

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	<input type="text" value="Vietnam"/>	Project Title:	<input type="text" value="Vietnam Investments Fund III LP"/>
Lending/ Financing Modality:	<input type="text" value="FI"/>	Department/Division:	<input type="text" value="Private Sector Operations
Department/Investment Funds and
Special Initiatives"/>

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

VI Fund III will primarily focus on privately owned, high-growth businesses in the middle-market. The proposed investment is to promote the development benefits associated with increased SME and private sector development in the Fund's target areas: (i) healthcare; (ii) retail; (iii) manufacturing and distribution of fast moving consumer goods; (iv) education; (v) technology, media and telecom; (vi) financial services; and (vii) transportation & logistics. SMEs typically play a key role in the transition of developing countries. In Vietnam, they account for a large percentage of firms outside the agricultural sector, constitute a major source of employment and generate significant domestic and export earnings. As such, SME development is a key instrument in poverty reduction efforts. Also SMEs involved in global production supply chains have the potential to encourage international trade. SMEs, due to their size, are particularly constrained by access to finance, access to business development services, exposure to exchange rates, high costs of administration and dealing with bureaucracy, poor infrastructure and lack of effective institutional structures

PSOD will support finance sector development and broad economic growth through a range of activities, including credit lines to finance sector entities to support, among other things, SMEs. ADB has provided a number of loans and technical assistance projects to promote the development of the SME sector. The investment will address one of the key constraints that is access to finance by SMEs. The investment is aligned with the GoV's National Socio-Economic Development Strategy 2011 – 2020, where SMEs are considered a critical factor for achieving the targets set in the Socio-Economic Development Plan. The investment is also in line with the Vietnam Country Partnership Strategy (2012-2015) describes how ADB intends to support Vietnam's goal to rise to upper middle income country status through three pillars: inclusive growth, enhancing economic efficiency, and environmental sustainability. It also aims to assist in mobilizing private capital needed to improve infrastructure and the delivery of utility and social services, including healthcare and education. The Strategy targets six sectors, which overlap with the Fund's target sectors. These are: (i) agriculture and natural resources, (ii) education, (iii) energy, (iv) finance, (v) transport, and (vi) water supply and other municipal infrastructure and services. The Strategy aims to address governance and capacity development, gender equity, and PSD and private sector operations as drivers of change wherever possible.

B. Targeting Classification

General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2, etc.)

The proposed investment will support the establishment of an SME private equity fund focused on target sectors that mobilizes capital from a diverse base of institutional and strategic investors in Vietnam.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The Fund will concentrate the investment efforts on the targeted sectors characterized by unique high-growth prospects and widespread development impact potential, including (i) food and agriculture; (ii) education; (iii) healthcare and (iv) financial services as well as (v) transportation and logistics; (vi) fast moving goods manufacturing and distribution and (vii) SOE privatization opportunities. These targeted sectors are typically characterized by industry fragmentation, compelling growth prospects or hidden value, attractive market dynamics fuelled by a growing middle class with rising consumer purchasing power, and considerably low hanging fruit opportunities for operational improvement. The potential beneficiaries of the project are the Fund and their customers, who previously have not been able to access SME credits. The investment will support SME growth in Vietnam and to get access to finance which remains one of the most critical obstacles to the development of the SME sector; and address funding needs of SMEs.

2. Impact channels and expected systemic changes. Development impact through these investments potentially include job creation, improved access to essential healthcare and financial services, improved labor competitiveness through investments in education, enhanced regional trade, and increased domestic and regional trade facilitated by investments in transportation and logistics.

3. Focus of (and resources allocated in) the PPTA or due diligence. Due diligence will address a number of topics standard to private equity funds as well as those particular to the Fund, including: investment strategy and process; identification of a viable investment portfolio; quality of Fund team and provisions to ensure team stability and capacity and knowledge of ADB's environmental and social safeguards requirements among others. The project will be in compliance with local laws and regulations as well as the requirements of ADB's SPS and other social dimensions on gender and core labor standards.

4. Specific analysis for policy-based lending. N/A

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program? Some gender elements (SGE) is anticipated during proposed project. Enhancing women's ability to participate in SME development is also important as women account for a significant share of private sector activity and arguably contribute most to poverty reduction.

2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making? The proposed project is anticipated to incorporate gender measures such as (i) increasing the job opportunities in SMEs for women; and (ii) maintaining and reporting gender segregated customers information.

Yes No Please explain. If yes, a gender action plan should be prepared during PPTA or due diligence.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality? The proposed project is not expected to cause any specific cultural or social impact upon or exclude any socioeconomic group, including women, from benefiting from the investment.

Yes No Please explain If yes, actions and measures should be prepared during PPTA or due diligence.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity theme) EGM (effective gender mainstreaming)
 SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design. Potential stakeholders include the Fund's staff and their SMEs customers who will utilize finance from the Fund, including employees, national and local government, regulatory agencies and end-users of SMEs products. The participation of stakeholders and beneficiaries will be included in the Fund's ESMS.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded? Consultation meetings will be conducted by the Fund with the relevant stakeholders, including the poor and vulnerable groups amongst SMEs staff and their end-users of the SMEs products.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design? The level of civil society organization participation in the project design is on the information sharing.

H Information generation and sharing H Consultation L Collaboration N/A
 Partnership

Indicate in each box the level of participation by marking high (H), medium (M), low (L), or not applicable (N) based on definitions in the ADB's Guide to Participation.

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? Yes No Please explain.

Details of the consultation and participation activities and grievance and dispute resolution will be included in the Fund's ESMS.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No The proposed project will promote the development benefits associated with increased SME and private sector development in the Fund's target areas: (i) healthcare; (ii) retail; (iii) manufacturing and distribution of fast moving consumer goods; (iv) education; (v) technology, media and telecom; (vi) financial services; and (vii) transportation & logistics. The project might involve involuntary resettlement issues at the modest level.

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process? The Fund will develop ESMS satisfactory to ADB and will adopt its ESMS prior to the first disbursement.

- Resettlement plan Resettlement framework Social impact matrix
 Environmental and social management system arrangement None

B. Indigenous Peoples Category A B C FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? Yes No The project is not expected to entail any significant impact on indigenous peoples.

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No The project will not have significant impacts on Indigenous Peoples.

3. Will the project require broad community support of affected indigenous communities? Yes No Please explain.

4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process? The Fund will develop ESMS satisfactory to ADB and will adopt its ESMS prior to the first disbursement.

- Indigenous peoples plan Indigenous peoples planning framework Social Impact matrix
 Environmental and social management system arrangement None

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

H Creating decent jobs Labor retrenchment H Adhering to core labor standards Labor

Spread of communicable diseases, including HIV/AIDS Increase in human trafficking Affordability

Increase in unplanned Migration Increase in vulnerability to natural disasters Creating political instability

Creating internal social conflicts Others, please specify _____

Indicate high (H), medium (M), low (L) for selected boxes

2. How are these additional social issues and risks going to be addressed in the project design?
Number of job creation within SEMs will be increased.

VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (vi) other social risks. Are the relevant specialists identified?

Yes No If no, please explain why. There is no PPTA under private sector project but the client will mobilize competent staff to cover social dimension issues.

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis and participation plan during the PPTA or due diligence? Due diligence will be undertaken by staff.