; (ii) revised, as appropriate, supervisory manuals and procedures that are consistent with the decree; (iii) improved capacity of SBV staff to carry out their duties and responsibilities to regulate and supervise microfinance; (iv) improved knowledge of microfinance practitioners regarding their responsibilities under the new decree and the various legal documents to be issued; and (v) a framework for monitoring the development of the sector. The design and monitoring framework is presented in Appendix 1.

B. Methodology and Key Activities

13. Building on work completed in TA 3741-VIE (footnote 3), the TA will (i) assist SBV and MOF to prepare the various legal documents (e.g., guidelines, regulations, circulars, etc.) required by Decree No. 28 (see paras. 8-9 for examples) and to revise supervisory manuals and procedures to be consistent with the decree; (ii) conduct participatory workshops with key stakeholders, including mass organizations and international development agencies, to seek their views on TA activities and draft outputs and to disseminate knowledge on final outputs; (iii) organize smaller roundtable discussions with key stakeholders as needed; (iv) sponsor for SBV branch staff and other local officials two study tours to two developing member countries where microfinance legal and supervisory systems are in place (Appendix 2 gives study tour details); (v) train SBV staff to implement the new framework, including regulations, guidelines, and instructions issued; and (vi) prepare a framework for monitoring sector development with a view to future improvements to the policy and legal framework that will promote further development

⁴ It is not expected that significant revisions will be needed, but there remains a need to review these procedures, manuals, etc., to ensure consistency with the new framework.

of microfinance. SBV will also undertake to launch the microfinance website developed under TA 3741-VIE (footnote 3) so it can be used to disseminate information on the decree, regulations, and microfinance best practice.

C. Cost and Financing

14. The total cost of the TA is \$315,000 equivalent, comprising \$172,000 in foreign exchange and \$143,000 in local currency. ADB will finance \$250,000 equivalent including all foreign exchange costs and \$78,000 equivalent of local currency costs. The TA will be financed on a grant basis by the Poverty Reduction Cooperation Fund and administered by ADB. The Government will provide the balance of the local currency costs of \$65,000 equivalent by providing counterpart services including (i) staff; (ii) office space for consultants during the TA; (iii) secretarial and coordinating services; (iv) translation and interpretation services other than for workshops, seminars, reports, and training materials; and (v) part of the training costs, including transportation and accommodation for government officials. Detailed cost estimates and the proposed financing plan are in Appendix 3.

D. Implementation Arrangements

15. SBV will be the Executing Agency. SBV will form a TA steering committee headed by the deputy governor and comprising representatives from concerned departments of SBV. The committee will be responsible for overall coordination between consultants and relevant agencies and for ensuring logistic support. SBV will cooperate with MOF, Ministry of Planning and Investment, Ministry of Labor Invalids and Social Affairs, and other ministries according to their respective functions and duties in preparing the various legal documents (e.g., guidelines, regulations, circulars, etc.) to implement Decree No. 28. SBV has also created a working group to undertake all work related to implementing Decree No. 28. The consultants will work closely with the working group. SBV will assign at least two counterpart staff for the TA. After the completion of the TA, follow-up duties will be assigned to SBV departments in accordance with their functions. Equipment from TA 3741-VIE and/or TA 3568-VIE: Rural Business Support⁵ will be allocated for use in this TA.

16. The TA will be implemented over 1 year beginning in September 2005 and ending in September 2006. SBV will organize three tripartite review meetings involving the Government, the TA consultant, and ADB during the TA period in conjunction with ADB missions to review the progress of implementation and to resolve any outstanding issues. The meetings will be chaired by the deputy governor of SBV or a person designated by the deputy governor. Members of the steering committee and working group and representatives of other agencies as decided by SBV will attend the meetings. A counterpart staff will act as member secretary at meetings.

17. The TA will require 7.5 person-months of consulting services: 4.0 international and 3.5 domestic. International consultants (person-months are in parentheses) will include a microfinance specialist who will also act as team leader (1.5), a microfinance legal specialist (1.0) and a microfinance supervision specialist (1.5). The domestic consultants will include a microfinance specialist and deputy team leader (2.0), and an accounting specialist (1.5). The terms of reference for the consultants are in Appendix 4.

⁵ ADB. 2000. *Technical Assistance to the Socialist Republic of Viet Nam for Rural Business Support*. Manila.

18. Per section 6.13 of ADB's *Guidelines on the Use of Consultants*, Enterplan, Ltd., the consultant engaged under TA 3741-VIE (footnote 3) will be engaged following ADB's direct selection procedure. Direct selection is justified to ensure continuity and consistency. It must be noted that: (i) the members of the consulting team have built up a unique knowledge of the legal and supervisory framework through their work in assisting to prepare the microfinance decree, and are best placed to continue their work under this TA; and (ii) consultant performance was strong under the previous TA. The consultant to be directly selected will prepare a simplified technical proposal.

19. The TA consultant will prepare (i) an inception report including a detailed work program, to be submitted within 3 weeks of the start of the TA and to be discussed at the initial tripartite review meeting; (ii) quarterly progress reports for reporting overall work progress during the period under review, the work program for the following quarter, and any outstanding issues; (iii) a draft final report compiling all TA activities and consultants' recommendations, to be submitted at least 1 month before TA completion and to be discussed at the final tripartite review meeting; and (iv) a final report at the completion of the TA taking into consideration comments from the working group and ADB.

IV. THE PRESIDENT'S DECISION

20. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$250,000 to the Government of Viet Nam, to be financed on a grant basis by the Poverty Reduction Cooperation Fund for Implementing the Regulatory and Supervisory Framework for Microfinance, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <p>Increased access of the poor to financial services</p>	<ul style="list-style-type: none"> • Number of clients served by licensed microfinance institutions (MFIs) • Number of female and other underserved clients 	<ul style="list-style-type: none"> • Reports of State Bank of Vietnam (SBV) • MFI reports • Asian Development Bank (ADB) review missions 	<p>Assumption</p> <ul style="list-style-type: none"> • MFIs can operate sustainably and expand outreach. <p>Risk</p> <ul style="list-style-type: none"> • MFIs cannot operate sustainably and expand outreach.
<p>Outcome</p> <p>Improved regulatory and supervisory environment encouraging sustainable operations and investment in the microfinance sector</p>	<ul style="list-style-type: none"> • Supervisory regime following international best practice • Set of various legal documents (e.g., guidelines, regulations, circulars, etc.) following international best practice • Number of licensed MFIs • Increased institutional diversity and investments in microfinance, including from the private sector • Financial sustainability of MFIs • MFI expansion to underserved areas 	<ul style="list-style-type: none"> • Documentation of supervisory regime • Legal documents (e.g., guidelines, regulations, circulars, etc.) • SBV reports • MFI reports • ADB review missions 	<p>Assumptions</p> <ul style="list-style-type: none"> • SBV and the Government are committed to market-oriented reforms in the microfinance sector. • Policy dialogue and participatory process achieve best-practice outputs. • Investment in new MFIs will be forthcoming. <p>Risks</p> <ul style="list-style-type: none"> • Political pressure limits improvements to the policy environment. • Investment in MFIs is small because of perceived weak policy environment.
<p>Outputs</p> <ol style="list-style-type: none"> 1. Increased capacity of SBV to implement new framework and promote development of microfinance sector 2. Supervisory guidelines and procedures 3. Regulatory legal documents (e.g., guidelines, regulations, circulars, etc.) 	<ul style="list-style-type: none"> • Enhanced capacity of SBV staff • Supervisory regime following international best practice • Set of legal documents (e.g., guidelines, regulations, circulars, etc.) following international best practice • MFIs knowledgeable 	<ul style="list-style-type: none"> • Training reports • Documentation of supervisory regime • Legal documents (e.g., guidelines, regulations, circulars, etc.) • SBV reports • MFI reports • ADB review missions 	<p>Assumptions</p> <ul style="list-style-type: none"> • SBV staff are capable and motivated to implement best practices. • MFI staff and funding agencies are motivated to participate in workshops and follow regulatory requirements. <p>Risks</p> <ul style="list-style-type: none"> • There is political pressure to limit best practices. • MFIs and funding agencies fail to participate because

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
4. Increased knowledge of microfinance funding agencies and practitioners regarding regulatory requirements and opportunities	in requirements under the new regime		the policy environment is perceived as not sufficiently enabling.
Activities with Milestones 1.1. Draft legal documents (e.g., guidelines, regulations, circulars, etc.). 1.2. Carry out participatory workshops with key stakeholders. 1.3. Conduct study tours. 1.4. Finalize supervisory guidelines and procedures. 1.5. Prepare chart of accounts and reporting standards. 1.6. Prepare monitoring framework. 1.7. Train SBV staff in new regulatory and supervisory regime.			Inputs <ul style="list-style-type: none"> • ADB <ol style="list-style-type: none"> 1. Consultants (7.5 person-months) 2. Financing for workshops 3. Review missions and policy dialogue • SBV <ol style="list-style-type: none"> 1. Counterpart staff from bank and nonbank credit institutions department 2. SBV staff participation in training 3. Office space for consultants 4. Contribution for workshops • Others <ul style="list-style-type: none"> Participation in workshops by mass organizations and development agencies

STUDY TOURS

1. Under the technical assistance (TA), two study tours, each with about 10 persons, will be organized to two developing member countries in the region where microfinance legal and supervisory systems are in place. Likely destinations will be Cambodia, Indonesia, and/or Philippines, all of which have strong regulatory and supervisory frameworks and well-developed microfinance sectors.

2. The study tour participants will be chosen among (i) staff in local branches of State Bank of Vietnam (SBV) that will conduct microfinance supervision at the local level, and (ii) other local officials (e.g., members of the local People's Committees) responsible for carrying out duties under the new microfinance legal, regulatory, and supervisory regimes. Similar study tours were provided under TA 3741-VIE¹ to officials from the central Government and SBV's head office in Hanoi, resulting in increased understanding of microfinance best practice at that level. However, such understanding at the local level is limited. Under the new legal regime for microfinance, staff in local SBV branches will be responsible both for licensing microfinance institutions (MFIs) and for supervising MFIs that fall under the prudential supervision regime. Moreover, per Prime Minister's Decree No. 28/2005/ND-CP (Decree No. 28) on the Organization and Operation of Microfinance Institutions in Viet Nam, receiving an opinion from the local People's Committee in regard to the necessity of MFI establishment in the area is a condition for issuing an operations license to an MFI. Decree No. 28 also gives local People's Committees the responsibility for issuing establishment licenses to MFIs. It is therefore important that local SBV staff and members of local People's Committees have increased exposure to and understanding of microfinance principles and best practice. Such understanding is also expected to increase support for market-oriented microfinance at the local level.

3. The TA consultants will prepare and organize the study tours, giving detailed objectives, programs, and budget for each study tour. Proposals for study tours will be submitted to the Asian Development Bank (ADB) at least 6 weeks in advance for review and approval. Study tour participants will be nominated by SBV at least 1 month before the study tour is scheduled to begin, and all nominations will be subject to ADB approval. Within 1 month of the end of the study tour, each participant will be required individually to (i) submit to their local organizations and to SBV's head office a study tour report including, but not necessarily limited to, the topics covered, the key issues raised and their relevance to Viet Nam, and main lessons learned; and (ii) give an oral presentation of their report to their colleagues in their respective local organizations. SBV will provide ADB with copies of all such reports.

¹ ADB. 2004. *Technical Assistance to the Socialist Republic of Viet Nam for Preparing the Framework for Microfinance Development*. ADB.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Poverty Reduction Cooperation Fund Financing^a			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	110.0	0.0	110.0
ii. Domestic Consultants	0.0	19.0	19.0
b. International and Local Travel	18.0	4.0	22.0
c. Reports and Communications	4.0	0.0	4.0
2. Training, Seminars, and Conferences ^b	0.0	40.0	40.0
3. Study Tours ^c	30.0	0.0	30.0
4. Miscellaneous Administration and Support Costs	0.0	6.0	6.0
5. Contingencies	10.0	9.0	19.0
Subtotal (A)	172.0	78.0	250.0
B. Government Financing			
1. Office Accommodation and Transport	0.0	25.0	25.0
2. Remuneration and Per Diem of Counterpart Staff	0.0	25.0	25.0
3. Others	0.0	15.0	15.0
Subtotal (B)	0.0	65.0	65.0
Total	172.0	143.0	315.0

^a Administered by the Asian Development Bank.

^b Two conferences (150 and 200 persons); three training sessions for State Bank of Viet Nam (SBV) central and branch staff (70 persons each).

^c Regional study tours for branch staff of SBV and other local officials to two developing member countries where microfinance legal and supervisory systems are in place.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. International Consultants

1. There will be three international consultants.

1. Microfinance Specialist/Team Leader (1.5 person-months)

2. The microfinance specialist/team leader will have a postgraduate degree in banking or finance and at least 15 years experience in financial sector policy and institutional reforms, including 10 years in reforming rural and microfinance systems at the policy and institutional levels. Experience in Viet Nam is necessary. The specialist must be well versed in Viet Nam's microfinance policies, regulations, and institutional context. Ability to communicate in Vietnamese is an advantage, but is not required. The specialist will work closely with the working group of State Bank of Vietnam (SBV) responsible for implementing the Prime Minister's Decree No. 28/2005/ND-CP (Decree No. 28) on the Organization and Operation of Microfinance Institutions in Viet Nam. Specifically, the specialist will undertake these tasks:

- (i) Supervise the work of the consulting team.
- (ii) Advise the working group, and other officials as requested, on policies supportive of microfinance best practice and how these may be incorporated in the Vietnamese context.
- (iii) Assist the working group to undertake the following tasks:
 - (a) Organize and hold a workshop, jointly with the other consultants, with key stakeholders, including mass organizations and international development agencies, to seek their views on activities of the technical assistance (TA) and draft outputs.
 - (b) Organize, jointly with the other consultants, roundtable discussions with key stakeholders as needed.
 - (c) Organize and hold a workshop, jointly with the microfinance supervision specialist, with key stakeholders, including mass organizations and international development agencies, to disseminate knowledge regarding their obligations and rights under the new framework.
 - (d) Organize all aspects of two regional study tours to two developing member countries where microfinance legal and supervisory systems are in place.
 - (e) Prepare a framework for monitoring sector development with a view to future revisions to the framework that will promote further development of microfinance.
- (iv) Ensure the preparation of the following reports:
 - (a) an inception report including a detailed work program, to be submitted within 3 weeks of the start of the TA and to be discussed at the initial tripartite review meeting;

- (b) quarterly progress reports for reporting overall work progress during the period under review, the work program for the following quarter, and any outstanding issues;
- (c) a draft final report compiling all TA activities and consultants' recommendations, to be submitted at least 1 month before TA completion and to be discussed at the final tripartite review meeting; and
- (d) a final report at the completion of the TA taking into consideration comments from the TA management committee and the Asian Development Bank (ADB).

2. Microfinance Legal Specialist (1.0 person-month)

3. The specialist will be a lawyer with a minimum of 10 years experience practicing law, including at least 5 years with legal systems of transition economies. The specialist must be well versed in Viet Nam's laws and regulations relevant to microfinance, including but not necessarily limited to laws and regulations regarding microfinance, banking, finance, and business establishment and operations. Ability to communicate in Vietnamese is an advantage, but is not required. Under the supervision of the team leader, the microfinance legal specialist will work with SBV's working group responsible for preparing legal documents (e.g., guidelines, regulations, circulars, etc.) to implement Decree No. 28. Specifically, the specialist will assist the working group in undertaking the following tasks:

- (i) Review Decree No. 28 to determine what legal documents (e.g., guidelines, regulations, circulars, etc.) are required.
- (ii) Prepare drafts of all such legal documents.
- (iii) Organize roundtable discussions with key stakeholders as needed.
- (iv) Finalize the required legal documents.
- (v) Participate in workshops and contribute as required to the inception, progress, draft final, and final reports.

3. Microfinance Supervision Specialist (1.5 person-months)

4. The specialist will have a postgraduate degree in banking or finance and at least 10 years experience in microfinance development, including at least 5 years experience in microfinance regulation and supervision. The specialist must be well versed in Viet Nam's laws and regulations relevant to microfinance, as well as SBV's policies, procedures, and manuals for microfinance supervision. Ability to communicate in Vietnamese is an advantage, but is not required. Under the supervision of the team leader, the specialist will assist SBV in undertaking the following tasks:

- (i) Review and revise supervisory manuals and procedures to be consistent with Decree No. 28 on the Organization and Operation of Microfinance Institutions in Viet Nam, with such review including, but not necessarily limited to, the following:
 - (a) supervisory and regulatory procedures;

- (b) accounting and financial reporting requirements of microfinance institutions (MFIs);
 - (c) manuals for onsite and offsite supervision and reporting formats of MFIs; and
 - (d) reporting and disclosure requirements for MFIs whose scale of operations is too small for formal regulation.
- (ii) Begin monthly off-site monitoring and half-yearly onsite supervision of MFIs that fall under the prudential supervision regime.
 - (iii) Prepare and carry out a training program for SBV staff to implement the new supervisory framework as specified in revised procedures, manuals, etc., covering all aspects of the administration and conduct of supervision.
 - (iv) Participate in workshops and contribute, as required, to the inception, progress, draft final, and final reports.

B. Domestic Consultants

5. The TA will need consulting services from two domestic consultants.

1. Microfinance Specialist/Deputy Team Leader (2.0 person-months)

6. The microfinance specialist/deputy team leader will have a postgraduate degree in banking or finance and at least 10 years in reforming rural and microfinance systems at the policy and institutional levels. The specialist must be well versed in Viet Nam’s microfinance policies, regulations, and institutional context. Excellent oral and written English communications skills are required. Under the supervision of the team leader, the specialist will work closely with SBV’s working group responsible for implementing Decree No. 28 on the Organization and Operation of Microfinance Institutions in Viet Nam. Specifically, the specialist will perform these tasks:

- (i) Advise the working group and other officials, as requested, on policies supportive of microfinance best practice and how those may be incorporated in the Vietnamese context.
- (ii) Assist the team leader and working group to undertake the following tasks:
 - (a) Organize and hold a workshop, jointly with the other consultants, with key stakeholders including mass organizations and international development agencies, to seek their views on TA activities and draft outputs;
 - (b) Organize, jointly with the other consultants, roundtable discussions with key stakeholders as needed;
 - (c) Organize and hold a workshop, jointly with the microfinance supervision specialist, with key stakeholders including mass organizations and international development agencies, to disseminate knowledge regarding their obligations and rights under the new framework;

- (d) Organize all aspects of two regional study tours to two developing member countries where microfinance legal and supervisory systems are in place.
- (e) Prepare a framework for monitoring sector development with a view to future revisions to the framework that will promote further development of microfinance;
- (f) Carry out local research, data collection, and analysis; present the results in an organized readable form in English; and provide oral and written translation for the international consultants; and
- (g) Participate in workshops and contribute as required to the inception, progress, draft final, and final reports.

2. Accounting Specialist (1.5 person-months)

7. The specialist will have an internationally recognized qualification in accounting or finance and at least 7 years professional experience including experience in the financial sector. Reporting to the team leader and working with the SBV staff assigned, the specialist will perform these tasks:

- (i) Assist SBV to prepare a chart of accounts suitable for use by all MFIs and which will allow inspection and audit to international financial reporting standards (IFRS).
- (ii) Assist SBV to draw up, review, and adopt financial reporting accounting standards for MFIs based on international best practice appropriate to the scale of MFI operations and consistent with IFRS.
- (iii) Assist the Ministry of Finance to prepare a circular covering guidelines on finance in (receipt) and out (payment) of MFIs; regulations on the development, maintenance, and use of funds in MFIs; and guidelines on reporting and statistical obligations (in conjunction with SBV).
- (iv) Prepare and deliver formal and on-the-job training to SBV staff in the chart of accounts and the accounting standards.
- (v) Participate in workshops and contribute as required to the inception, progress, draft final, and final reports.