



# Report and Recommendation of the President to the Board of Directors

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Project Number: 51321-001  
August 2018

## Proposed Loan Joint Stock Commercial Bank for Investment and Development of Vietnam Mainstreaming Small and Medium-Sized Enterprises Lending Project (Viet Nam)

This is an abbreviated version of the document approved by ADB's Board of Directors that excludes information that is subject to exceptions to disclosure set forth in ADB's Public Communications Policy 2011.

**Asian Development Bank**

## CURRENCY EQUIVALENTS

(as of 30 June 2018)

Currency unit	–	dong (D)
D1.00	=	\$0.000045
\$1.00	=	D22,960

## ABBREVIATIONS

ADB	–	Asian Development Bank
BIDV	–	Joint Stock Commercial Bank for Investment and Development of Vietnam
BOD	–	board of directors
CAGR	–	compound annual growth rate
CAR	–	capital adequacy ratio
CEO	–	chief executive officer
ESMS	–	environmental and social management system
IT	–	information technology
MHB	–	Mekong Housing Bank
NPL	–	nonperforming loan
SBV	–	State Bank of Vietnam
SMEs	–	small and medium-sized enterprises
SOE	–	state-owned enterprise
TA	–	technical assistance
VAMC	–	Vietnam Asset Management Company

## NOTES

- (i) The fiscal year (FY) of the Joint Stock Commercial Bank for Investment and Development of Vietnam ends on 31 December.
- (ii) In this report, “\$” refers to United States dollars.

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## PROJECT AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 51321-001</b>	
<b>Project Name</b>	Mainstreaming Small and Medium-Sized Enterprises Lending Project	<b>Department /Division</b>	PSOD/PSFI
<b>Country</b>	Viet Nam, Socialist Republic of		
<b>Borrower</b>	Joint Stock Commercial Bank for Investment and Development of Vietnam		
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>	
✓ Finance	Small and medium enterprise finance and leasing		200.00
		<b>Total</b>	<b>200.00</b>
<b>3. Strategic Agenda</b>	<b>Subcomponents</b>	<b>Climate Change Information</b>	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
<b>4. Drivers of Change</b>	<b>Components</b>	<b>Gender Equity and Mainstreaming</b>	
Private sector development (PSD)	Promotion of private sector investment	Some gender elements (SGE)	✓
<b>5. Poverty and SDG Targeting</b>		<b>Location Impact</b>	
Geographic Targeting	No	Rural	Medium
Household Targeting	No	Urban	High
SDG Targeting	Yes		
SDG Goals	SDG1, SDG8		
<b>6. Nonsovereign Operation Risk Rating</b>			
<b>Obligor Name</b>		<b>Obligor Risk Rating</b>	<b>Facility Risk Rating</b>
Joint Stock Commercial Bank for Investment and Development of Vietnam (3-year tranche)			
Joint Stock Commercial Bank for Investment and Development of Vietnam (5-year tranche)			
<b>7. Safeguard Categorization</b>	<b>Environment: FI</b>	<b>Involuntary Resettlement: FI-C</b>	<b>Indigenous Peoples: FI-C</b>
<b>8. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>200.00</b>	
Nonsovereign LIBOR Based Loan (Regular Loan): Ordinary capital resources		100.00	
Nonsovereign LIBOR Based Loan (Regular Loan): Ordinary capital resources		100.00	
<b>Cofinancing</b>		<b>100.00</b>	
Commercial Banks (Full ADB Administration)		100.00	
Others		0.00	
<b>Others<sup>a</sup></b>		<b>0.00</b>	
<b>Total</b>		<b>300.00</b>	

<sup>a</sup> Derived by deducting ADB financing and Cofinancing from Total Project Cost.

## I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed loan of up to \$300,000,000, comprising (i) a senior unsecured A loan of up to \$200,000,000; and (ii) a B loan of up to \$100,000,000 distributed among commercial lenders to the Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV) for the Mainstreaming Small and Medium-Sized Enterprises Lending Project in Viet Nam.<sup>1</sup> The B loan will be syndicated by the Asian Development Bank (ADB) to commercial banks and other eligible participants on a best-effort basis and subject to market conditions.

2. The proposed loan will support the growth of BIDV's lending to small and medium-sized enterprises (SMEs), providing critically needed financial products to this underserved segment. An increase in BIDV's capacity to serve SMEs will improve market standards and contribute to enterprise development and economic growth in Viet Nam through job creation. The longer-term funding provided under the proposed loan will also assist BIDV to better balance its asset–liability maturity profile in line with the recent regulations of the State Bank of Vietnam (SBV).

## II. THE FINANCIAL INTERMEDIARY

### A. Investment Identification and Description

3. **Finance sector overview.** Viet Nam's financial system is relatively large in terms of number of lenders for a middle-income country, with D10,001 trillion in total assets for credit institutions as of fiscal year (FY) 2017. However, the system remains bank-centric, comprising 35 commercial banks, 2 policy banks, 16 finance companies, 11 leasing companies, 1 cooperative bank, people's credit funds, 3 licensed microfinance institutions, 8 wholly foreign-owned banks, 2 joint venture banks, and 51 foreign bank branches in 2017. As of the end of 2017, total financial sector assets were D10,001 trillion. The four major state-owned commercial banks—Agribank, BIDV, Vietcombank, and VietinBank—continued to dominate banking, accounting for 45.7% of subsector assets in 2017.

4. Viet Nam's banking system has expanded rapidly, paralleling the country's overall economic growth since liberalization, with average credit growth of 23% per year (2005–2017). While immediate efforts by the SBV to manage these crises were effective, longer-term reform measures, such as the bank restructuring plan, are still in progress. In line with the SBV's strategic objective to strengthen the capital base of domestic commercial banks, the implementation of Basel II standards is planned by 2020, with 10 banks, including BIDV, currently in the pilot phase.

5. SBV's efforts to tackle the bank's weak asset quality are also ongoing. In 2013, it adopted tighter loan classification standards as part of the measures to maintain the nonperforming loan (NPL) ratio below the prescribed 3.0%. This followed the establishment of the Vietnam Asset Management Company (VAMC) in 2013, which buys NPLs from banks in exchange for a special class of zero-interest bonds. Banks gradually provide these bonds, which typically have tenors of 5 years (and exceptionally 10 years), to reach 100% coverage by maturity, at which point the NPLs (if still unresolved) are returned to the bank at zero book value in exchange for the fully provisioned bond. In a sector report dated 5 February 2018, Moody's rates Vietnamese banks' progress in resolving legacy problem assets as credit positive. The report highlights that with a favorable macroeconomic environment and improved profitability, more banks are now capable

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<sup>1</sup> BIDV defines SMEs as companies with up to D500 billion of average annual revenues.

of increasing credit provisions and building up buffers against problem assets, allowing them to fully write down their VAMC bond holdings by the end of 2018.<sup>2</sup>

6. **Small and medium-sized enterprises overview.** SMEs account for the majority of Viet Nam's total business population, amounting to more than 590,000 active businesses.<sup>3</sup> According to the White Book on Viet Nam's SMEs published by the Ministry of Plans and Investment, 97.6% of enterprises in Viet Nam are SMEs by the labor scale (fewer than 100 employees), accounting for an estimated 40% of gross domestic product and over 50% of employment.<sup>4</sup> Despite their significant contribution to the economy, SMEs encounter numerous obstacles that inhibit their overall development and economic potential. In addition to such constraints as difficulty with land use rights, limited use of technological advancements that could enhance product development, and lagging efficiency and productivity, a key obstacle is access to finance. This is echoed by the Vietnam Bank Association, which reports that Viet Nam's SMEs have faced considerable challenges in accessing credit. In a 2017 market study on Viet Nam's SMEs, the International Finance Corporation found that only 47% of male owners and 37% of women owners of SMEs had received bank loans over the preceding 2 years. SMEs located in rural areas would find it even more difficult to access financing. The lack of adequate funding to support the working capital and investment needs of SMEs has considerable implications, not only for the incremental growth of these enterprises and their job creation, but also for broader economic growth. The Government of Viet Nam views SMEs as one of its priority areas, as reflected in the recent Law on Support for SMEs, which became effective in January 2018. The law aims to provide support to SMEs through government-sponsored mechanisms such as a new credit guarantee fund, tax incentives, subsidies to rent production sites in industrial zones, creation of incubators, training, and consultancies.

7. **Investment rationale.** Complementing ADB's sovereign operations to reform and modernize Viet Nam's financial sector, ADB's nonsovereign operations has met with several banks in Viet Nam in recent years and seek to partner with suitable financial institutions to provide meaningful impact and enhance their ability to serve underbanked segments. In 2017, ADB approved a \$100 million loan to AB Bank for onlending to SMEs.<sup>5</sup> Correspondingly, PSOD has identified BIDV as another partner to promote increased financing to SMEs. BIDV, with an SME portfolio of \$9.1 billion as of December 2017, is the largest lender to the SME segment. The bank has made lending to SMEs a key strategic priority in line with the government's efforts to boost lending to this segment. Having the second-widest network in the country, BIDV is in an advantageous position to increase access to finance for SMEs. It created a specialized SME department, expanded the SME product range, and developed a comprehensive digital strategy to augment its distribution channels and improve the SME customer experience. With an expected SME portfolio growth of 17.5% during FY2018 and FY2019, BIDV's funding needs for SME lending are substantial. ADB's longer-term financing is particularly impactful in Viet Nam, where debt markets are still nascent—limiting the funding channels and options for financial institutions—and where longer-tenor products are needed to address client demand and to

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<sup>2</sup> Vietnam News. 2018. *Moody's shows optimism about bad debt resolution in Vietnam's banks.* <http://vietnamnews.vn/economy/422511/moodys-shows-optimism-about-bad-debt-resolution-in-vietnams-banks.html#YBwfPKCBEABWkf2b.99>.

<sup>3</sup> Estimated by the Vietnam Association of SMEs as of October 2016.

<sup>4</sup> N. T. Anh, N. T. Thuy, and D. T. T. Hoai. 2015. *Employment and Quality of Employment in Vietnam: The Roles of Small Firms, Formalization and Education. R4D Working Paper.* 2015/8. Bern: Swiss Program for Research on Global Issues for Development.

<sup>5</sup> ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Senior Loan to An Binh Commercial Joint Stock Bank for Expanding Micro, Small, and Medium Enterprise Lending in Viet Nam.* Manila.

comply with recently introduced SBV regulations to reduce asset–liability mismatches, which would restrict such product growth.

## B. Business Overview and Strategy

8. **Overview.** Founded in 1957 as a government agency to finance infrastructure-related projects during the war, BIDV began providing a full range of banking services at market terms in 1995. Today, it is the largest bank in Viet Nam with total assets of D1,200,449 billion, a market capitalization of D111.8 billion, 859,786 customer depositors, more than 25,000 staff, 190 branches, 854 transaction offices, 1,825 ATMs, and 50,924 points of sale as of FY2017.<sup>6</sup> With a 95.3% government ownership, BIDV is one of four state-owned commercial banks. It has grown its gross loan portfolio at a compound annual growth rate (CAGR) of 22.4% since FY2013 (18.7% in 2017, outpacing the overall market's credit growth of 18% in 2017). BIDV's deposit base has grown at a CAGR of 23.4% since FY2013, reflecting the strength of its brand name in attracting customers. In April 2015, BIDV acquired the majority state-owned Mekong Housing Bank (MHB) via a stock swap. MHB was the fifth-largest state-owned bank in Viet Nam, with operations originally focused on housing finance, but gradually shifting to agricultural lending in the Mekong Delta. BIDV is rated in line with the sovereign; *B (short)*; *B+ (long)*; *stable outlook* (September 2017) by S&P, and *Ba3* issuers rating, *stable outlook* (August 2018) by Moody's.

## C. Ownership, Management, and Governance

9. **Ownership.** BIDV is almost entirely state-owned (95.3% in FY2017) through the SBV, while the remaining 4.7% is publicly listed on the Ho Chi Minh Stock Exchange. A sizable portion of the public float (2.3%) is held by foreign investors as of FY2017. In line with an overall market rally, BIDV's stock price has more than doubled since March 2017, currently trading at a price–book ratio of 2.2 times. No beneficial owner, apart from the SBV, controls more than 2.0% of its shares. BIDV is currently in discussions with potential strategic and financial investors to raise additional capital and support the government's plan to reduce its stake in BIDV to 65% by 2020. Integrity due diligence was conducted.<sup>7</sup> No significant or potentially significant integrity risks were identified. Tax integrity due diligence was not required.

10. **Corporate governance.** BIDV follows a three-tiered corporate governance structure: the shareholder's general assembly, the board of directors (BOD), and the supervisory board. The BOD has eight members, including one independent director and two executive directors (the chief executive officer [CEO] and the chief controller). All non-independent directors are nominated by SBV and are generally former members of senior management of BIDV or MHB. The only independent director, Le Viet Cuong, is from academia and held the position of chief of office in SBV. The BOD meets monthly and has four committees responsible for human resources, risk management, IT, and strategy and organization. A three-member supervisory board acts on behalf of the shareholders as a bridge between shareholders and the BOD to objectively supervise and assess business operations, corporate governance, and the financial performance of BIDV. The three members are elected by the shareholders and also have audit and compliance supervision functions.

11. **Management.** The management team has 11 members: the CEO, nine senior executive vice presidents, and the chief accountant. All have extensive banking experience, in most cases

<sup>6</sup> All BIDV numbers related to the financial statements are under the International Financial Reporting Standards, unless stated otherwise.

<sup>7</sup> ADB. 2003. *Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism*. Manila.

exclusively with BIDV, with very long tenures on average. The CEO, Phan Duc Tu, joined BIDV in 1987 as a branch manager and became CEO in 2012. He holds a master's degree in business administration and has been the chairperson of the Vietnam Bankers Association. The management team is organized in various committees, e.g., asset and liability management committee, credit committee, and off-balance sheet debt sale committee.

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### **III. THE PROPOSED ADB ASSISTANCE**

#### **A. The Assistance**

12. ADB will provide a senior unsecured loan to BIDV of up to \$200 million in up to two tranches in tenors of up to 5 years. ADB expects to syndicate a B loan of up to \$100,000,000 among commercial banks and other eligible B loan participants on a best-effort basis and subject to market conditions. ADB also expects to provide a transaction technical assistance (TA) grant of up to \$1,000,000.<sup>8</sup> The TA is expected to support BIDV's digital finance strategy, strengthen environmental and social standards, and enhance its risk management capabilities, as well as enable it to start tracking loans to SMEs owned by women and developing targeted marketing and product strategies.

#### **B. Implementation Arrangements**

13. **Use of proceeds.** BIDV will use the proceeds of ADB's loan to finance business loans to SMEs in Viet Nam. Not less than 25% of ADB's A loan will be used for SMEs in rural areas.

14. **Monitoring and reporting.** ADB's Private Sector Operations Department will monitor the project. BIDV will, at predetermined regular intervals and as requested, provide ADB with financial reports—(i) quarterly unaudited financial statements, (ii) annual audited financial statements, (iii) quarterly compliance certificates for financial covenants, (iv) semiannual reporting on the SME loan portfolios, (v) annual reporting on selected development indicators agreed upon by ADB and BIDV, and (vi) an annual environmental and social management system performance report.

15. **Evaluation.** Monitoring reports will be prepared and submitted to ADB at least annually. The first report will be submitted no later than 12 months after the first disbursement.

#### **C. Value Added by ADB Assistance**

16. **Supporting the growth of SMEs.** ADB's funding will support the growth of SMEs, which are the backbone of the Vietnamese economy and lack access to finance, particularly of longer tenors. By partnering with a bank that has a large network and an established and growing SME business line, ADB can maximize its development footprint. In addition to providing SMEs with funding to support working capital and investment needs, the proposed transaction will also contribute to broader economic growth and job creation. ADB's funding will also target SMEs in more underdeveloped areas in the country and ADB has also set a target for the bank to increase its lending to SMEs owned by women.

17. **Providing access to longer-tenor debt.** To support growth of its SME portfolio and better service its smaller customers with longer-term products, BIDV needs longer-tenor financing to

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<sup>8</sup> The TA will be processed separately.



comply with regulatory requirements that restrict the ratio of short-term funding to long-term funding. ADB's 5-year loan will help BIDV increase the average tenor of its SME portfolio and close part of this funding gap. About 90% of BIDV's funding is still below 1 year, while 25% of its SME book has tenors above 1 year. About \$2 billion per annum is needed to support its SME portfolio growth, which is not readily available given the relatively underdeveloped nature of the country's capital markets. ADB's A and B loans represent 15% of BIDV's 2018 funding needs for growing its SME portfolio.

18. **Catalyzing private sector financing.** ADB will be providing a B loan of up to \$100 million, thereby mobilizing private financing for BIDV to help close its large funding gap.

19. **Establishing market-leading standards and strengthening capacity.** ADB will be BIDV's first development finance institution providing long-term lending. As such, ADB will play an important role in developing and supporting the bank's adoption of stronger social and environmental standards and an improved risk management framework. In addition to ADB's loan, ADB is preparing to provide TA of up to \$1 million to strengthen BIDV's risk management and environmental and social systems by helping it implement a new environmental and social management system (ESMS) and support investments in BIDV's digital strategy, as well as develop systems to track female borrowers and develop a strategy and products to support this important market segment. ADB's loan and TA are expected to give a positive signal to the market and help attract future commercial and development bank lenders, as well as equity investors, which will contribute to the government's goal of gradually diluting its ownership stake.

## CONFIDENTIAL INFORMATION DELETED

### IV. DEVELOPMENT IMPACTS AND STRATEGIC ALIGNMENT

#### A. Development Impacts, Outcomes, and Outputs

20. **Impacts.** The project is aligned with the following impacts: Viet Nam's vision for socially equitable economic development, better access to finance for the underserved population, and development of the finance sector, as well as the goals of the new Law on Supporting Small and Medium Enterprises, i.e., for SMEs to gain better access to finance and land, integrate in global value chains, and enjoy equal treatment with foreign and bigger firms.

21. **Outcomes.** The project will have the following outcomes: provision of sustainable and longer-term financial services to SMEs increased, and BIDV enabled to expand its SME businesses.<sup>9</sup>

22. **Outputs.** The outputs will be (i) BIDV's increased capacity to serve SMEs with longer-tenor financing and (ii) BIDV's improved processes to manage social and environmental risks.

#### B. Alignment with ADB Strategy and Operations

23. ADB's Strategy 2030 emphasizes its support to the financial sector to achieve greater financial inclusion; gender equality; job creation; and access to affordable housing, insurance, and savings.<sup>10</sup> The proposed transaction contributes to financial sector development by supporting the growth of a financial institution that plays a key role in Viet Nam's finance sector.

<sup>9</sup> The design and monitoring framework is in Appendix 1.

<sup>10</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and Pacific*.

ADB's Strategy 2030 also seeks to promote inclusive growth. Without access to formal financial services, underserved segments of the population will be excluded from the growth process and its benefits. According to ADB's country partnership strategy, 2016–2020 and country operations business plan, 2017–2019 for Viet Nam, ADB's nonsovereign operations will support investments that promote more inclusive economic growth based on promoting job creation and competitiveness.<sup>11</sup> The proposed transaction will support the development of SMEs in Viet Nam, which is part of the inclusive economic growth objective of the country partnership strategy and also a high government priority, and will complement ADB's efforts to strengthen the financial sector under the Financial Sector Development and Inclusion Program.<sup>12</sup>

## V. POLICY COMPLIANCE

### A. Safeguards and Social Dimensions

24. This transaction is classified as category FI for impacts on the environment and FI treated as C for involuntary resettlement and indigenous peoples. The transaction's potential environmental and social impacts, risks associated with the financial intermediary's existing and/or likely future portfolio, and commitment to and capacity for environmental and social management have been assessed. Prior to the disbursement of the ADB financing, the company will design and implement a project-specific ESMS to comply with ADB's Safeguard Policy Statement (2009) requirements. BIDV will use the proposed loan to support SME finance, targeting customers involved in a variety of industries, including trading, manufacturing, service, retail, agribusiness, wholesale, and distribution. BIDV will not use ADB funding to finance projects classified as category A for environmental impacts or category A or B for involuntary resettlement or indigenous peoples. BIDV will apply ADB's prohibited investment activities list, ensure that subloans using ADB funds abide by applicable national laws and regulations, and comply with ADB's Safeguard Policy Statement. It will also comply with national labor laws and, pursuant to ADB's Social Protection Strategy (2001), will take measures to comply with internationally recognized core labor standards.<sup>13</sup> BIDV will report regularly to ADB on its compliance with such laws, and any measures taken. Information will be disclosed and affected peoples consulted in accordance with ADB's requirements. The transaction is classified as having some gender elements. The ESMS will include procedures for BIDV's periodic reporting to ADB on implementation of gender mainstreaming measures in its lending using ADB proceeds.

### B. Anticorruption Policy

25. BIDV was advised of ADB's policy of implementing best international practice relating to combating corruption, money laundering, and the financing of terrorism. BIDV's know-your-customer and anti-money-laundering policy mitigates the risks of money laundering and terrorism financing. ADB will ensure that the investment documentation includes appropriate provisions prohibiting corruption, money laundering, and the financing of terrorism, and remedies for ADB in the event of noncompliance.

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<sup>11</sup> ADB. 2016. *Country Partnership Strategy: Viet Nam, 2016–2020—Fostering More Inclusive and Environmentally Sustainable Growth*. Manila; and ADB. 2016. *Country Operations Business Plan: Viet Nam, 2017–2019*. Manila.

<sup>12</sup> ADB. 2016. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy Based Loan for Subprogram 1 to the Socialist Republic of Viet Nam for the Financial Sector Development and Inclusion Program*. Manila.

<sup>13</sup> ADB. 2003. *Social Protection Strategy*. Manila (adopted in 2001).

### **C. Assurances**

26. Consistent with the Agreement Establishing the Asian Development Bank (the Charter),<sup>14</sup> ADB will proceed with the proposed assistance upon establishing that the Government of Viet Nam has no objection to the proposed assistance to BIDV. ADB will enter into suitable finance documentation, in form and substance satisfactory to ADB, following approval of the proposed assistance by the ADB Board of Directors.

### **VI. RECOMMENDATION**

27. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the loan of up to \$300,000,000, comprising (i) the senior unsecured A loan of up to \$200,000,000 from ADB's ordinary capital resources; and (ii) a B loan of up to \$100,000,000 distributed among commercial lenders to the Joint Stock Commercial Bank for Investment and Development of Vietnam for the Mainstreaming Small and Medium-Sized Enterprises Lending Project in Viet Nam, with such terms and conditions as are substantially in accordance with those set forth in this report, and as may be reported to the Board.

Takehiko Nakao  
President

6 August 2018

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<sup>14</sup> ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila.

## DESIGN AND MONITORING FRAMEWORK

<b>Impacts the Project is Aligned with</b>			
<p>Viet Nam's vision for socially equitable economic development, better access to finance for the underserved population, and development of the finance sector;<sup>a</sup> and the goals of the new Law on Supporting Small and Medium Enterprises for SMEs to have better access to finance and land, integrate in global value chains, and enjoy equal treatment with foreign and bigger firms.</p>			
<b>Results Chain</b>	<b>Performance Indicators</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks</b>
<p><b>Outcomes</b></p> <p>Provision of sustainable and longer-term financial services to SMEs increased, and BIVD enabled to expand its SME businesses</p>	<p>By the end of 2023:</p> <p>a. Total amount of SME loans outstanding</p> <p>b. Total amount of SME loans outstanding to businesses owned by women</p> <p>c. Total amount of SME loans outstanding with tenor greater than 1 year</p> <p>d. Total amount of SME loans with tenor greater than 1-year outstanding to businesses owned by women</p> <p>e. Number of SME loans outstanding</p> <p>f. Number of SME loans outstanding to businesses owned by women</p> <p>g. Number of SME loans outstanding with tenor at disbursement greater than 1 year</p> <p>h. Average tenor of SME loans</p> <p>i. Total amount of SME loans outstanding in rural areas</p>	<p>a.–i. BIDV annual development effectiveness monitoring report</p>	<p>Demand for loans not as strong as expected because of deteriorating economic conditions, disasters, or other external effects</p> <p>Lack of regulatory and policy initiatives to support women borrowers, including collateral requirements, data collection on female borrowers.</p>
<p><b>Outputs</b></p> <p>1. Capacity of BIDV to serve SMEs with longer-tenor financing increased</p>	<p>By the end of 2022:</p> <p>1a. Annual disbursements for SME loans</p> <p>1b. Annual disbursements for SME loans to businesses owned by women</p>	<p>1.–2. BIDV annual development effectiveness monitoring report</p>	<p>Interest rates or inflation increase to high levels.</p> <p>Weak investor sentiment in capital markets</p>

<b>Results Chain</b>	<b>Performance Indicators</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks</b>
2. BIDV's processes to manage social and environmental risks improved	2a. Percentage of SME loans screened against an ESMS increased to 100% loans financed by ADB proceeds  2b. BIDV's ESMS improved by 2020		
<b>Key Activities with Milestones</b>			
<b>1. Capacity of BIDV to serve SMEs with longer-tenor financing increased</b> 1.1 ADB executes loan agreement with BIDV by 2018.			
<b>2. BIDV's processes to manage social and environmental risks improved</b> 2.1 ADB provides technical assistance to build BIDV's capacity by 2019. 2.2 BIDV retains consultant to improve ESMS system by 2019.			
<b>Inputs</b> ADB: \$200 million A loan ADB: up to \$1 million technical assistance Commercial banks: \$100 million B loan			
<b>Assumptions for Partner Financing</b> Not applicable			

ADB = Asian Development Bank, BIDV = Joint Stock Commercial Bank for Investment and Development of Vietnam, ESMS = environmental and social management system, SMEs = small and medium-sized enterprises.

<sup>a</sup> Government of Viet Nam. 2011. *Socioeconomic Development Strategy: 2011–2020*. Ha Noi; and its accompanying Government of Viet Nam. 2016. *Socioeconomic Development Plan: 2016–2020*. Ha Noi; and Government of Viet Nam. 2017. Law on Support for Small and Medium-Sized Enterprises, entered into force on 1 January 2018.

Source: Asian Development Bank.

**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/RRPs/?id=51321-001-4>

1. Sector Overview
2. Contribution to the ADB Results Framework
3. Country Economic Indicators
4. Summary Poverty Reduction and Social Strategy
5. Environmental and Social Management System: Audit Findings and Details of Arrangement