Public Information Summary - Southeast Asia Commercial Joint Stock Bank

Host Country

Vietnam

Name of Counterparty

Southeast Asia Commercial Joint Stock Bank

Project Description

Follow-on direct loan of up to $100 million (the "**Tranche II Loan**") to the Borrower to expand the Borrower's on-lending program to small- and medium-sized enterprises ("**SMEs**") and individual borrowers. The Borrower will on-lend at least 30% of the Tranche II Loan proceeds to SMEs, at least 10% women-owned/women-led SMEs and at least 10% to Qualified Climate Finance Customers.[1]

DFC Product Type

Debt Financing

DFC Investment

$100,000,000

Total Project Costs

$125,000,000

U.S. Involvement (If not applicable, put N/A)

N/A

Insurance Specific (If not applicable, put N/A)

Private Insurer Participation

N/A

Investment Type

N/A

Foreign Enterprise

N/A

Fund Specific (If not applicable, put N/A)

[1] Qualified Climate Finance Customers are borrowers of DFC-supported financial institutions who receive financing for end uses compatible with U.S. government approved climate change mitigation, adaptation and/or sustainable landscape activities.

Fund Manager

N/A

Equity Specific (If not applicable, put N/A)

Grants Assessment

N/A

Policy Review

U.S. Economic Impact

The Project is not expected to have a negative impact on the U.S. economy.

Developmental Objectives

Limited access to financing for both individuals and SMEs is a barrier to sustainable economic development and poverty reduction in Vietnam. Approximately 11% of the Vietnamese population reports borrowing money from a formal financial institution or mobile money account compared to 37% across the greater East Asia and Pacific region. Women in Vietnam report lower rates of both account ownership and access to financing than men. SMEs, despite accounting for more than 90% of Vietnam's private sector and employing over 50% of the country's workforce, have an unmet financing demand of approximately $21.7 billion, or 12% of GDP. Women-owned/-led SMEs disproportionately face access to finance constraints due to operating mostly in the informal economy and lack of access to collateral. Climate change is yet another factor impacting Vietnam's economic growth, and disruptions to the economy are expected to become more pronounced in the future with increasing variability in temperatures and sea level rise.

In response to these challenges, the Project is expected to have a positive development impact in Vietnam by increasing access to finance and supporting the economic empowerment of individuals and SMEs, including women borrowers and women-owned/led SMEs. The Project will also support Vietnam's transition to more sustainable technologies with specific proceeds allocated to enterprises engaged in climate mitigation and/or adaptation activities, including energy efficiency improvements, green buildings, and green transportation. Given the Project characteristics, the Project is categorized as Highly Impactful per DFC's Impact Quotient.

Environment and Social Assessment

Screening:

The Project has been reviewed against the DFC's 2024 Environmental and Social Policies and Procedures manual ("ESPP") and has been determined to be categorically eligible. DFC loans to financial institutions for the expansion of lending to small- and medium-sized enterprises ("SMEs"), individual borrowers, and corporates are screened as a Financial Intermediary B (FI-B) for environmental and social assessment. These downstream investments are expected to result in minimal adverse environmental and social impacts. Therefore, all those downstream investments have been pre-screened as low risk and further review and consent is not required for these investments.

Applicable Standards:

To ensure that the Borrower's loans are consistent with the DFC's statutory and policy requirements, the DFC loan will be subject to conditions regarding the use of proceeds. The primary environmental and social issues identified in this transaction relate to the need for an Environmental and Social Management System ("ESMS") that meets the 2012 IFC Performance Standards.

Under the DFC's ESPP, the Borrower is required to comply with applicable local and national laws and regulations related to environmental and social performance and applicable provisions of the 2012 International Finance Corporation's Performance Standard ("PS") 1 and 2. A desk-review based due diligence assessment indicates that because the Project will use DFC support for on-lending to SMEs, individual borrowers, and corporates, including in climate finance, energy efficiency, retail, etc. in Vietnam, significant adverse impacts concerning community health and safety, biodiversity, land acquisition and resettlement, indigenous peoples, and cultural heritage are not anticipated; therefore, PS 3, 5, 6, 7, and 8 are not triggered at this time. The Borrower does utilize private security and therefore, relevant aspects of IFC PS 4, Community Health, Safety, and Security are triggered at this time.

Environmental and Social Risk and Mitigation:

The Borrower does have an environmental and social policy as described in IFC PS 1, grievance mechanisms, and human resources policies generally commensurate with its investment strategy. However, the Borrower will be required to update its Environmental and Social Management System and labor policies to fully comply DFC's 2024 Environmental Policy and Procedures.