

INITIAL POVERTY AND SOCIAL ANALYSIS

Country: Project Title:

Lending/Financing Modality: Department/Division:

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The Government of Viet Nam's Socioeconomic Development Strategy 2011–2020 (SEDS) and its accompanying Socioeconomic Development Plan 2016–2020 (SEDP) emphasize the need for enhanced inclusive growth.^a Both the SEDS and SEDP emphasize the need to promote economic restructuring in order to improve productivity, efficiency, and economic competitiveness, and specifically look to private sector entrepreneurship and the growth of micro, small, and medium-sized enterprises (MSMEs) as key components of this overall effort. ADB's Midterm Review of Strategy 2020 also seeks to promote inclusive growth.^b Without access to formal financial services, lower-income or underserved segments of the population will be excluded from the growth process and its benefits. According to ADB's country partnership strategy for Viet Nam, 2016–2020 and the country operations business plan for Viet Nam, 2017–2019, ADB's nonsovereign operations will support investments that promote more inclusive and environmentally sustainable economic growth based on promoting job creation and competitiveness and increasing the inclusiveness of infrastructure and service delivery.^c The proposed transaction will support the development of MSMEs in Viet Nam, part of the inclusive economic growth objective identified in the country partnership strategy, and a high priority for the government.

B. Poverty Targeting

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

The MSMEs in Vietnam have faced difficulties in accessing credit sources. It is reported that only 30% of MSMEs in the country can secure bank loans despite measures introduced by the government to support MSME development. The lack of financial source to support the growth of MSMEs has implications on the country's ability to achieve its goal of inclusive growth.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The primary beneficiaries of the project are the bank itself, sub-borrowers from MSME and consumers who generally benefit from services provided during project operation by enhancing financial inclusion, income generation, and employment opportunities.
2. Impact channels and expected systemic changes. The proposed project is expected to broaden access to finance for those segments of the population with either no or severely limited points of entry into the formal financial sector by improving financial intermediation to MSMEs in the country.
3. Focus of (and resources allocated in) the PPTA or due diligence. ABB will adopt an environmental and social management system (ESMS) acceptable to ADB before the first disbursement, and report annually on safeguards and other social dimensions on gender and core labor standards. The proposed project will be following local laws and regulations as well
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 for this transaction. It is estimated that if the informal market is included that women owned enterprises represent upwards of 49% of total businesses. However, ABB supports MSMEs, specifically targets women owned MSMEs by providing working capital to productivity and income opportunities which would be discussed further with the client during due diligence.
2. Does the proposed project or program have the potential to contribute 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?
 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?

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) 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 consumers of services provided by sub-borrowers, MSMEs, national and local government, regulatory agencies, and host local communities. The project affected persons might be involved with land acquisition and they will participate through community consultations conducted by ABB and sub-borrowers.

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 ABB and the sub-borrowers with the relevant stakeholders, especially the consumers and host local communities.

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 grievance redress mechanism will be discussed in ABB's upgraded 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 investment is unlikely to involve involuntary resettlement resulting in physical and economic displacement due to nature of small investment. ABB will adopt its ESMS prior to the first disbursement for the financing of investments.

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?

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 investment does not have potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of ethnic minorities in the Vietnam.

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No

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?

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?

Creating decent jobs and employment Adhering to core labor standards Labor retrenchment
 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? ABB and its MSME sub-borrowers will provide job opportunities for the peoples. ABB will increase capacity for MSME and women's owned MSME portfolio. This indicator will be put into DMF for monitoring.

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 (v) 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 safeguards issues and other social dimensions.

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 is undertaken by staff

^a Government of Viet Nam. 2011. *Socioeconomic Development Strategy: 2011-2020*. Hanoi; Government of Viet Nam. 2016. *Socioeconomic Development Plan: 2016-2020*. Hanoi.

^b ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

^c ADB. 2016. *Country Partnership Strategy: Viet Nam, 2016–2020*. Manila; ADB. 2016. *Country Operations Business Plan: Viet Nam, 2017–2019*. Manila.