

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Regional	Project Title:	REG: VI (Vietnam Investments) Fund III, LP (VI Group)
Lending/ Financing Modality:	Financial Intermediary	Department/ Division:	Investment Funds and Special Initiatives Division/Private Sector Operations Department

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Targeting classification: General Intervention. The proposed equity investment will focus on middle-market companies and small and medium-sized enterprises (SMEs) within Cambodia, Lao PDR, Myanmar and Viet Nam, with the majority of investments in Viet Nam.

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

VI (Vietnam Investments) Fund III, L.P., will primarily focus on privately owned, high-growth middle-market companies and SMEs in Viet Nam. The proposed investment seeks to promote the development benefits associated with increased SME and private sector development in the fund’s target areas: (i) health care; (ii) retail; (iii) manufacturing and distribution of fast-moving consumer goods; (iv) education; and (v) transportation and logistics. SMEs typically play a key role in the economic transition of developing countries. In Viet Nam, 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. SMEs involved in global production supply chains also have the potential to encourage international trade. Because of their size, however, SMEs are particularly constrained by access to finance, access to business development services, exposure to exchange rate fluctuations, high administrative and bureaucratic-related costs, poor infrastructure, and the lack of effective institutional structures

The Asian Development Bank (ADB) Private Sector Operations Department will support financial sector development and broad economic growth through a range of activities, including credit lines to financial sector entities to support SMEs. ADB has provided a number of loans and technical assistance to promote the development of SMEs; this investment will address a key constraint—access to finance by SMEs. The investment is aligned with the government’s National Socio-Economic Development Strategy 2011–2020, in which SMEs are considered a critical factor for achieving the targets set in the Socio-Economic Development Plan.^a The investment is also in line with the Viet Nam Country Partnership Strategy (2012–2015) with respect to ADB support for Viet Nam’s goal of attaining upper-middle income country status through inclusive growth, enhanced economic efficiency, and environmental sustainability.^b

B. Results from the Poverty and Social Analysis during PPTA or Due Diligence

1. Key poverty and social issues. The investment will support SME growth and funding needs, mainly in Viet Nam, by improving access to finance, which remains one of the most critical obstacles to SMEs’ development.
2. Beneficiaries. The potential beneficiaries of the project are the fund and its investee companies, which have previously faced problems accessing SME credit. Of the nearly 400,000 new enterprises registered in Viet Nam since the enactment of the Enterprise Law, 2000, 85%–90% are considered SMEs. In 2007, the survival rate of registered businesses was about 50%. Access to capital remains the major constraint for developing new and existing businesses, especially as local companies increasingly compete in the globalized economy (footnote b).
3. Impact channels. 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.
4. Other social and poverty issues. Not applicable
5. Design features. Investments that will be implemented through the project will create job opportunities and improve access to essential basic services.

II. PARTICIPATION AND EMPOWERING THE POOR									
<p>1. Summarize the participatory approaches and the proposed project activities that strengthen inclusiveness and empowerment of the poor and vulnerable in project implementation. Consultation meetings are conducted depending on the need and complexity of the project, to disclose environmental and social risks and impacts.</p> <p>2. If civil society has a specific role in the project, summarize the actions taken to ensure their participation. Civil society participation in the project is at the level of information sharing.</p> <p>3. Explain how the project ensures adequate participation of civil society organizations in project implementation. Details of the consultation and participation activities and grievance and dispute resolution are included in the fund's environmental and social management system.</p> <p>4. What forms of civil society organization participation is envisaged during project implementation? <input checked="" type="checkbox"/> Information gathering and sharing <input type="checkbox"/> Consultation <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership</p> <p>5. Will a project level participation plan be prepared to strengthen participation of civil society as interest holders for affected persons particularly the poor and vulnerable? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>									
III. GENDER AND DEVELOPMENT									
Gender mainstreaming category: No Gender Elements									
<p>A. Key issues. A combination of low education levels, limited access to skills training, lack of access to credit and financial services, and gender segregation in the labor market hampers the ability of women in Viet Nam to obtain better jobs and improve their incomes (footnote b). The project is categorized as no gender elements in relation to gender mainstreaming. At present, the majority of the employees within the fund manager—Vietnam Investment Group (VIG)—are women, and a significant percentage of the employees of some of its investee companies (e.g. quick-service restaurants, accommodation and tourism services) are also women. VIG, however, cannot commit to set gender targets given the nature of its operation but commits to collecting sex-disaggregated data as a part of reporting.</p> <p>B. Key actions. The proposed project is anticipated to increase job opportunities for women given the investments that will be implemented. VIG will collect gender-disaggregated data for investments that will be implemented as a part of its reporting.</p> <p><input type="checkbox"/> Gender action plan <input type="checkbox"/> Other actions or measures <input checked="" type="checkbox"/> No action or measure</p>									
IV. ADDRESSING SOCIAL SAFEGUARD ISSUES									
<p>A. Involuntary Resettlement Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI</p> <p>1. Key impacts. Investments will be funded in the following sectors: (i) health care; (ii) retail; (iii) manufacturing and distribution of fast moving consumer goods; (iv) education; and (v) transportation & logistics. All proposed investments included in the prohibited list and categorized as A for involuntary resettlement will be excluded from project support using ADB funding.</p> <p>2. Strategy to address the impacts. Aside from exclusion of proposed investments categorized as A on involuntary resettlement, the client will also submit to ADB for its review of the Environmental and Social documents for all proposed investments categorized as B that will require land acquisition and will cause displacement and/or resettlement of people.</p> <p>3. Plan or other Actions.</p> <table border="0"> <tr> <td><input type="checkbox"/> Resettlement plan</td> <td><input type="checkbox"/> Combined resettlement and indigenous peoples plan</td> </tr> <tr> <td><input type="checkbox"/> Resettlement framework</td> <td><input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework</td> </tr> <tr> <td><input checked="" type="checkbox"/> Environmental and social management system arrangement</td> <td><input type="checkbox"/> Social impact matrix</td> </tr> <tr> <td><input type="checkbox"/> No action</td> <td></td> </tr> </table>		<input type="checkbox"/> Resettlement plan	<input type="checkbox"/> Combined resettlement and indigenous peoples plan	<input type="checkbox"/> Resettlement framework	<input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework	<input checked="" type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Social impact matrix	<input type="checkbox"/> No action	
<input type="checkbox"/> Resettlement plan	<input type="checkbox"/> Combined resettlement and indigenous peoples plan								
<input type="checkbox"/> Resettlement framework	<input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework								
<input checked="" type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Social impact matrix								
<input type="checkbox"/> No action									
<p>B. Indigenous Peoples Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI</p> <p>1. Key impacts. The project is not expected to entail any significant impact on indigenous peoples. All proposed investments included in the prohibited list and categorized as A for indigenous peoples will be excluded from project support using ADB funding.</p> <p>Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>									

2. Strategy to address the impacts. The client will also submit to ADB for review Environmental and Social documents for all proposed investments categorized as B that will impact indigenous peoples.
3. Plan or other actions.
<input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> Social impact matrix <input type="checkbox"/> No action
<input type="checkbox"/> Combined resettlement plan and indigenous peoples plan <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework <input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary
V. ADDRESSING OTHER SOCIAL RISKS
A. Risks in the Labor Market
1. Relevance of the project for the country's or region's or sector's labor market
<input type="checkbox"/> Unemployment <input type="checkbox"/> Underemployment <input type="checkbox"/> Retrenchment <input checked="" type="checkbox"/> Core labor standards
2. Labor market impact. The project is expected to have a positive impact in terms of increased employment opportunities through its investments. The fund is committed to ensuring its compliance by its investee companies with the applicable national labor laws and taking measures to adhere to internationally recognized core labor standards to ensure fair, safe and healthy working conditions for subprojects that use ADB funds.
B. Affordability. NA
C. Communicable Diseases and Other Social Risks
1. Indicate the respective risks, if any, and rate the impact as high (H), medium (M), low (L), or not applicable (NA):
<input type="checkbox"/> Communicable diseases NA <input type="checkbox"/> Human trafficking NA <input type="checkbox"/> Others (please specify) _____
2. Describe the related risks of the project on people in project area. NA
VI. MONITORING AND EVALUATION
1. Targets and indicators: Development impact through these investments will mainly include job creation and improved access to essential healthcare and financial services.
2. Required human resources: The fund has an Environmental, Social and Governance Officer employed by VIG who is responsible for monitoring compliance of investee companies and will collect and maintain sex-disaggregated information for investments that use ADB funds.
3. Information in PAM: not applicable.
4. Monitoring tools: VIG will report on progress in meeting indicators in its annual report to ADB.

^a Government of Viet Nam. 2010. *Viet Nam's Socio-Economic Development Strategy, 2011-2020*. Hanoi.

^b ADB. 2012. *Country Partnership Strategy: Viet Nam, 2012–2015*. Manila.