



# Initial Poverty and Social Analysis

---

March 2018

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

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

**Asian Development Bank**

## **CURRENCY EQUIVALENTS**

(as of 31 March 2018)

Currency unit	–	Vietnamese dong (D)
D1.00	=	\$ 0.000044
\$1.00	=	D22,791

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
BIDV	–	Joint Stock Commercial Bank for Investment and Development of Vietnam
SBV	–	State Bank of Vietnam
SME	–	small and medium enterprises
SOE	–	state-owned enterprise
SPS	–	Safeguard Policy Statement 2009
VINASME	–	Vietnam Association of Small and Medium Enterprises

## **NOTE**

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

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.



## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Viet Nam	Project Title:	Mainstreaming Small, and Medium Enterprise Lending Project
Lending/Financing Modality:	Loan	Department/ Division:	Private Sector Operations Department/ Private Sector Financial Institutions

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The proposed loan to the Bank for Investment and Development of Vietnam (BIDV) will enable the country's largest lender to channel \$300 million in short and medium-term tenor loans to private sector small and medium sized enterprises (SME). The Asian Development Bank's (ADB) Country Partnership strategy (CPS) 2016–2020 recognizes the need for a greater role for the private sector to increase Viet Nam's competitiveness and reduce the negative influence that state-owned enterprises (SOEs) and a fragile financial sector have on innovation and job creation. The project's targeted lending to SMEs will support the government's goal identified in the socioeconomic development strategy 2011–2020 and its accompanying plan 2016–2020 to quickly develop the private sector. To meet this goal of accelerated economic growth, the proposed transaction will support Vietnam's SMEs in obtaining adequate financing to better cope with their investment and long-term capital requirement needs. The project will directly support BIDV's SME portfolio expansion and will also provide capacity building technical assistance of up to \$1 million to strengthen BIDV's risk management and environmental and social systems.

#### **B. Poverty Targeting:**

General intervention  Individual or household (TI-H)  Geographic (TI-G)  Non-income MDGs (TI-M1, M2)

The project will enable Viet Nam's largest bank to channel \$300 million in short and medium-term tenor loans to SMEs. Viet Nam has seen significant growth in its formal sector through business registrations, and according to a 2015 research paper SMEs account for 98% of all enterprises in the country, 40% of GDP, and 50% of employment. Following the country's move from communal collectives to privatized companies, SMEs now form the country's most important source of employment opportunity. The proposed transaction's primary impact will be through support of this important business sector and the promotion of continued inclusive economic growth.

#### **C. Poverty and Social Analysis**

1. Key issues and potential beneficiaries. According to the CPS, Viet Nam achieved lower middle-income status by 2010 and aims to transform itself into an upper middle-income economy by 2035. Poverty by any measure has fallen rapidly in Viet Nam since the early 1990s. ADB statistics report that in 2014 the proportion of the population living below \$1.90 per day was 3.06% and below \$3.10 was 12.02%. By the end of 2015, Viet Nam had formally achieved the Millennium Development Goal of eradicating extreme poverty and hunger. Despite this progress, poverty levels continue to be significantly higher in the Northern Mountains, North Central Coast, and Central Highlands, where ethnic minorities tend to live. In urban areas too, many people remain near poor, and are vulnerable to significant economic and environmental shocks. The unemployment rate has remained consistently low with the formal private sector providing 85% of jobs in 2014 according to the CPS. In this context, the project has the potential to support continued employment opportunity generation among SMEs operating in the formal private sector. The project's primary beneficiaries are therefore SMEs and the workers they employ.

2. Impact channels and expected systemic changes. BIDV is the largest bank in Viet Nam with an extensive national network of branches that serve approximately 200,000 SME clients as of June 2017. With SMEs providing a significant proportion of employment in the country, the project's primary impact channel through BIDV's on-lending is employment creation in the formal sector.

3. Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will focus on the catalytic effect of BIDV's SME customers in employment creation and income growth. The team will focus on BIDV's capacity to enable sustainable growth in SME financing through appropriate credit and safeguards appraisal processes.

### II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? The key gender issue for the project is access to finance for women-owned and managed SMEs. Research signals that women-led SMEs are more likely to obtain finance and pay lower interest than men-led SMEs in Viet Nam however universal obstacles remain that limit business operations and growth.

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

Due diligence will consider what measures BIDV can implement that remove obstacles and foster the development of female entrepreneurship.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?  
 Yes  No

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. The project's main stakeholders are BIDV's SME customers and their employees who will benefit from enhanced access to longer tenor finance. SME customers participate in the design of the project through consultation for market research and product design.

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? The project can further contribute to engaging and empowering stakeholders through supporting BIDV's provision of business development and advisory services, financial and legal literacy training, business-to-business networking and enhanced access to finance through information technology.

3. What are the key, active, and relevant civil society organizations (CSOs) in the project area? What is the level of civil society organization participation in the project design?

(L) Information generation and sharing  (L) Consultation  (M) Collaboration  Partnership

In response to Government of Viet Nam Directive No. 26 / CT-TTg dated 06/06/2017 on supporting and developing business enterprises, BIDV has in place a signed a comprehensive cooperation agreement with the Vietnam Association of Small and Medium Enterprises (VINASME) that will be in effect throughout 2017–2020. The agreement commits BIDV to support the development of household businesses into enterprises, and to promote export product growth. BIDV will also collaborate with VINASME to provide members with capacity development training and preferential interest rates.

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

### 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 Loan products include short-term overdraft, working capital, fixed asset investment, project investment and supply chain finance. Core SME sectors include trading, manufacturing, service, retail, agribusiness, wholesale, and distribution. Involuntary displacement impacts are not anticipated from SME borrower business activity. Land lease or purchases are expected to be on a willing buyer willing seller basis without recourse to government compulsory acquisition power for expropriation. BIDV will develop an environmental and social management system (ESMS) specifically for SME lending using ADB funds. The ESMS will include screening procedures to ensure loan proceeds directed towards land purchases or leases are utilized in compliance with national laws and regulations. It is likely that following due diligence ADB will seek to limit BIDV from using ADB's proposed loan proceeds to finance subloans to subborrowers engaged in business activities that have category A involuntary resettlement impacts per the ADB Safeguard Policy Statement 2009 (SPS).

2. What action plan is required to address involuntary resettlement as part of the transaction TA 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

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain?  Yes  No BIDV is not expected to onlend to subborrowers that would generate adverse or beneficial impacts upon the identity, dignity, human rights, livelihood systems and cultural uniqueness of ethnic minority groups in Viet Nam. It is possible that members of ethnic minority groups owning or managing SMEs can benefit from access to finance through BIDV. They would benefit equally with other citizens. Due diligence procedures in a new ESMS for SME lending will assess impacts to ensure borrower business activities are undertaken in accordance with national law. It is likely that following due diligence ADB will seek to limit BIDV from using ADB's proposed loan proceeds to finance subloans to subborrowers engaged in business activities that have category A Indigenous Peoples impacts per the ADB Safeguard Policy Statement 2009 (SPS).

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

4. What action plan is required to address risks to indigenous peoples as part of the transaction TA 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?

- (L) Creating decent jobs and employment     (L) Adhering to core labor standards     Labor retrenchment  
 Spread of communicable diseases, including HIV/AIDS     Increase in human trafficking     (L) Affordability  
 Increase in unplanned migration     Increase in vulnerability to natural disasters     Creating political instability  
 Creating internal social conflicts     Others, please specify \_\_\_\_\_

2. How are these additional social issues and risks going to be addressed in the project design? The project is expected to foster the development of SMEs and thereby expand potential for employment opportunity in Viet Nam. The impact of this expansion is however not expected to cause any significant change in the local labor market. Due diligence will consider BIDV's capacity to screen SME customer business activities for the presence of forced and child labor, as well as other labor related illegal practices.

#### VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA 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

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 transaction TA or due diligence? In accordance with ADB policy requirements for transactions with financial intermediaries, the transaction team will conduct the necessary poverty and social due diligence with BIDV for the proposed loan.

Source: ADB. 2016. Viet Nam, 2016–2020: Fostering More Inclusive and Environmentally Sustainable Growth. Manila; N. T. Anh, et al. 2015. Employment and Quality of Employment in Vietnam: The Roles of Small Firms, Formalization and Education. *R4D Working Paper*. 2015/8. Swiss Program for Research on Global Issues for Development. Bern; K. Brandt, et al. 2016. *Characteristics of the Vietnamese business environment: Evidence from a SME survey in 2015*. UNU-WIDER. Helsinki.