



Initial Poverty and Social Analysis

Project Number: 53427-001
November 2020

VIE: Supporting Small and Medium-Sized Enterprises and Improving Living Conditions Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 3 November 2020)

Currency unit	–	dong (D)	
D1.00	=	\$0.000043	
\$1.00	=	D23,186	

ABBREVIATIONS

ADB – Asian Development Bank
SMEs – Small and Medium-sized Enterprises
VIB – Vietnam International Joint Stock Bank

NOTE

In this report, “\$” refers to United States dollars

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Viet Nam	Project Title:	Supporting Small and Medium-Sized Enterprises and Improving Living Conditions Project
Lending/Financing Modality:	Financial Intermediary	Department/Division:	Private Sector Operations Department/ Private Sector Financial Institutions Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The project is aligned with the country partnership strategy for Viet Nam (2016-2020) pillar of promoting job creation and competitiveness by enhancing ADB's support for small and medium-sized enterprise^a. The proposed loan will provide longer tenor and diversified funding to VIB to fund its projected asset growth and to offer financing to SME.

The project is consistent with ADB's Strategy 2030 operational priorities of addressing remaining poverty and reducing inequalities through the improvement of business environment for SMEs that will help generate decent and productive jobs^b.

B. Poverty Targeting

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

The project is classified general intervention and is designed to provide funding support to Vietnam International Joint Stock Bank

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Extreme poverty in Southeast Asia has been declining rapidly since 2005. ADB country-specific poverty statistics show that 5.8% (2016) of the population in Viet Nam is living below the national poverty line. The corona virus disease (COVID-19) impact on Vietnam's economy has been significant. Vietnam's General Statistics Office (GSO) reported that during the first half of 2020, 29,200 businesses suspended operations temporarily^c and 7.8 million workers lost their jobs or had their working hours reduced^d.

2. Impact channels and expected systemic changes. ADB's loan will allow VIB to build sufficient liquidity buffer to maintain loan disbursements for SMEs.

3. Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will assess the existing environmental and social policies and procedures of VIB.

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?

Small and medium enterprises (SMEs) are vital to Vietnam's economic growth, accounting for more than 98% of all business, 40% of GDP, and 50% of total employment^e. In 2014, Viet Nam's women owned 95,906 or about 21% of formal enterprises^f. The majority (57%) were estimated to be microenterprises; 42% SMEs; and 1% large enterprises^g. Women-owned businesses in Viet Nam are similar in size to those of men, with similar average annual revenues. However, most banks have yet to consider adopting strategies that cater to women-owned SMEs. Only 37% of women-owned SMEs accessed bank loans in 2016 and 2017 compared to 47% of male business owners. Even when women entrepreneurs do qualify for a bank loan, they tend to receive less than what they asked for, and lower amounts than men. In 2017, the financing gap for women-owned SMEs was estimated at USD 1.19 billion.^h The COVID-19 crisis is further reducing the financing available to SMEs; although lending in Viet Nam increased 2.1% for the 2020 year to 15 June, lending to SMEs declined 0.7%.ⁱ

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 identify potential gender mainstreaming measures that may be incorporated in the project design. Gender measures may include increased lending to women-owned SMEs, information to improve understanding of the its lending to women-owned SMEs, development of targeted marketing materials, training of VIB staff on how to better serve women-owned SMEs and/or training of women entrepreneurs.

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
<p>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 main stakeholders of the project will be the employees of VIB, the local government, and the local communities where VIB's SME clients are located.</p> <p>2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable, and excluded groups? The project will have few opportunities for participation. However, VIB has mechanism in place to accept and process concerns or complaints raised through its call center.</p> <p>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? The nature of project limits the opportunities to engage civil society organizations.</p> <p><input type="checkbox"/> Information generation and sharing <input type="checkbox"/> Consultation <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership</p> <p>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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Potential issues related to the participation of the local communities, especially the poor, in the project design will be assessed through the conduct of audit and due diligence.</p>
IV. SOCIAL SAFEGUARDS
<p>A. Involuntary Resettlement Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI - C</p> <p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No expected involuntary resettlement. VIB will enhance its existing environment and social management system (ESMS) to incorporate ADB's Safeguard Policy Statement 2009 requirements and comply with ADB's Prohibited Investment Activity List, applicable national laws and regulations. Subloans categorized as A or B under IR will be excluded from ADB financing.</p> <p>2. Strategy to address the impacts. Not applicable. There are no expected IR impacts.</p> <p>3. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?</p> <p><input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<p>B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI - C</p> <p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Key impacts. The project will not entail any impacts on Indigenous Peoples or their customary lands. VIB will enhance its existing ESMS to incorporate ADB's Safeguard Policy Statement 2009 requirements and comply with ADB's Prohibited Investment Activity List, applicable national laws and regulations. Category A or B projects on indigenous peoples will be excluded from ADB financing.</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
V. OTHER SOCIAL ISSUES AND RISKS
<p>1. What other social issues and risks should be considered in the project design?</p> <p><input type="checkbox"/> Creating decent jobs and employment <input type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment (L) <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p> <p>2. How are these additional social issues and risks going to be addressed in the project design? VIB's operations comply with the national labor laws. The project will contribute to job opportunities.</p>
VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT
<p>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? Not applicable.</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>

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? ADB Team will conduct environment and social desk review of the company and its existing operations.

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- ^a ADB. 2016. [Fostering More Inclusive and Environmentally Sustainable Growth](#). Manila.
- ^b ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.
- ^c VN Express. 2020. [Covid-19 slump forces nearly 30,000 businesses to suspend operations](#). Viet Nam.
- ^d VN Express. 2020. [7.8 million Vietnamese workers' jobs affected by Covid-19](#). Viet Nam
- ^e Swiss Program for Research on Global Issues for Development, Employment and Quality of Employment in Vietnam: The Roles of Small Firms, Formalization and Education, R4D Working Paper 2015/8.
- ^f International Finance Corporation. 2017. "Women-owned enterprises in Vietnam: Perceptions and Potential". Hanoi. Based on 2014 GSO Enterprise Census.
- ^g Following the IFC definition of enterprises, i.e., Microenterprises have revenues of less than USD 100,000 per annum; SMEs have annual revenues between USD 100,000 and USD 15 million; and large enterprises have annual revenues over USD 15 million.
- ^h International Finance Corporation, World Bank Group. 2017. [Women-owned enterprises in Vietnam: Perceptions and Potential](#).
- ⁱ N. Nguyen. 2020. [Banking Industry Sees Slow Credit Growth](#). *Sai Gon Giai Phong*. 19 June, 2020.