

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Viet Nam	Project Title:	Microfinance Development Program (MDP)
Lending/Financing Modality:	Policy-based lending	Department:	Southeast Asia Department
		Division:	Financial Sector, Public Management, and Trade Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Targeting classification: General intervention (GI)

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

The country partnership strategy of the Asian Development Bank (ADB) for Viet Nam for 2011–2015 (under development) highlights microfinance as a key area for ADB assistance. A recent ADB technical assistance project, funded by the Japan Fund for Poverty Reduction, has enabled significant policy and regulatory reforms to be instituted through laws that allow licensing of Micro Finance institutions (MFIs) to be regulated credit institutions. Likewise, government provision of microcredit has expanded significantly in the last decade. The Viet Nam Bank for Social Policies (VBSP), a government lending institution, now accounts for almost 70% of microcredit delivery in Viet Nam.

The government's 5-year Socio-Economic Development Plan, 2011–2015 aims to reduce the poverty rate by 2% each year. To achieve this objective, the government will continue to create conditions for strong economic growth, while implementing social and poverty reduction programs. Also, among the plan's various orientations for sustainable economic development, the government aims at economic reforms, including reform of commercial banks and financial institutions. Even though microfinance is not explicitly mentioned, several measures recently taken by the government strongly indicate that microfinance will remain an important poverty reduction tool. These include (i) the integration of microfinance institutions and microfinance in the new Credit Institutions Law (2010); (ii) the formation of the National Microfinance Steering Committee and the drafting of the Microfinance Strategy and Road Map, 2010–2020; and (iii) planned reforms to promote robust and vibrant market-based microfinance. The MDP will assist the government in pursuing the development of a vibrant, sustainable, inclusive, and responsive microfinance system in support of its aim of poverty reduction.

B. Results from the Poverty and Social Analysis during PPTA or Due Diligence

1. Key poverty and social issues.

The poverty rate, measured by the international standard, has decreased remarkably from 58% in 1993 to 14% in 2008. ^a In absolute terms, Viet Nam has moved about 35 million people out of poverty during 1993 –2008, nearly 6,400 people every day. By 2012, the poverty rate, according to the national standard is only 11.1% or nearly 10 million people living below the poverty line. ^b Still poverty reduction achievements remain precarious and are not yet sustainable. Poverty is mainly a rural phenomenon; in 2012, the poverty rate in rural areas at 14.4% was 3.7 times higher than in urban areas at 3.9%. ^c With 72% of the population estimated to live in rural areas, the rural poor account for 90% of the total number of the country's poor.

One of the constraints to poverty reduction has been limited responsive and adequate financial services in rural areas, which represents a mere 17% share of total bank credit, and where less than 20% of the population has access to any kind of institutional finance services.

2. Beneficiaries. The primary MDP beneficiaries are key government microfinance regulators and service providers. Secondary beneficiaries are poor women and men served by microfinance. Demand for microfinance among poor and vulnerable groups is high to generate increased income and buffer households from economic and social shocks. Hence increased access to quality microfinance services has a direct positive impact on poor and vulnerable groups. However, the capacity of poor and vulnerable groups in financial literacy and effective use of credit needs to be built.

3. Impact channels. Access to microfinance services can help poor women and men build viable small businesses, pursue economic opportunities and income-generating activities, and reduce vulnerability to external shocks or contingencies. Improved access and efficient provision of services can enable the poor to smoothen their consumption, better manage their risks, build assets, develop microenterprises, and enhance their income-earning capacity. Strengthening policy and regulatory frameworks, institutional capacity, and infrastructure support in collaboration with the Women's Union will ensure that policy and regulatory frameworks are more responsive to the needs of the poor and vulnerable women who are clients of Women's Union's microfinance institutions and the Vietnam Bank on Social Policy.

4. Other social and poverty issues. Not applicable.

5. Design features. By strengthening policy and regulatory frameworks and institutional capacity, and supporting infrastructure, the MDP will enable the microfinance system to provide better outreach and serve low-income households. Specifically, the MDP will contribute to poverty reduction by supporting policy reforms and data systems for credit institutions to provide better outreach and to serve the poor and other marginalized clients. For example, the government will issue implementing rules and regulations to promote pro-poor innovation on electronic banking products and services, and to develop insurance services suitable and responsive to the low-income earners, which is oriented to target poor and vulnerable client groups.

C. Poverty Impact Analysis for Policy-Based Lending

1. The impact channels of the policy reform(s) on the country and major groups affected.

The policy reforms supported by the program will have a direct impact on poverty by increasing the access of women and men in low-income households to quality, affordable, inclusive, and sustainable microfinance services, including credit, saving, and insurance. The multipronged approach will support the creation of a conducive policy and regulatory environment for inclusive and sustainable microfinance; strengthening of supervisory and regulatory capacity of microfinance regulators (SBV and MF); strengthening of credit institutions providing microfinance services (VBSP, PCF, and MFIs); and development of infrastructure for the microfinance system. These policy actions will enable the expansion of microfinance to rural outreach and promote pro-poor innovation in delivering services, and ensure customer protection and risk protection.

2. The impacts of the policy reform(s) on vulnerable groups and ways to address and mitigate these.

The MDP design will positively impact vulnerable groups by directly expanding their access to microfinance services through support for policy and regulatory reforms for a more inclusive and sustainable microfinance system that can provide better outreach and serve poor and marginalized clients.

3. 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.

Increased access to microfinance services for poor women and men will result in increased household income, which in turn will improve other aspects of living, such as education, health, and women's empowerment. Thus, the MDP contributes directly to the achievement of the first Millennium Development Goal (MDG): poverty reduction. Indirectly, MDG 2 (universal education), 4 (child health), 5 (maternal health), and 3 (gender equality and women's empowerment) will also be positively impacted.

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.

The MDP was prepared in close consultation with key institutional stakeholders in microfinance, including the State Bank of Vietnam (SBV), MOF, MOLISA, VBSP, CCF, VBARD, the Banking Academy, Vietnam Women Union (VWU), Micro Finance Working Group (MFWG), and other development partners.

2. If civil society has a specific role in the project, summarize the actions taken to ensure their participation.

The program will collaborate closely with the Vietnam Women's Union and its Women Academia's training center in support for policy and regulatory framework development on microfinance institution oversight capacity development.

3. Explain how the project ensures adequate participation of civil society organizations in project implementation.

For policy formulation related to women and microcredit, the Vietnam Women's Union and its relevant departments will be consulted as it represents the interest of women borrowers and has links to microfinance institutions to facilitate access to microcredit of its members.

4. What forms of civil society organization participation is envisaged during project implementation

Information gathering and sharing Consultation 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. Describe key features, responsibilities, and allocated resources No. The MDP focuses mainly on policy formulation in which direct beneficiaries are key government microfinance regulators and service providers. It will collaborate and consult with the Women's Union and its relevant departments during microfinance policy and regulatory framework formulation and during the capacity building on microfinance oversight. This is part of interventions provided by the associated technical assistance.

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: Some gender elements

A. Key issues.

Viet Nam has a strong national commitment to gender equality and women's empowerment, as reflected in the Law on Gender Equality (2006), and a complex national system for advancement of women across government. The recently approved National Strategy for Gender Equality, 2011–2020 provides specific targets for credit institutions to provide credit to 80% of female laborers in poor areas and ethnic minority regions by 2015, and 100% by 2020. Increasing equality of access to appropriate microfinance services for women plays a significant catalytic role in promoting women's economic empowerment as well as positive flow-on impacts to women's and families' livelihoods and well-being. Microfinance has traditionally involved strong participation of women and the Viet Nam Women's Union as a conduit or direct provider. At the end of 2008, 94% of active microfinance clients were female. However, women's access to formal large-scale financial services remains unequal, as is reflected by the fact that in 2010 only 35% of VBSP borrowers were women. A data gap continues from a gender perspective for microfinance. Improved data collection would ensure a significant catalytic role of microfinance in promoting women's economic empowerment. The MDP will formulate rules and regulations to require licensed MFIs to report microfinance client data, which is disaggregated by sex.

B. Key actions.

Gender action plan Other actions or measures No action or measure

The MDP will address the lack of reliable sex-disaggregated data to facilitate gender awareness, improve analytical capacity of formal microfinance providers, and support women's access to microfinance. Policy actions 2–7 in the policy matrix provide actions for this. In addition, the rule and regulation formulation will be done in consultation and close collaboration with the Women's Union' relevant departments and microfinance institutions as they have experience with, and will be affected by, these rules and regulations.

IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

A. Involuntary Resettlement

Safeguard Category: A B C FI

1. Key impacts. The MDP has no involuntary resettlement impacts as no physical infrastructure investment is involved.

2. Strategy to address the impacts. No strategy is needed.

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 |

No action

B. Indigenous Peoples

Safeguard Category: A B C FI

1. Key impacts. No negative impact on indigenous people is foreseen. Is broad community support triggered? Yes

No

2. Strategy to address the impacts. No strategy is needed.

3. Plan or other actions.

- | | |
|---|--|
| <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 | |

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. Indicate the impact as high (H), medium (M), and low or not significant (L).

L unemployment L underemployment L retrenchment L core labor standards

2. Labor market impact. The improved policy and regulatory framework on microfinance oversight will improve access to microcredit by the poor and vulnerable males and females, and hence create more employment or reduce underemployment. Therefore the overall impact is expected to be positive.

B. Affordability

An improved policy and regulatory framework on microfinance oversight is expected to make microfinance more accessible to the poor and vulnerable and indirect beneficiaries. Thus a long-term impact of the MDP will be more affordable microfinance, especially for the poor.

C. Communicable Diseases and Other Social Risks

1. Indicate the respective risks, if any, and rate the impact as high (H), medium (M), low (L), or not applicable (NA):

NA Communicable diseases NA Human trafficking

Others (please specify) _____

2. Describe the related risks of the project on people in the project area.

No social risks or communicable disease risks are associated with this loan.

VI. MONITORING AND EVALUATION

1. Targets and indicators: The project social development targets and indicators in the design and monitoring framework include the number of male and female microfinance borrowers, number of saving accounts disaggregated by sex, and issuance of the regulatory requirements for the reporting of microfinance client data disaggregated by sex.

2. Required human resources: Not applicable.

3. Information in PAM: Not applicable.

4. Monitoring tools: Not applicable.

^a GSO, 2009. Statistical Yearbook of Vietnam, Hanoi

^b The national standard is less than D400,000/person/month (or less than \$20/month/person) in rural areas and less than D500,000/person/month (or less than \$25/month/person) in urban areas.

^c GSO, 2012. Statistical yearbook of Vietnam, Hanoi