

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Socialist Republic of Viet Nam	Project Title:	Second Small and Medium Enterprise Development Program, Subprogram 2
Lending/Financing Modality:	Policy-based Loan Programmatic Approach	Department/Division:	Southeast Asia Department/Financial Sector, Public Management, and Trade Division

<p>I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY</p> <p>Targeting classification: General intervention</p> <p>A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy</p> <p>The government has assisted the development of small and medium-sized enterprises (SMEs) with a combination of landmark policy reforms since 2000. Viet Nam’s National Socio-Economic Development Strategy, 2011–2020 (SEDS), targets a 7%–8% economic annual growth rate and the creation of 8 million new jobs. These objectives underline the important contribution expected from the domestic private sector, and in particular SMEs. In line with the SEDP, the SME Development Plan, 2011–2015 (SMEDP) provides for an enabling economic, social, and legal environment to enhance the quality and efficiency of SME operations in order to promote the government’s employment, poverty reduction, and other social objectives. In addition, the government has approved the National Strategy on Gender Equality, 2011–2020, which specifies a target of 30% increase in women entrepreneurs by 2015.</p> <p>The country partnership strategy of the Asian Development Bank (ADB), 2012–2015 identifies poverty reduction, growth, and private sector development as key priorities. It also aims to foster social inclusiveness, enhance environmental management, and improve governance. A key intervention is to foster a transparent and effective regulatory environment to help all enterprises, including SMEs, to compete on equal terms and to provide public goods efficiently.</p> <p>B. Results from the Poverty and Social Analysis during PPTA or Due Diligence</p> <p>1. Key poverty and social issues. Viet Nam has made good progress in achieving rapid economic growth and reducing poverty. The incidence of poverty fell from 58.1% in 1993 to 20.7% in 2010 using an internationally comparable poverty measure developed by the General Statistics Office. According to the official poverty rate, based on the methodology of the Ministry of Labor, Invalids and Social Affairs (MOLISA) poverty fell from 18.1% 2004 to 14.2% in 2010.^a The impressive reductions in poverty are largely attributable to sustained business-led growth in output and employment, complemented by targeted poverty reduction interventions. However, the incidence of poverty varies significantly across regions. It is low in the southeast, Red River and Mekong deltas, and south central coast but high in the northern mountains, north central coast, and central highlands. While ethnic minority groups account for less than 15% of the total population, they make up more than half of the poor. The large difference between the proportion of the population living on less than \$2.00 per day and \$1.25 per day suggests that many households remain near poor and vulnerable to even a small external or internal shock pushing them back into poverty. Therefore, it is critical to make growth more inclusive, by expanding investments in rural and ethnic minority areas, in manufacturing, and in SMEs. In turn, a key issue for the government is to support the development of regulations targeted at promoting an enabling business environment for SMEs and financial inclusion.</p> <p>2. Beneficiaries. Beneficiaries include SMEs and micro-enterprises, including those owned by women workers, and other key stakeholders including the national business registration agency, Ministry of Justice (MOJ), Central Institute for Economic Management (CIEM), MOLISA, and credit institutions.</p> <p>3. Impact channels. The policy-based loan will provide support to SMEs through (i) better access to credit and training, (ii) expanded programs for training in both vocational and business skills for youth and women in poor and ethnic minority areas, and (iii) the provision of incentives for more diversified local enterprise development.</p> <p>4. Other social and poverty issues. As stated above, ethnic minority poverty is high. Ethnic minority groups remain hard to reach and face challenges related to isolation, limited assets, and low levels of access to basic health and education services. With rapid urbanization, the urban poor also pose a challenge. This policy-based loan is one of a number of ADB interventions to strengthen poverty reduction. ADB’s assistance helps to integrate the poor, women, and other marginalized groups in the development process through better access to improved infrastructure, rural development, economic resources, and basic social services.</p> <p>5. Design features. Noteworthy design features include (i) enhancement of the policy and planning framework for SME development, including issuance of the SMEDP; (ii) improvements to the efficiency of administrative systems that support SME development and operations; (iii) a strengthened regulatory framework through amendment of the Law on Competition, 2005 and the Enterprise Law, 2005; and (iv) enhanced access to finance, including credit enhancements available to SMEs^b In addition, the program is supporting the government’s efforts to provide credit to around 286,000 women entrepreneurs.</p> <p>C. Poverty Impact Analysis for Policy-Based Lending</p> <p>1. Discuss the impact channels of the policy reform(s) (direct and indirect, short and medium term) on the country and major groups affected. SMEs account for 97% of the total number of enterprises in Viet Nam, employ around 59% of the labor force,</p>

and account for 46% of Viet Nam's gross domestic product. The program will address binding constraints to private sector and SME development by (i) enhancing the policy and planning framework for SME development; (ii) improving the efficiency of administrative systems in support of SME development and operations; (iii) strengthening the regulatory framework for competition policy; and (iv) enhancing access to finance. These reforms strengthen the business environment to reduce the administrative costs of doing business and make it easier for enterprises to enter the market and become more competitive. The resulting increase in business development and economic growth will create new jobs, raise incomes, and make more resources available for social protection. Poor regions, ethnic minorities, and poor and near-poor people in rural and urban areas are likely to benefit from new jobs, higher incomes, and increased availability of resources for social protection. All of these areas will contribute to growth prospects, labor generation, and poverty reduction.

2. Discuss the impacts of the policy reform(s) on vulnerable groups and ways to address and mitigate these. Poverty has been dramatically reduced in Viet Nam. However, as described in section B, the majority of the poor are concentrated in rural areas and regional poverty exhibits wide differences. The program will directly contribute to poverty reduction in these regions through its support for the government's SMEDP, which specifically targets support for the development of SMEs in remote and socioeconomically disadvantaged areas and prioritizes SMEs owned by ethnic minorities and women. The SMEDP targets the establishment of 350,000 new SMEs, generating 3.5–4.0 million new jobs, some of which will be in the disadvantaged areas.

3. Discuss the systemic changes expected from the policy reform(s) for poverty reduction, pro-poor and inclusive growth, and attainment of social development goals including the MDGs. The program will directly support the government's efforts to achieve sustainable pro-poor growth through policy actions that will contribute to the development of a more competitive, expanded, and diversified environment for private businesses and SMEs.

II. PARTICIPATION AND EMPOWERING THE POOR

1. Summarize the participatory approaches and the proposed project activities that strengthen inclusiveness and empowerment of the poor and vulnerable in project implementation. Extensive consultations were undertaken during the processing of the programmatic approach and the second subprogram loan. The policy matrix underwent substantial review by a large number of organizations, including business associations (private and government-led), Council of Women Entrepreneurs, and academe. The participation of a broad range of stakeholders during the formulation of the SMEDP was incorporated as a trigger in the policy matrix and is reflected as a performance indicator in the design and monitoring framework.

2. If civil society has a specific role in the project, summarize the actions taken to ensure their participation. A number of civil society organizations, as described, have contributed directly to set the government's strategic direction for SME development. The implementation of the post-program partnership framework will require a similar involvement of these civil society organizations and business associations. A number of forums have already been created to channel this participation, such as the Viet Nam Business Forum, the Consultative Group meetings, and others.

3. Explain how the project ensures adequate participation of civil society organizations in project implementation. Key stakeholders were involved in all stages of loan review and processing, and their suggestions and recommendations were incorporated in the policy dialogue with government agencies.

4. What forms of civil society organization participation is envisaged during project implementation? Broad stakeholder consultations will continue during the post-program partnership framework implementation.

Information gathering and sharing (M) Consultation (M) Collaboration Partnership

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?

Yes No. No project activities have been identified. Participation was ensured during program review missions and processing of the second subprogram.

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: Effective gender mainstreaming

A. Key issues. Women-owned enterprises are more likely to be smaller in size, which may indicate that women face more challenges than men in expanding or growing their businesses. In addition, women-run businesses are more likely to be labor-intensive and require skills traditionally provided by women. According to a survey by Vietnam Chamber of Commerce and Industry, 21% of all enterprises are led by women. Of these, 97% are in the private sector and the other 3% are in the state-owned and foreign-owned companies. Women-led enterprises tend to be smaller, and account for 26% of micro-enterprises and 17% of SMEs. The average labor size in an enterprise owned by women is 41 workers compared with 78 workers for those owned by men, although the percentage of women workers in women-led enterprises is often much higher. Women-owned enterprises tend to be concentrated in hospitality (hotels and restaurants) and wholesale and retail businesses.

B. Key actions. The policies supported by subprogram 2 include (i) a strengthened institutional framework for SME policy making to provide gender-responsive policy and regulation; (ii) supported targets for increasing women entrepreneurs to 30% by 2015 and 35% by 2020; (iii) collection of sex-disaggregated data on SMEs; (iv) the adoption of the SMEDP, which includes specific programs to upgrade the capacity of women-owned SMEs; (v) improving access to credit for a targeted around 286,000 women entrepreneurs; (vi) training for female provincial registrars on the new business registration system; and (vii)

regular publication of data on female directors and firm owners disaggregated by enterprise, ethnicity, age group, and education level. <input type="checkbox"/> Gender action plan <input type="checkbox"/> Other actions or measures <input checked="" type="checkbox"/> No action or measure	
IV. ADDRESSING SOCIAL SAFEGUARD ISSUES	
A. Involuntary Resettlement N/A Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI	
1. Key impacts. No involuntary resettlement impacts.	
2. Strategy to address the impacts. N/A	
3. Plan or other Actions.	
<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 type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Social impact matrix
<input checked="" type="checkbox"/> No action	
B. Indigenous Peoples Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI	
1. Key impacts N/A	
2. Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
2. Strategy to address the impacts. N/A	
3. Plan or other actions. N/A	
<input type="checkbox"/> Indigenous peoples plan	<input type="checkbox"/> Combined resettlement plan and indigenous peoples plan
<input type="checkbox"/> Indigenous peoples planning framework	<input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework
<input type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary
<input type="checkbox"/> Social impact matrix	
<input type="checkbox"/> No action	
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. (L) <input checked="" type="checkbox"/> unemployment <input type="checkbox"/> underemployment <input type="checkbox"/> retrenchment <input type="checkbox"/> core labor standards	
2. Labor market impact. Simplification of administrative procedures for private sector operations is expected to simplify hiring procedures. The program supports the review of the unemployment insurance scheme with a view toward expanding benefits, simplifying procedures and extending the deadline for application of benefits. Overall implementation of the policy and regulatory reforms incorporated in the program will assist employment creation in Viet Nam in the sector with the largest potential—SMEs.	
B. Affordability N/A	
C. Communicable Diseases and Other Social Risks N/A	
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 <input type="checkbox"/> Human trafficking <input type="checkbox"/> Others (please specify) _____	
2. Describe the related risks of the project on people in project area. N/A	
VI. MONITORING AND EVALUATION	
1. Targets and indicators: The number of newly registered enterprises increases by 350,000 from 2011 to 2015 (baseline 550,000 in 2010); data collected from General Statistics Office and the Business Registration Office of the Ministry of Planning and Investment; share of employment in the domestic private sector increased to 63% in 2015 from 53% in 2007.	
2. Required human resources: Current TA 8184 ^c for \$800,000 will assist implementation of the post-program monitoring framework. It includes national and international consulting inputs.	
3. Information in PAM: N/A	
4. Monitoring tools: N/A	

^a MOLISA's official poverty rates are calculated at the commune level using surveys and local consultations. The commune level results are then aggregated nationally and published in annual decisions. The GSO poverty data is based on a nationally representative household survey and additional measures of household welfare.

^b Easier registration processes for new businesses are also shown to have a positive impact on female entrepreneurship and employment.

^c ADB. 2012. *Technical Assistance to Viet Nam for Supporting the Second Small and Medium-Sized Enterprises Development Program*. Manila.

Source: Asian Development Bank.