

## **Ex-Ante Evaluation**

Private Sector Investment Finance Division,  
Private Sector Partnership and Finance Department  
Japan International Cooperation Agency (JICA)

### **1. Basic Information**

Country: Socialist Republic of Vietnam (Vietnam)

Project: Micro, Small and Medium-sized Enterprises and Women's Financial  
Inclusion Support Project

(Asian Countries Financial Inclusion Facilitation Project)

L/A signing date: October 20, 2021

### **2. Background and Necessity of the Project**

#### **(1) Current State and Issues of Women's Financial Access and Micro, Small and Medium-sized Enterprises in Vietnam**

In Vietnam, Micro, Small and Medium Enterprises (hereinafter referred to as "MSME") account for about 98.7% of all businesses, about 45% of the GDP, and over 63% of employment.

Despite the large role MSME play in the economy, compared to state-run enterprises and large enterprises, there are constraints on MSME concerning access to information necessary for various businesses, such as for markets and authorizations, the securing of land use rights, and the utilization of advanced technologies. In addition to this, MSME have issues with limits on financial access due to factors like the risk being relatively high in comparison with large enterprises, and having undeveloped systems of governance. Among MSME, the number of Women-owned MSME (hereafter referred to as "WMSME") is estimated to be around 21% (around 49% when including unregistered enterprises) (IFC, 2017), and in the previous two years from 2015 to 2016 loans received from banks for WMSME stayed at the low level of 37% compared to 47% for men-owned MSME, and of the approximately US\$ 5.9 billion funding gap in the total MSME sector, the funding gap for WMSME is estimated to be around US\$ 1.1 billion, which is a serious problem.

In these circumstances, the Vietnamese government proposed in its 2016-2020 Social Economic Development Plan (SEDP) to switchover from a state-run enterprise led economy to a private sector led economy, including small and medium-sized enterprises, and attempts to improve SME access to

funding were included in the SME Law that was enacted in January 2018, with measures like credit guarantees and financing from credit guarantee funds and development funds. In addition, in March 2021, the Vietnamese government adopted the National Strategy on Gender Equality 2021-2030, continuing on from its 2011-2020 strategy, with the aim of achieving the 2030 SDGs through the establishment of a special budget and the formulation of laws, it is striving to promote gender equality in politics, economics, culture and all aspects of society, in order to achieve sustainable economic development.

In Vietnam, with the occurrence of the fourth wave, the accumulated total of people who have been infected with coronavirus (COVID-19) is 393,000 (of which 9,667 people have died) (as of August 26). In the IMF's Article IV Consultation Report that was announced in March 2021, the growth rate of Vietnam's GDP in 2021 was predicted to be 6.5%. MSME centered on the service industry, including the tourist industry, have suffered economic damage and, in 2020, the Vietnamese government reduced the corporation tax for MSME by 30%.

Since 2012, VP Bank has placed lending to SME at the core of its business, and currently engages in three strategic fields, which are banking for SME, finance for consumers, and retail banking. Through VP Bank, this project aims to improve access to finance for MSME, including WMSME, by directing the entire amount of JICA's loan to MSME, and directing over 30% of it to WMSME, in accordance with the policies of the Vietnamese government and the issues of this sector.

## **(2) Japan and JICA's Cooperative Policies for Women's Financial Access and MSME in Vietnam and the Priority of this Project**

In regards to financial inclusion for ASEAN and the Asian region, including Vietnam, Japan announced its "Initiative on Overseas Loan and Investment for ASEAN" in the Prime Minister's statement at the ASEAN-Japan Summit 2019, making a commitment to the aim of "doubling JICA's loan and investment centered on the ASEAN region, with the goal of mobilizing funds, including those from the private sector, for high quality infrastructure, improving financial access, supporting women, and facilitating green investment." In addition, Japan is enhancing its support for WMSME through actions like contributing to the funding of the "Women Entrepreneurs Finance Initiative," a fund set up in the World Bank with the aim of helping women entrepreneurs and women-run SME in developing countries overcome the obstacles they encounter. This project will

receive financial support from the same initiative, and is in line with the Japan government's policies.

"Growth and strengthening competitiveness" are central pillars of Japan's Socialist Republic of Vietnam Development Cooperation Policy (December 2017) and JICA Country Analysis Paper, which are working on promoting SMEs and supporting industries. In the "promotion of women's economic empowerment," which is one of JICA's five priority development issues concerning gender equality and empowerment of women, it mentions the importance of expanding women's access to manufacturing resources, including financing, and the promotion of women's financial inclusion is also raised as an issue in the "Promotion of Covid-19 measures from a gender perspective." JICA established the Vietnam-Japan Institute for Human Resources Development (hereafter "VJCC") in 2000, and has been continuously supporting the enhancement of people's abilities since then. The VJCC introduced programs to MSME that were customers of VP Bank to help develop people with know-how of business and management techniques, as well as introducing VJCC students and graduates to the financing menu for this project, to search for ways to cooperate and improve financial access for MSME that participated in the VJCC. Also, since 2019, the technical cooperation project, "Financial inclusion promotion support project from a gender perspective," has been supporting the improvement of financial access for women, and the borrower has become a partner organization in the same project. In addition, at the G7 in June 2018, development finance institutions from various countries, including JICA, adopted the "2X Challenge: Financing for Women" that aimed to mobilize US\$ 3 billion for projects that contribute to the economic empowerment of women by 2020. In order to expand this initiative even more in 2021, it is aiming to mobilize funds of US\$ 15 billion over the two years from 2021 to 2022. This project is also expected to contribute to the 2X Challenge.

### **3. Project Description**

#### (1) Project Objective

By giving a long-term loan to VP Bank, this project in Vietnam will promote financial access for MSME, including WMSME, in that country, and contribute to sustainable economic growth.

#### (2) Project Site/Target Area

The whole of Vietnam

### (3) Project Components

Loans to MSME, including WMSME, are promoted through a long-term loan to VP Bank. Of the JICA loans for MSME, over 30% are planned to be loans for WMSME.

### (4) Funding Plan

300 million US dollars

### (5) Project Implementation Structure

1) Borrower: Vietnam Prosperity Joint Stock Commercial Bank

2) Executing Agency: Vietnam Prosperity Joint Stock Commercial Bank

### (6) Environmental and Social Considerations, Cross-sectional Items, and Gender Classification

#### 1) Environmental and social considerations

① Category classification: C

② Basis for categorization: Based on the “Japan International Cooperation Agency (JICA) Guidelines for Environmental and Social Considerations” (announced in April 2014), this project’s undesirable impact on the environment and society is judged to be minimal.

③ Other: Nothing in particular.

2) Cross-sectional items: Nothing in particular

3) Gender classification:

[Gender item] ■GI (S) (Gender activity integration item)

<Actions/reasons for classification>

As over 30% of the total JICA loan amount is for MSME that are run by or owned by women.

### (7) Other Important Issues

This project is an application of the sustainable finance framework for co-financing between SMBC and JICA, which was introduced on March 30, 2021.

## 4. Project Outcomes

### (1) Quantitative Effects

Indicator	Baseline (2020)	Target (2025)
Loan balance for MSME	VND 25,353 billion	VND 63,087 billion
Loan balance for WMSME	VND 6,871 billion	VND 17,096 billion
Number of loan	8,549	21,273

accounts for MSME		
Number of loan accounts for WMSME	2,013	5,009
Percentage of VP Bank's total loan balance accounted for by MSME/WMSME	8.7% (MSME) 2.4% (WMSME)	12.8% (MSME) 3.5% (WMSME)
Amount of borrower's loans to MSME/WMSME that use this project's loan as the source of funds	0 (MSME) 0 (WMSME)	US\$ 75 million (MSME) US\$ 22.5 million (WMSME)
Number of MSME/WMSME business people that received loans that use this project's loan as the source of funds	0 (MSME) 0 (WMSME)	1,635 (MSME) 487 (WMSME)

## (2) Qualitative Effects

Improved financial access for MSME/WMSME

## (3) Internal Rate of Return

As this is a bank loan project, the EIRR (Economic Internal Rate of Return) and FIRR (Financial Internal Rate of Return) are not calculated.

## 5. Prerequisites and External Factors

Nothing in particular.

## 6. Lessons Learned from Past Projects

It was reported that the loan repayment rate from the Arab Republic of Egypt's "Micro, Small and Medium Enterprises Support Project" was extremely high. The lessons learned from the results of the ex-post evaluation were that to form a similar project to support loans for micro and small enterprises it was important to have, 1) plenty of experience of the loan business, and 2) lots of branches

spread out through the country to gain the customers' trust. For this project we have checked through investigations the VP Bank's loan business experience and branch network system, and confirmed that they have sufficient ability to implement this project. In addition, the lesson from the results of the ex-post evaluation of the Republic of Vietnam's "Small and Medium Enterprises Support Project (III)," was that it was important to set up indices that measured data that could be collected by the executing agency, and that the indices were suitable for systematically measuring the level of achievement of the projects goals. The aim of this project is to expand loans to MSME (especially WMSME), and to perceive this developmental effect monitoring is scheduled to take place through the monitoring that VP Bank carries out in its normal operations, with loan balances and the number of loan accounts for MSME (including WMSME) having been set as quantitative evaluation indices to measure the effects of the project.

## **7. Evaluation Outcome**

This project is in compliance with Vietnam's development issues, development policies, as well as Japan and JICA's cooperative policies and analyses and by being instrumental in improving access to finances for (W)MSME and promoting sustainable economic growth, it will also contribute to SDGs Goal 5 (gender equality), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), and 17 (partnerships for the goals), so it is highly meaningful support through overseas investment and lending.

## **8. Plan for Future Evaluation**

(1) Indicators to be used for Future Evaluation

As in 4.

(2) Future Evaluation Schedule

Ex-post evaluation scheduled for 2026.