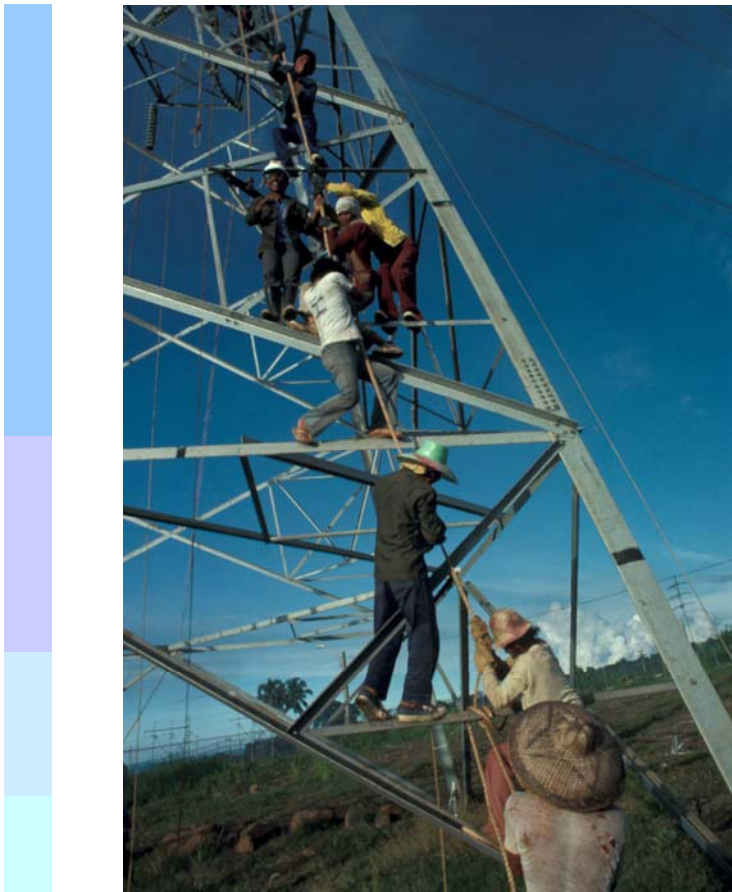


# Technical Note on

## Social Analysis in the Multitranche Financing Facility (MFF)

**Abstract:** This technical note is designed to help ADB staff and clients work together to incorporate social dimensions in MFF investment programs. By focusing specifically on the MFF, the technical note complements [Operations Manual \(OM\) C3](#) and the [Handbook on Social Analysis](#), which provide general guidance on ADB's social dimensions and the application of social analysis to ADB's work.



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## Abbreviations

ADB	—	Asian Development Bank
CBO	—	community-based organization
CDD	—	community-driven development
CPS	—	country partnership strategy
DMF	—	design and monitoring framework
FAM	—	facility administration manual
FFA	—	framework financing agreement
GAP	—	gender action plan
HIV/AIDS	—	human immunodeficiency virus/acquired immunodeficiency syndrome
IPSA	—	initial poverty and social analysis
MDG	—	Millennium Development Goal
MFF	—	multitranches financing facility
NGO	—	nongovernment organization
NMT	—	nonmotorized transport
OM	—	<i>Operations Manual</i>
PCR	—	project (or program) completion report
PFR	—	periodic financing request
PPMS	—	project performance monitoring system
PPTA	—	project preparatory technical assistance
PSA	—	poverty and social analysis
RRP	—	report and recommendation of the President
RSDD	—	Regional and Sustainable Development Department
RSGS	—	Poverty Reduction, Gender, and Social Development Division
SPRSS	—	summary poverty reduction and social strategy
TOR	—	terms of reference

### Notes:

1. The views expressed in this document are those of the authors and do not necessarily reflect the views and policies of the Asian Development Bank or its Board of Governors or the governments they represent.
2. The Asian Development Bank does not guarantee the accuracy of the data included in this technical note and accepts no responsibility for any consequence of their use.
3. The symbol “\$” refers to the United States dollar unless otherwise indicated.
4. The use of the term “country” does not imply any judgment by the authors or the Asian Development Bank as to the legal or other status of any territorial entity.
5. In this technical note, “the first periodic financing request (PFR)” refers to any PFR that is to be approved by the President directly following the Board’s approval of the multitranches financing facility, and “subsequent tranche” refers to any tranche approved at a later date.

## A. Introduction

1. The Multitranchise Financing Facility (MFF), introduced in 2005, has proven to be an effective and popular means of funding some Asian Development Bank (ADB) projects. For 2009–2011, ADB is scheduled to process 34 MFFs amounting to about \$9 billion and an approval of over 100 MFF subprojects valued at over \$10 billion. The table in section C summarizes the incorporation of poverty and [social analysis](#) in the stages of the MFF.

2. Relevant ADB policies and procedures are as follows:

- [ADB's Enhanced Poverty Reduction Strategy](#), [OM C1, Poverty Reduction](#), and [The Poverty Handbook](#);
- [OM C3, Incorporation of Social Dimensions into ADB Operations](#) and the [Handbook on Social Analysis](#);
- The [Policy on Cooperation with Nongovernment Organizations \(NGOs\)](#) and [OM E4, Promotion of Cooperation with NGOs](#);
- [ADB's Policy on Gender and Development](#) and [OM C2, Gender and Development](#);
- [Policy on Involuntary Resettlement](#), [OM F2, Involuntary Resettlement](#), and the [Handbook on Resettlement: A Guide to Good Practice](#) (to be updated);
- [Policy on Indigenous Peoples](#) and [OM F3, Indigenous Peoples](#) (to be updated);
- [ADB's Social Protection Strategy](#); and the [Core Labor Standards Handbook](#).

## B. Social Analysis and the MFF

### 1. How Does Poverty and Social Analysis Contribute to an MFF?

3. Poverty and social analysis (PSA) helps determine (i) who will be affected by an MFF and in what way, (ii) the appropriateness of an MFF for its intended beneficiaries, (iii) its likely impact on those who will be affected by it, and (iv) how MFF design can be tailored to best involve beneficiaries and meet their needs. Prior to the initial design of the MFF, PSA looks for ways to maximize social benefits while mitigating social risks.

### 2. How Does Poverty and Social Analysis Interface with the Main Features of an MFF?

4. The [table on addressing social dimensions through poverty and social analysis in MFF](#) in section C gives the main features of an MFF and how social analysis fits into each. The [social framework](#) (see [OM D14, Multitranchise Financing Facility](#), paras. 5, 13, and 17), which is analogous to the [safeguards](#) frameworks for indigenous peoples and involuntary resettlement, provides essential direction for handling [social dimensions](#) and analysis for the MFF and tranches or subprojects not fully prepared by Board approval of the MFF. The social framework, prepared before Board approval, includes

- (i) the scope of social dimensions in the MFF road map, policy framework, and framework financing agreement (FFA);
- (ii) the screening procedures and [social selection criteria](#), initial poverty and social assessment (IPSA), social analysis, and summary poverty reduction and social strategy (SPRSS) for the first periodic financing request (PFR) and any others approved with the MFF;

- (iii) provisions for strengthening the capacity of the client, executing agency, or financial intermediary, if required, to manage social dimensions for the initial tranche and to prepare any subsequent tranche for ADB approval;
- (iv) guidance for preparing the likely scope of social dimensions in physical and nonphysical subprojects of the first tranche, and for subsequent tranches, including (a) determination of screening procedures and social selection criteria; (b) completion of IP SA; (c) any additional social analysis indicated by the IP SA; (d) completion of SPRSS; (e) management plans for preparation, approval, implementation, monitoring, and reporting of actions to address the social dimensions; and (f) preparation of any [undertakings](#) needed; and
- (v) resource and budget implications for preparation of tranches.

[Appendix B](#) describes the social framework in more detail and [Appendix C](#) provides examples of selection criteria by sector.

### 3. **How Can the Compliance of MFF Tranches with ADB Standards of Poverty and Social Analysis be Ensured?**

5. Key MFF documents contain measures to ensure that MFF tranches comply with ADB standards of social analysis.

- **The social framework** provides guidance for integrating social dimensions throughout MFF implementation.
- **Assurances, covenants, and undertakings** in the report and recommendation of the President (RRP) for the MFF and undertakings in the MFF and tranches note the agreements on social dimensions.
- **The framework financing agreement (FFA), Schedule 5—Social Dimensions and Safeguard Requirements** addresses social dimensions for the MFF as a whole and for the first tranche of multiple-tranche MFFs.
- **The facility administration manual (FAM)**, setting out the agreed arrangements for MFF implementation, must be agreed upon between ADB and the executing agency before the first tranche of an MFF can become effective. The project performance management system (PPMS), which includes the review and clearance procedures for addressing social dimensions, is designed after the executing agency and ADB have agreed on the FAM, and is then incorporated into the FAM.
- **The periodic financing request (PFR)** for tranches subsequent to the approval of the MFF include an IP SA and an SPRSS prepared by the client. The client submits them for review, and ADB checks them to assure that ADB's standards on social dimensions are adhered to. The IP SA should be submitted simultaneously with the social safeguard categorization for involuntary resettlement or indigenous peoples. Per ADB's [public communications policy](#), the IP SA should be uploaded to ADB's website for disclosure. The SPRSS is a core appendix to the PFR. Approval of a PFR may hinge on the status of compliance with undertakings, assurances, and covenants previously agreed to for the MFF and may include new undertakings pertinent to social dimensions.

#### **4. How are Selection Criteria Set to Reflect the Social Dimensions for Choice of Investments?**

6. Selection criteria require investments that are socially sound. Social criteria can be included with technical, financial, environmental, and economic criteria for selecting MFF investments and can be framed to screen out specific identified social risks. In addition, selection criteria may be determined so as to favor investments that lead to greater inclusiveness and equity for policies and institutions; empowerment for poor, vulnerable, and excluded groups; better security and ability to manage risks; enhanced participation; and gender equity and opportunity. For example, the selection process, managed in partnership with local communities to support local priorities, can help to enhance empowerment and security. [Appendix C](#) provides options for formulating selection criteria that take account of the social dimensions, according to sector.

#### **5. How Can a Participatory Process be Established for an MFF?**

7. To establish a participatory process, the stakeholders must first be identified, then engaged through consultation and participation. For detailed guidance, see ADB's [Staff Guide to Consultation and Participation](#).

#### **6. How is Stakeholder Engagement Tailored to Each MFF and Periodic Financing Request?**

8. Initial stakeholder analysis and consultation and participation will help determine the need for broad analysis of issues pertaining to poverty, gender, participation, and social risks. This will lead to frameworks and selection criteria for each issue, which will serve as key points to be expounded with information pertinent to each tranche or tranche subproject.

9. The scale of effort directed toward stakeholder consultation will vary with the scale and complexity of the MFF or tranche. Small-scale projects, or projects with minimal interface with stakeholders, may need only some information sharing. Larger projects with more complex or adverse impacts will need more sophisticated strategies that incorporate collaborative decision making and empowerment. [Appendix D](#) shows how local people can participate in planning and management for an infrastructure MFF.

#### **7. How is Gender and Development Addressed in an MFF?**

10. Gender and development is “one of the key social dimensions supported by ADB policies or strategies,” and forms part of social analysis for an MFF (see OM D14, footnote 7). Schedule 5—Social Dimensions and Safeguard Requirements—of the FFA is required for the MFF as a whole and for subsequent tranches. Gender and development is considered in the IPSA and the SPRSS prepared by ADB for the MFF and first tranche, and by the client for each subsequent tranche.

11. During the MFF identification stage, a detailed gender analysis is required for projects that could correct gender disparities or significantly mainstream gender equity concerns, or that are likely to have substantial gender impact. [Appendix E](#) presents an MFF example that maximizes opportunities for women through a gender strategy and gender action plan. [OM C2, Gender and Development](#), sets out issues for consideration in project design that may be applied at both the overall MFF level and at the level of MFF investments.

## **8. What are Social Risks and How are They Addressed in an MFF?**

12. MFFs may create new risks or exacerbate existing ones for vulnerable people, and such risks must be managed. The IPSA identifies social risks—see the [Handbook on Social Analysis](#). An MFF may also be able to directly or indirectly contribute to the social development outcome of enhanced security for excluded or impoverished groups, and give them heightened ability to manage risks.

## **9. What Type of Risk May Arise and Who is at Risk?**

13. Determining the type of social risk and who is vulnerable to social risk is part of the PSA at the design stage. The findings of the PSA are presented in the [SPRSS form](#) for the MFF and PFR. Table 5 of the [Handbook on Social Analysis](#) lists social risks and possible mitigation measures.

## **10. How Can Risks be Avoided, Reduced, or Mitigated?**

14. The recommendations pertaining to risks are summarized in the SPRSS and presented in the RRP section on social dimensions and in the loan assurances. They may entail risk-reducing measures or specific plans, i.e., gender action, labor restructuring, involuntary resettlement, and indigenous peoples plans (See OM C2, C3, F1, and F2). Any of these measures may be included in a social framework that is referenced in the FFA ([Appendix B](#)). [Appendix 10.4](#) of the *Handbook on Social Analysis* contains a format for preparing a mitigation plan. [Appendix F](#) exemplifies risk management applicable to an MFF.

## **11. What is Expected of an MFF Executing Agency?**

15. An executing agency is required to meet ADB policies, including operational policies and procedures on social dimensions, in preparing and implementing each tranche after the first one. To do so, the executing agency must have the capacity to conduct an assessment, or to arrange for the conduct of an assessment, addressing the social dimensions of the project or program. This necessitates assessing the social factors that may affect the feasibility, risks, acceptance, and benefits of the specific MFF components.

16. ADB's due diligence entails examining the roles of key agencies and their relative responsibilities and accountabilities for addressing social risks and opportunities. It is important to understand the role of all agencies that will affect key social dimensions when designing and implementing an MFF, and to build in linkages or opportunities for dialogue where necessary. In addition to sector agencies, other central level ministries and agencies may set national policy in crucial ways that help to shape the administrative framework for MFF implementation to support social dimensions.

17. PSA includes (i) reviewing the capacity of sector institutions, especially that of the client, capacity to manage socially responsible investment; and (ii) diagnosing the client's strengths and weaknesses. The review includes the capacity to conduct social analysis, and to monitor the social impact of all components in accordance with ADB policies.

18. An executing agency must have sufficient capacity to screen, prepare, approve, implement, and manage the social aspects of the components, or must be able to work in

partnership with agencies with such expertise. Depending on the type of MFF, the key elements of such capacity may include

- policy, procedures, and capacity for stakeholder engagement;
- a senior officer with responsibility for overseeing social analysis and stakeholder engagement, to receive training as necessary;
- sufficient trained social specialists for preparing and implementing the investment;
- procedures for preparing and managing the social aspects of investments, including of social plans and measures; and
- a system for annual reporting on social dimensions and a monitoring and evaluation system that includes social indicators.

## **12. How Can the MFF Assist an Executing Agency that Lacks the Capacity to Conduct Adequate Poverty and Social Analysis?**

19. If the client's capacity is insufficient to allow compliance with ADB's policy standards on social dimensions, the MFF will include assistance through capacity development packages. If capacity development is needed for the first or other tranches, it is included in the project design and/or project preparatory technical assistance (PPTA). See [OM D14](#), para. 9.

20. MFFs generally include a strong capacity development component in the first tranche to address the nonphysical elements of the investment program, as follows:

- implementation support for investments approved under the first tranche, which can include support for managing social dimensions;
- advisory services for conducting PSA to help prepare investments or subprojects for any subsequent tranches; and
- special advisory services to work on refining the MFF road map, the policy framework, institutional change management, monitoring and evaluation of the overall program as well as individual tranches, and reporting.

21. Steps for social capacity development may include on-the-job training for staff of the project management office; interagency cooperation to address social dimensions such as labor, health, or gender; partnership with civil society groups such as NGOs or community-based organizations in stakeholder engagement and social mobilization; and provision of consultants to assist the client agency to conduct social analysis and prepare IPSA and SPRSS to ADB standards.

## **C. Social Analysis for the MFF Program Cycle**

22. Social and sector analyses for the country partnership strategy (CPS) will help determine the feasibility of any proposed MFF. [OM C3](#) describes how social dimensions are integrated into analyses for the CPS and the *Handbook on Social Analysis* describes [social analysis in the CPS](#).

23. Social analysis for the MFF as a whole will necessarily be broad, and will contain direction for implementing the more specific analyses for the MFF components. The following table summarizes social analysis related to steps and stages in the MFF. Steps for processing an MFF are given in [OM D14, Multitranches Financing Facility](#).

24. At least one PFR will be processed and approved by ADB's Board with the overall MFF. If the first tranche (PFR) is a project, all subprojects should generally have been identified, appraised, and made ready for implementation by the time the MFF is submitted to the Board of Directors for approval, and, for succeeding PFRs, by the time the President approves the tranche (see OM D14).

25. Documentation for the first PFR will form part of the RRP. Thus, for an MFF comprising a standalone project, PSA will be fairly complete by the time of Board approval. The SPRSS and other requirements as needed are completed and included as required in the RRP. However, if a PFR attached to the standalone MFF is a sector loan, PSA will be completed as for a sector loan (see OM D3). Where the PFR is a sector loan, the PSA for the PFR may be less broad than that for the MFF as a whole, but will still be broad enough to encompass the envisioned subprojects.

26. Due diligence and preparation for subsequent tranches is completed by the client for approval by ADB. For each subproject, focused and in-depth PSA will be completed in compliance with ADB's policies and procedures.

### Addressing Social Dimensions through Poverty and Social Analysis in the Multitranche Financing Facility

MFF Element	Addressing Social Dimensions	Focus for Social Analysis
<b>Concept</b>	Country partnership strategy (CPS) and identification of the multitranche financing facility (MFF)	Broad social analysis Sector analysis (including sector-specific social analyses as needed)
<b>MFF Road Map and Strategic Context</b>	Address social dimensions (i) for the overall MFF sector; (ii) for poverty reduction and inclusiveness; and (iii) in detailed assessments of physical and nonphysical investments, highlighting the main bottlenecks, risks, and mitigation measures.	<ul style="list-style-type: none"> <li>• Conduct sector diagnostics.</li> <li>• Identify social risks and constraints that may undermine overall MFF progress, outcomes, and impacts.</li> <li>• Identify opportunities for inclusive social benefits at the sector level.</li> </ul>
<b>MFF Policy Framework</b>	Address social dimensions in policy reforms or enhancements within the existing policy platform.	Incorporate measures in policy reforms to address social risks and enhance benefits.
<b>Investment Program and Financing Plan</b>	Address social dimensions when (i) preparing physical components; and (ii) identifying nonphysical components to address thematic and institutional issues, such as gender and other social dimensions, for financing by Asian Development Fund and grant resources, technical assistance grants, or suitable cofinanciers.	<ul style="list-style-type: none"> <li>• Ensure socially sound physical investments through (i) adding social value, and (ii) reducing risk.</li> <li>• Identify supporting thematic and institutional measures in nonphysical investments.</li> </ul>
<b>List of Key Issues and Constraints: Problem Tree</b>	The list and problem tree address social dimensions as necessary in order to determine likely social impacts and outcomes.	Identify key issues or root causes of social problems, with appropriate social indicators.
<b>Set of Undertakings and Legal Agreements</b>	Address social dimensions in (i) consultation and policy dialogue with the borrower, (ii) social criteria for selection of investments for financing, (iii) compliance with ADB's social operating policies and procedures, and (iv) any social risk mitigation measures.	Identify (i) opportunities to add social value, (ii) socially sound selection criteria, (iii) compliance standards, and (iv) social risks.
<b>Initial Poverty and Social</b>	At concept clearance, IPSA helps ADB to determine whether investments meet ADB social policy standards.	<ul style="list-style-type: none"> <li>• Conduct IPSA for each tranche and subproject.</li> </ul>

## Addressing Social Dimensions through Poverty and Social Analysis in the Multitranche Financing Facility

MFF Element	Addressing Social Dimensions	Focus for Social Analysis
<b>Assessment (IPSA)</b>		<ul style="list-style-type: none"> <li>• Include social analysis of the pertinent sector(s), possibly including problem tree(s)</li> </ul>
<b>Design and Monitoring Framework (DMF)</b>	Address social dimensions in the DMF (i) for the overall MFF, and (ii) for each tranche. This forms the basis for monitoring of and reporting on social dimensions.	Identify social indicators to capture impacts of both physical and nonphysical components.
<b>Capacity Development</b>	Enhance as necessary the capacity of key agencies to address social dimensions in preparing and managing investments. Support strategic partnerships for inclusive growth and social development.	Assess mandate, resources, and capability of key agencies to manage social dimensions.
<b>Framework Financing Agreement (FFA)</b>	<ul style="list-style-type: none"> <li>• Prepare the summary poverty reduction and social strategy (SPRSS) and social framework before Board approval, setting out the broad magnitude of the scope and criteria for carrying out further poverty and social analysis and developing more specific plans or measures in the future. Refer to the framework in the FFA.</li> <li>• Address social dimensions in Schedule 5 (Social Dimensions and Safeguard Requirements) and elsewhere in the FFA as necessary.</li> <li>• Set investment selection criteria that reflect social dimensions, screening out potentially unsound or risky investments and preferring those adding social value.</li> </ul>	Conduct poverty and social analysis to <ul style="list-style-type: none"> <li>• prepare the SPRSS as a core appendix to the report and recommendation of the President (RRP),</li> <li>• prepare a social framework,</li> <li>• complete Schedule 5, and</li> <li>• identify appropriate selection criteria.</li> </ul>
<b>Periodic Financing Request (PFR)</b>	Social dimensions are addressed in (i) first tranche investments, submitted together with the overall MFF for Board approval; and (ii) subsequent tranches, which must have been processed in compliance with applicable social and safeguard frameworks prior to the President's approval, demonstrated by conducting poverty and social analysis and preparing the SPRSS.	<ul style="list-style-type: none"> <li>• Prepare IPSA for each tranche, based on the social framework.</li> <li>• Complete poverty and social analysis for identified projects and subprojects, incorporating experience from previous tranche(s), and complete the SPRSS to be attached to the PFR.</li> </ul>
<b>Facility Administration Manual (FAM)</b>	The FAM reflects social dimensions in implementation. The project performance monitoring system (PPMS) is prepared after ADB and the executing agency agree on the FAM.	Check covenants, assurances, and undertakings on social dimensions.
<b>Implementation</b>	Address social dimensions in the ongoing MFF policy dialogue. Report on social dimensions in relation to physical and nonphysical components, risks and mitigation measures, and undertakings, as necessary.	Monitor MFF progress, outcomes, and impact through the social indicators as a basis for policy dialogue and reporting.
<b>Completion</b>	Project completion report (PCR)  Evaluation (selectively done)	The PCR for each tranche includes poverty and social analysis, tracking of social indicators through the design and monitoring framework and FAM.

MFF = Multitranche Financing Facility.  
Source: Asian Development Bank.

## 1. Processing the MFF and the First Tranche

### a. Concept Clearance

27. The concept paper will trigger initial due diligence, which may be part of PPTA. The concept paper is prepared by the project team. The CPS provides strategic content for the MFF road map and partnership between ADB and the client. The concept paper includes a justification for the MFF and indicative criteria

28. **Initial Poverty and Social Assessment.** The IPSA addresses both overall MFF sector issues and first tranche investments. An IPSA may be undertaken during PPTA preparation after project identification and/or during initial stages of preparation. The IPSA will be posted on ADB's website and presented as a core appendix to the PPTA report. Where no PPTA was undertaken, the IPSA is conducted as the initial step in PSA (see the next section). In the [Handbook on Social Analysis](#), Box 5 lists the output of the IPSA; [Chapter III D](#) provides the applicable methods, required resources, and outcomes; and [Appendix 4](#) contains the IPSA reporting format. See also ADB's [Poverty Handbook](#).

29. **Poverty and social analysis.** PSA will focus at two levels. The first level is (i) the overall MFF road map, strategic context, policy framework, investment program, and financing plan; and (ii) frameworks addressing social dimensions, with corresponding undertakings; any required policy refinements; action plans on given themes; planning and phasing; reporting requirements; and mechanisms for monitoring, evaluating, and measuring results. The MFF sector road map lists all of the components to be included in the MFF and their sequencing, together with their relationship to the objectives contained in the CPS. Nonphysical or thematic support may include specific actions to enhance the policies, institutions, and capacity to address or overcome patterns of social exclusion and inequity, in order to promote greater inclusion and equity and to empower poor, marginalized, and vulnerable groups.

30. The second level comprises the specific first tranche investments or, in the case of a standalone MFF, the entire investment, addressing social dimensions and the management of social risks. Preparation for the second and subsequent tranches may be prepared after Board approval of the MFF.

31. The due diligence plan will include nominating the team member responsible for conducting or supervising the PSA, a time frame, and resource needs. ADB may provide technical assistance that includes capacity building for meeting ADB's requirements, including for PSA. Terms of reference ([Appendix G](#)) or a work plan will be prepared for PSA covering sector issues and the first tranche.

### b. MFF Fact Finding by the Project Team

32. The project team and the client discuss drafts of the framework financing agreement (FFA), the first PFR, and the design and monitoring framework (DMF). Drawing on the social issues flagged in the IPSA, the PSA may also assess the social issues identified in the CPS; sector diagnostics; and preparatory work conducted by the PPTA consultants, the client, and/or its advisers. Sources for PSA are

- (i) PSA conducted for the CPS and prior sector diagnostics;
- (ii) secondary data and site visits;
- (iii) rapid appraisal and social survey work as necessary; and/or
- (iv) social assessments and consultations with strategic partners and stakeholders.

33. **Focus and outcomes of PSA for the overall MFF.** Key tasks of PSA are to
- (i) consider likely sector-specific social impacts, objectives, opportunities, risks, and constraints; and
  - (ii) identify and formulate design measures and implementation arrangements to maximize the social benefits and avoid or minimize the social risks of the project in a participatory manner.
34. Specifically, PSA encompasses a review of
- (i) the contribution the MFF is expected to make to poverty reduction, sector objectives and the Millennium Development Goals (MDGs) at the country level, and likely social benefits and impacts;
  - (ii) opportunities to integrate the social dimensions of participation, gender and development, social safeguards, and management of social risks into the MFF road map, policy framework, and partnership arrangements;
  - (iii) any likely barriers to participation and benefits for certain groups;
  - (iv) any likely social risks or gaps, including those arising from the scope of the borrower's social policy and legal framework, the client's capacity constraints, or phasing of MFF interventions;
  - (v) any adverse social impacts that may arise from the policy, legal, or institutional reforms proposed for the MFF policy framework and sector road map, together with their likely transmission channels;
  - (vi) social selection criteria used to screen for social risks and promote inclusive outcomes; and
  - (vii) diagnosis for capacity development to support
    - (a) implementation of social dimensions of the first tranche or the entire MFF if it is a standalone MFF;
    - (b) PSA to help prepare to ADB standards the social dimensions aspects of second and subsequent tranches; and/or
    - (c) socially responsible sector policy and administrative enhancements; and social risk management, monitoring, and evaluation.
35. The outcomes for the overall MFF include
- (i) social measures or action plans as necessary to address the social dimensions in the MFF;
  - (ii) required capacity development measures (see item [\[viii\]](#) in the previous paragraph);
  - (iii) [social framework](#) (encompassing capacity development) for the identification, screening, preparation, and management of social dimensions in the MFF and subsequent tranches;
  - (iv) results indicators to monitor social inclusion, equity, empowerment, and security for the overall MFF DMF, which will track overall MFF impact and social outcomes;
  - (v) specification of social reporting requirements;
  - (vi) specification of risk management measures for the undertakings; and
  - (vii) drafts of relevant parts of the RRP, FFA (especially Schedule 5 on Social Dimensions and Safeguards), undertakings, and first PFR, including the SPRSS.
36. **Focus of PSA for the First Tranche Investments.** Broadly, the key tasks are
- for standalone MFFs—conduct full social analysis for the entire investment ([OM D14/OP](#), para. 3); and

- for MFFs with multiple investments and for standalone MFFs that include sector loans—conduct a full social analysis for investments in the first tranche (PFR). [Appendix H](#) provides an example of incorporating social dimensions in the MFF.

37. Specifically, this involves for each investment contemplated,
- addressing the key issues identified in the IPSA;
  - identifying likely social benefits, impacts, and risks;
  - providing relevant social development inputs to the technical, economic, and other analyses to ensure the investment is socially sound;
  - formulating and incorporating social measures in the project design, including social and gender action or social risk mitigation plans;
  - formulating capacity development measures as necessary;
  - providing baseline data for monitoring social impacts of the investment;
  - preparing social risk management measures for the undertakings;
  - identifying results indicators for the DMF to monitor social plans and measures; and
  - preparing relevant parts of the RRP, FFA (especially Schedule 5, OM D14), and first PFR (including the SPRSS).
38. ADB's [Handbook on Social Analysis](#) provides more information on how to conduct social analysis during the design phase, the applicable methods for data collection and analysis, required resources, and outcomes.

#### **c. First Circulation and Review**

39. The project team prepares the draft RRP for interdepartmental circulation, including drafts of the FFA and first PFR, for the Management Review Meeting. During the meeting, the Regional and Sustainable Development Department (RSDD) may comment on social dimensions, and provides comment on social safeguard issues for the safeguard policy compliance memorandum.

#### **d. Appraisal**

40. The project team completes the due diligence, including for PSA, and updates the draft RRP, FFA, DMF, and first financing request (PFR). The draft FFA and first PFR are attached to the appraisal memorandum of understanding or aide memoire. The social dimensions are addressed in the RRP through
- country and sector social analysis based on the MFF policy framework and sector road map;
  - identification of expected social benefits and beneficiaries;
  - the SPRSS based on the MFF sector road map and first tranche subprojects;
  - full social plans and social frameworks attached as supplementary appendixes to the RRP;
  - terms of reference for social input to PPTA for social capacity development, if required;
  - DMF for the entire MFF—the DMF (a) includes transparent and participatory mechanisms for monitoring social actions and impacts of the project, appropriate social targets, and indicators; and (b) specifically tracks the progress in the warranties and representations that link risk mitigation measures to identified gaps and risks, including social gaps and risks;
  - social elements of the signed FFA, especially Schedule 5, and the PFR; and

- (viii) action to address social risks and issues in the warranties and representations that are included in the FFA.

#### e. Final Steps

41. Draft RRP, FFA, PFR, and legal agreements are circulated interdepartmentally. RSDD may review the social dimensions issues. The FFA, first PFR, and legal agreements are negotiated. The RRP, FFA, and first PFR are submitted for Board consideration of the facility. A memo is submitted to the President through the vice-president requesting approval of the tranche and the legal agreements.

42. The facility administration manual (FAM) is agreed with the client no later than the effective date of the first tranche. The FAM will fully articulate the implementation arrangements. The project team prepares and negotiates with clients to ensure that the social dimensions as set in the RRP and FFA are fully addressed in the FAM (OM C3/OP, para. 9).

43. A socioeconomic baseline, established prior to the MFF and each tranche, is essential for effective tracking of impacts over time. A good monitoring and evaluation system can help the MFF client to make midterm corrections and defend itself against public criticism. For an MFF, social monitoring and evaluation forms the basis of the project performance monitoring system (PPMS). Indicators should be disaggregated by key social variables such as gender and poverty level.

44. The DMF requires

- (i) **well-defined social indicators** and benchmarks of sector performance that can (a) be monitored throughout implementation of the MFF, and (b) serve as a basis for assessing performance in the social development strategy (*Handbook on Social Analysis*, [Appendix 11](#));
- (ii) **social indicators of institutional performance** in socially responsible investment; and
- (iii) **social indicators** for measuring progress in the investment and non-investment components.

## 2. MFF Execution and Processing of Subsequent Tranches

45. While the client and/or executing agency prepares subsequent tranches, the project team engages in dialogue with the client, and monitors and reviews execution of the first tranche and the preparation of subsequent tranches. The investments included in subsequent tranches must be prepared in compliance with applicable social frameworks and ADB social policies and cognizant of experience from the previous tranches. The project team works with the clients and/or its advisers on the road map; policy framework; investment program; financing arrangements; and progress implementing social measures, plans, frameworks, and undertakings. The client is advised on a regular basis to ensure consistency, completeness, and adherence to ADB policies and procedures.

46. DMFs are tracked and reports prepared. The report includes the status of nonphysical components, DMF updates, compliance with undertakings, progress in key social indicators that track social outcomes and impacts, social risk mitigation measures, social policy and capacity development measures, and progress with social frameworks and plans.

47. During MFF implementation, the project team

- (i) works with the executing agency and/or its advisers on the social dimensions, including implementation of any agreed social measures, frameworks, and plans;
- (ii) monitors and supervises the social capacity development work;
- (iii) monitors and reviews social dimensions in project execution, and compliance with undertakings that address social dimensions;
- (iv) reviews the MFF to assess (a) the progress of social actions and delivery of benefits to intended beneficiaries, (b) achievement of results at the sector level, (c) inclusion of vulnerable and marginalized groups, (d) participation of stakeholders (including beneficiaries and adversely affected people), and (e) mitigation of adverse effects—see OM C3/OP para. 12);
- (v) may adjust project implementation schedules, inputs, and/or outputs, if necessary pursuant to the review; and
- (vi) prepares input on social dimensions to the annual reports for submission to the Board.

48. For the subsequent tranches, the project team prepares a draft PFR report to Management. The social analysis for the PFR report may encompass

- (i) IPSA for the new investments, including assessment of likely benefits, impacts, assumptions, and risks, and likely contribution to social dimensions of the overall MFF;
- (ii) assessment of the client's capacity to undertake PSA and to handle social dimensions;
- (iii) assessment of the social soundness of proposed investments;
- (iv) the extent to which the selected investments match social selection criteria, MFF social frameworks, and ADB social policies;
- (v) recommendations for measures to enhance/ensure compliance with ADB's requirements for social dimensions; and
- (vi) identification of social indicators for the PFR's DMF.

49. The PSA is summarized in the SPRSS that is attached to the PFR.

### **3. Completion and Evaluation**

50. Project teams will prepare individual project completion reports (PCRs) on each financing tranche, and a facility completion report will be prepared for the MFF as a whole. PCRs report on outcomes in implementing social frameworks, measures, and plans, tracking social indicators in the DMF and PPMS.

51. Post-evaluation reviews may be undertaken for the overall MFF or any of its tranches. Such reviews assess the impact of the project on targeted beneficiaries, affected people, and other stakeholders differentiated by gender, ethnicity, age, caste, disability, household-income levels and/or other relevant variables in relation to the intended project outcomes and related performance targets and indicators in the PPMS and the DMF ([OM C3/OP](#), para. 13).

## Appendix A: Glossary

**Social analysis:** Social analysis comprises analysis of the social context of a particular project or area. Social analysis aims to (i) determine the social context for a program or project, including the status of and relationships between social groups and institutions; (ii) determine the appropriateness and feasibility of the program or project, given the social context; (iii) assess the potential social impacts—positive and negative—of the program or project; and (iv) identify action that may be taken (including law or policy changes, or specific project activities) to maximize the positive social impacts of the program or project, and minimize or mitigate any negative impacts.

**Social dimensions:** Social dimensions comprise participation, gender and development, social safeguards, and management of social risks and vulnerabilities.

**Social framework:** A social framework is an outline that guides social analysis and implementation of activities pertinent to social dimensions for a multitranche financing facility (MFF) investment program as a whole, where not all the MFF investment projects and subprojects are fully developed at the time the Asian Development Bank’s Board of Directors approves the overall MFF.

**Social safeguards:** Social safeguards are policies introduced to protect individuals and groups from the negative impacts (such as involuntary resettlement or disruption of indigenous peoples’ traditional land use and livelihoods) of specific development activities.

**Undertaking:** A commitment by the MFF client “to take or maintain certain actions over the term of the MFF” (e.g., compliance with ADB’s policies and procedures on social dimensions and gender). Covenants in the legal documents are project-specific at the tranche level, rather than for the whole MFF.

Sources: ADB 2007a (Box 1, p. 4); ADB 2008b; and authors.

## Appendix B: Social Frameworks

The social framework, prepared before Board approval, includes

- (i) the scope of social dimensions in the road map of the multitranche framework facility (MFF), policy framework, and framework financing agreement (FFA);
- (ii) the screening procedures and social selection criteria, initial poverty and social analysis (IPSA), social analysis, and summary poverty reduction and social strategy (SPRSS) for any periodic financing request (PFR) approved with the MFF;
- (iii) provisions for strengthening the capacity of the client, executing agency, or financial intermediary, if required, to manage social dimensions for the initial tranche and to prepare any subsequent tranche for Asian Development Bank (ADB) approval; and
- (iv) guidance for preparing the likely scope of social dimensions in physical and nonphysical subprojects of the first tranche, and for subsequent tranches, including
  - (a) determination of screening procedures and social selection criteria;
  - (b) completion of IPSA;
  - (c) any additional social analysis indicated by the IPSA;
  - (d) completion of SPRSS;
  - (e) management plans for preparation, approval, implementation, monitoring, and reporting of actions to address the social dimensions; and
  - (f) preparation of any undertakings needed; and
- (v) resource and budget implications for preparation of tranches.

### 1. Why Is A Social Framework Prepared for a Multitranche Financing Facility?

A social framework allows ADB and clients to focus, from the outset, on ways of achieving specific objectives in MFF classification, targeting, and social dimensions, to reach the desired social benefits and manage social risks.

A social framework is particularly important where all tranche investments are not defined before ADB's Board of Directors approves an MFF, but may carry significant social risk or opportunity. A social framework for the MFF, prepared before Board approval, sets out the scope and criteria for conducting further social analysis and developing specific plans or measures as subprojects are identified and prepared. This has the advantages of focusing attention on important social dimensions at the outset of the MFF, of targeting limited resources, of avoiding delays subsequently in tranche preparation and submission, and of maximizing the prospects for positive social development outcomes. The social framework for the overall MFF can be refined into a more detailed social framework for a sector tranche.

### 2. When is a Social Framework Prepared for an MFF?

Social dimensions are analyzed before appraisal for the overall MFF and first tranche investments, and for MFFs that entail large standalone projects that are fully prepared prior to appraisal.

### 3. What is a Social Framework?

The social framework is a short document that sets the objectives, scope, and procedures for addressing social dimensions when preparing tranches or subprojects of sector loans. The framework may include

- the scope of social dimensions in the MFF road map, policy framework, and FFA;

- the likely scope of social dimensions in physical and nonphysical investments for the tranches;
- the objectives for investments in terms of MFF classification, targeting, and social dimensions;
- screening procedures and social selection criteria to be used to select pipeline investments;
- management plans for the preparation, approval, implementation, monitoring, and reporting of actions to address the MFF classification, targeting, and social dimensions; and
- measures or plans for strengthening, if required, the capacity of the executing agency or financial intermediary to manage MFF classification, targeting, and social dimensions to ADB standards.

#### 4. What Kind of MFF Requires a Social Framework?

Every MFF requires an IPSA and an SPRSS. The SPRSS addresses, at a minimum, both the overall MFF road map, strategy, and policy framework, and the first tranche investments or subprojects. For subsequent tranches, each tranche release requires an IPSA and SPRSS before submission to ADB for financing approval. The IPSA will determine the degree and type of social analysis needed.

The following MFFs warrant more intensive social analysis, and may benefit from the preparation of a social framework:

- **MFFs with thematic classifications of inclusive social development, gender and development, or governance.** Early on in MFF identification, a social framework may be agreed upon to set the detailed design requirements to guide subsequent tranches in addressing the priorities of thematic classification.
- **MFFs that fall under the targeted intervention classification, including targeting to individuals or households, geographic targeting, or targeting to Millennium Development Goals (MDGs) 1–7.** A social framework may be agreed to identify poverty populations, to achieve an appropriate level of targeting to poverty groups in the design of subsequent interventions, and to address underlying poverty constraints ([Handbook on Social Analysis](#), Appendix 1.2).
- **MFFs with tranches that are sector loans.** The social framework will guide social dimensions work for subprojects.
- **MFFs with sector reform measures that may have social impacts.** Examples include MFFs that may result in changing access and affordability to services; labor effects; or changing the balance of development in favor of certain population groups, sectors, or regions. A social framework may be used to maximize socially inclusive reform measures for hitherto excluded groups while also minimizing risk.
- **MFFs with investments or subprojects that assume behavioral change relating to practices, services, or facilities.** Examples include MFFs in sectors such as agriculture and natural resources; health, nutrition, and social protection; and water, sanitation, and waste management. A social framework may be used to bring together participatory approaches in selecting and designing investments and a process of stakeholder engagement to enhance user benefits, with specific targeting where appropriate (e.g., for women).

- **MFFs with investments or subprojects implemented in potentially sensitive political and social conditions, such as post-conflict situations, after disasters, or in hitherto isolated or marginal geographic regions.** A social framework maps out ways of maximizing stakeholder engagement in investment selection and preparation to widen the benefits and minimize risk.
- **MFFs with investments or subprojects that are likely to have social risks.** Examples include MFFS entailing risks of not meeting core labor standards, loss of access to services, lack of benefits for women, human or drug trafficking, impaired health or nutrition, imbalanced development, or loss of capital and social networks. A social framework sets screening procedures and selection criteria, and procedures for preparing risk mitigation plans.

## 5. How is the Social Framework Included in MFF Documentation?

A summary of the social framework is included in core appendixes to the report and recommendation of the President (RRP) and is referred to in the SPRSS. The full social framework is included as a supplementary appendix. The framework is posted on ADB's website.

The RRP and supplementary appendixes may include a summary of detailed action plans needed for investments or subprojects in the first tranche. A social framework may be prepared in addition to a social safeguard framework for involuntary resettlement or indigenous peoples.

The social framework will be referred to in the set of MFF undertakings and legal agreements, and elsewhere in the FFA as necessary. The FFA will refer to the social framework in Schedule 5—Social Dimensions and Safeguard Requirements. The facility administration manual (FAM) will refer to the social framework.

## 6. What Does the Social Framework Contain?

The seven sections of the MFF social framework are

- (i) scope of social dimensions in the MFF road map, policy framework, and FFA;
- (ii) likely scope of social dimensions in physical and nonphysical investments for the subsequent tranches;
- (iii) objectives for investments in terms of MFF classification, targeting, and social dimensions;
- (iv) screening procedures and social selection criteria for pipeline investments;
- (v) management plans for preparation, approval, implementation, monitoring, and reporting of actions to address the social dimensions;
- (vi) strengthening of capacity to manage social dimensions; and
- (vii) resource and budget implications.

### a. Scope of Social Dimensions in the MFF Road Map, Policy Framework, and FFA

The first section of the framework sets out social measures or action plans necessary to enhance inclusive social development outcomes in the MFF road map, strategy, policy framework, and undertakings. These are derived through the IPSA and poverty and social analysis of

- the expected MFF contribution to sector objectives and the country-level MDGs, and likely social benefits and impacts;
- opportunities to integrate the social dimensions of participation, gender and development, and management of social risks, into the MFF road map, strategy, policy framework, and partnership arrangements (e.g., through inclusive policy reform);
- likely barriers to participation and benefits for certain groups;
- likely social risks or gaps, including those arising from the scope of the borrower's social policy and legal framework, the client's capacity constraints, or phasing of MFF interventions;
- adverse social impacts that may arise from the policy, legal, or institutional reforms proposed for the MFF policy framework and sector road map, together with their likely transmission channels; and
- opportunities identified in the MFF road map to enhance the MFF policy framework and institutions to overcome barriers; promote greater inclusion and equity, including gender equity; empower poor, marginalized, and vulnerable groups; and promote security.

#### **b. Likely Scope of Social Dimensions in Physical and Nonphysical Investments for the Subsequent Tranches**

This section presents a preliminary assessment of the potential scope, size, location, and type of MFF investments that are likely to be included in subsequent tranches, including physical and non-physical investments. The first tranche investments or subprojects, which have been prepared, may be referenced as an example of what might follow. For subsequent tranches, this section includes a preliminary assessment of likely social impacts and effects and of likely risks and opportunities in addressing the social dimensions.

#### **c. Objectives for Investments in Terms of MFF Classification, Targeting, and Social Dimensions**

This section presents objectives that relate to the MFF classification (e.g., inclusive social development, gender and development, or governance) and, where relevant, poverty targets. It also includes any MFF-specific objectives that have been formulated to achieve social development outcomes that enhance inclusive growth. Examples of such objectives include (i) fostering participation of identified stakeholder groups in specific aspects of planning and management to achieve defined benefits, (ii) achieving specific gender and development targets, and/or (iii) minimizing and mitigating specifically identified social risks.

#### **d. Screening Procedures and Social Selection Criteria for Pipeline Investments**

To achieve the MFF's objectives, investments or subprojects must be screened and those likely to achieve positive outcomes selected. Social screening criteria can be included with technical, financial, environmental, and economic criteria for selecting MFF investments. Selection criteria will include social soundness and acceptance by stakeholders; innovative design elements to extend the benefits; and stakeholder engagement. Selection criteria may favor investments that lead to greater inclusiveness and equity for policies and institutions; empowerment for poor, vulnerable, and excluded groups; better security and ability to manage risks; enhanced participation; and gender equity and opportunity. Selection criteria can also be framed to screen out specific social risks. If managed in partnership with local communities to support local priorities, the selection process can enhance empowerment and security. [Appendix C](#) presents

a range of options for formulating subproject selection criteria that take account of the social dimensions, according to sector.

**e. Management Plans for Preparation, Approval, Implementation, Monitoring, and Reporting of Actions to Address the Social Dimensions**

The fifth section sets out the need for preparing an IPSA and incorporating social dimensions in the design of the tranche and its subprojects. Refer to the [Handbook on Social Analysis](#) for implementing an IPSA. The IPSA is posted on ADB's website upon its completion.

In-depth poverty and social analysis is conducted for the proposed investment/subproject where warranted by IPSA, to address the key issues identified in the IPSA; identify likely subproject social benefits, impacts, and risks; and confirm compatibility with the social framework objectives and criteria. The analysis provides relevant social development inputs to the technical, economic, and other analyses to ensure the subproject or investment is socially sound, maximizes the benefits for inclusive growth, and accords with the MFF objectives. The poverty and social analysis is summarized in the SPRSS that is to be attached to the PFR, and will refer as appropriate to the social framework.

Outcomes for each subproject/investment include

- social measures or plans in accordance with the social framework;
- capacity development measures needed to support management of social dimensions during implementation of the investment/subproject;
- results indicators to monitor social inclusion, equity, empowerment, and security;
- specification of social reporting requirements;
- specification of risk management measures for the undertakings; and
- drafts of relevant parts of the PFR, including the SPRSS—the FFA incorporates any social frameworks by reference.

Management plans for subprojects may include, as necessary

- stakeholder analysis and strategy for engagement ([Handbook on Social Analysis](#), Appendix 5.1);
- a consultation and participation plan ([Handbook on Social Analysis](#), Appendix 5.4);
- a gender plan (OM C2 and [Handbook on Social Analysis](#), Appendix 6);
- a social mitigation plan to address, for example, social costs arising from construction projects, increased costs of goods and services that will result in exclusion of lower income groups, and prevention of increased risk of communicable diseases such as HIV/AIDS and/or of trafficking ([Handbook on Social Analysis](#), Appendix 10);
- a labor restructuring plan ([Handbook on Social Analysis](#), Appendix 9); and/or
- action or a plan to support core labor standards ([Core Labor Standards Handbook](#) and [Handbook on Social Analysis](#), Appendix 9).

**f. Strengthening Capacity to Manage Social Dimensions**

This section includes measures or plans for strengthening, if required, the capacity of the client, executing agency, or financial intermediary to address MFF classification, targeting, and social dimensions to ADB standards. The section sets out proposed capacity development measures to support

- poverty and social assessment to help prepare investments to ADB standards on social dimensions for subsequent tranches; and
- socially responsible sector policy and administrative enhancements; good corporate practice; and social risk management, monitoring, and evaluation.

These outcomes are derived through diagnosis of the need for capacity development. Depending on the MFF type and the degree of social analysis warranted, the key elements of such capacity may include

- a social policy that includes gender equity;
- a policy, the procedures, and the capacity for stakeholder engagement;
- a senior officer responsible for overseeing social analysis and stakeholder engagement, to receive training as necessary;
- sufficient trained social specialists for preparing and implementing the investment;
- reporting and preliminary social screening arrangements for MFF pipeline investments/subprojects;
- management policies for social risks;
- policy, systems, and procedures for social preparation and management of investments, including preparation and implementation of social plans and measures;
- a system for annual reporting on social dimensions; and
- a monitoring and evaluation system that includes social indicators.

## Appendix C: Social Selection Criteria for MFF Investments

This appendix presents ideas that may be useful in formulating selection criteria for socially sound investments to be financed under a multitranche financing facility (MFF) investment. The criteria are listed by sector and should be tailored to the specific country context and the aims of each project and subproject. In each MFF, subproject selection criteria will combine social criteria with technical, economic, financial, and environmental criteria.

### 1. Urban Infrastructure Investments

- Select urban infrastructure projects taking account of the needs and preferences of stakeholders, as expressed through representative stakeholder engagement.
- Select investments that are designed in consultation with intended users.
- Prioritize investments according to poverty levels of urban communities.
- Prioritize investments that involve innovative financing and maintenance strategies to benefit low-income communities (e.g., urban infrastructure maintenance schemes involving paid community labor, community contributions, or user levies; community-driven development [CDD] as block grants to communities for their direct contracting of maintenance workers; or use of revenues from urban infrastructure [e.g., toll ways] to finance maintenance of infrastructure in low-income communities [e.g., through CDD community grants]).
- Select investments for communities that have formed viable user groups for design, operation, and maintenance, or investments that provide support for community mobilization and strengthening for this purpose.
- Select sanitary landfill and other solid waste management facilities that are designed to meet agreed health standards.
- Prioritize drainage investments according to populations at risk as determined by economic loss, loss of social amenity, and health indicators.
- Prioritize investments based on women's expressed needs and demands.
- Prioritize investments that save women time (e.g., in collecting water).
- Select investments in slums that include the development of integrated infrastructure that uses affordable services for low income groups (e.g., through low-cost installation strategies, installment arrangements for connection fees, application of basic technologies, smart subsidies, and lifeline tariffs for provision of affordable basic services).
- Select investments that incorporate universal design principles (e.g., easy access to and use of water supply and sanitation facilities, and safety facilities for young, elderly, and disabled users).
- Prioritize investments in affordable urban public transport and safe nonmotorized and informal transport services, particularly in slums.
- Select investments that are sponsored by agencies/utilities that maintain accountability and dispute resolution mechanisms.
- Prioritize urban infrastructure investments that use local labor and materials suppliers.
- Give priority to urban infrastructure investments that ensure that bidding documents support core labor standards.
- Select investments that promote women's equal access to urban infrastructure jobs (e.g., as engineers, planners, construction workers, and drivers).
- Prioritize investments that promote complementary services specifically for women, to maximize the benefits of improved facilities (such services could

include credit; health services, including maternal and child health care; and education).

## 2. **Transport Investments**

- Select local roads on the basis of needs for local communities (e.g., major entry roads to the town, or roads that connect to major highways, arterial roads, bus terminals, railway stations, and bypasses; and roads in remote locations) as expressed through representative stakeholder engagement.
- Prioritize low-income areas in selecting transport investments.
- Select transport investments that include design features to minimize interruptions to social and economic networks along the right of way and bypass sites of social and cultural significance.
- Prioritize transport investments that take into account local social and economic settlement and use patterns, identifying particularly dangerous zones and at-risk groups.
- Select transport investments that are designed to maximize safety and security, particularly of potentially at-risk groups such as the elderly, children, the disabled, and nonmotorized transport (NMT) users.
- Prioritize transport investments that take into account NMT needs (e.g., pedestrian, cycle, and animal transport), such as appropriate infrastructure and interchange facilities, linkages to other forms of transport; and traffic management that recognizes NMT users). Training programs and public awareness measures may also be necessary.
- Prioritize investments that involve innovative financing and maintenance strategies to benefit low-income communities (e.g., transport maintenance schemes involving paid community labor, community contributions, or user levies; CDD as block grants for communities' direct contracting of maintenance workers; or use of transport revenues to finance maintenance of associated access and link roads).
- Prioritize transport investments that use local labor and materials suppliers.
- Prioritize transport investments that ensure that bidding documents support core labor standards.
- Select transport investments designed to minimize health and trafficking risks.
- Select transport investments that avoid disproportionate impacts on communities that may be disadvantaged or impoverished, or adopt appropriate mitigative measures to address such risks.
- Select transport investments that adopt universal design standards and meet accessibility standards for young, elderly, and disabled users.
- Prioritize transport investments that assist low-income communities (e.g., community maintenance schemes for small-scale transport services; planning and management of facilities for NMT; and complementary service provision [community programs and facilities for health, education, credit, small enterprise development, utilities, etc.]).
- Prioritize transport investments that employ carefully targeted subsidies for low income or special groups or communities.
- Select investments that promote women's equal access to urban infrastructure jobs (as engineers, planners, construction and maintenance workers, and drivers, for example).

### 3. Irrigation

- Select irrigation investments taking account of the needs and preferences of stakeholders as expressed through stakeholder engagement.
- Prioritize investments that include provision for strengthening representative farmer organizations to manage the delivery, allocation, and use of water in irrigation systems; participating in adaptive research programs; and prioritizing assistance to lower income groups.
- Prioritize investments that give representative farmer organizations capacity to identify and approve the layout of canals and to select and prepare specifications for control structures.
- Prioritize investments that allow for representative farmer organizations to supervise the construction of physical facilities and to monitor and verify expenditure on construction.
- Select irrigation investments where there are viable groups for system operation and maintenance of tertiary canals, or where viable local farmer organizations can take on irrigation responsibilities.
- Select investments for new irrigation infrastructure only where farmers have clearly expressed a need and demand to switch to irrigated systems.
- Prioritize irrigation developments to favor low-income users (e.g., for owners of small and medium farms).
- Prioritize irrigation investments that allow access to women in farmer groups, access to credit, etc.
- Select irrigation investments in which gender analysis shows that women's work burden (for example, in weeding or harvesting irrigated plots) will not disproportionately increase relative to men's work.
- Prioritize irrigation investments where procedures and indicators have been developed to monitor and evaluate the operation and maintenance of farmer-managed systems.
- For larger construction works, select investments that give priority to hiring local labor and materials suppliers and that ensure that bidding documents support core labor standards.

### 4. Energy

- Select energy distribution investments on the basis of needs for local communities (e.g., low-income urban or rural communities that lack energy supplies) as expressed through representative stakeholder engagement.
- Select energy distribution investments that include design features to minimize interruptions to social and economic networks along the right of way for energy transmission lines (e.g., bypassing sites of social and cultural significance).
- Prioritize energy investments that use local labor and materials suppliers in construction.
- Select investments that incorporate universal design principles.
- Select investments that are sponsored by agencies/utilities that maintain accountability and dispute resolution mechanisms for energy users.
- Select investments in low-income communities that include affordable services for low income groups, for example, through low-cost energy installation strategies, installment arrangements for connection fees, and lifeline tariffs for provision of affordable basic energy supplies.
- Prioritize energy investments that employ carefully targeted subsidies for low-income communities.

- Prioritize investments that involve innovative financing and maintenance strategies to benefit low-income communities (e.g., energy supply maintenance schemes involving paid community labor, community contributions, or user levies; CDD block grants to communities for their direct contracting of maintenance workers; or use of energy revenues to finance maintenance of energy supply and distribution schemes in low-income and/or remote areas).
- Prioritize energy investments that foster low-income community development measures such as the design of community maintenance schemes for small-scale power generating supplies in remote locations or provision of complementary services (e.g., community programs and facilities for health, education, etc.) that maximize the impact of better energy supplies.
- Prioritize energy investments that support educational programs on business, community, and residential energy efficiency.
- Prioritize energy investments that sponsor educational programs for schoolchildren and local community organizations to prevent accidents involving electric lines and electrical substations.
- Select investments that promote women's equal access to energy infrastructure jobs (e.g., engineers, planners, construction and maintenance workers, power generation plant workers, and drivers).

## **5. Microfinance**

- Select investments for which a socioeconomic profile has been prepared for participating subgroups, in terms of occupations, assets and incomes, levels of education and literacy, saving patterns, indebtedness levels, access to credit, experience in mobilizing and managing resources, entrepreneurial experiences, and markets, differentiated by gender.
- Select investments that have been specifically designed to address the needs and overcome constraints of low-income borrowers, including women.
- Select investments taking account of the needs and preferences of stakeholders as expressed through stakeholder engagement.
- Select investments that provide for group collateral arrangements in the absence of assets that may be used for collateral.
- Prioritize investments that provide technical advice to low-income users including women, for example, on enterprise selection and management, business skills, marketing skills, savings mobilization, and group formation.
- Prioritize investments that bring credit services to low-income users.

## **6. Flood Control and Drainage**

- Prioritize investments according to the size and severity of flood risk for population groups in terms of loss of life, economic loss, loss of social infrastructure and capital, etc.
- Prioritize investments that benefit low-income communities.
- Select investments taking account of the needs and preferences of stakeholders as expressed through inclusive stakeholder engagement.
- Prioritize investments that include provision for strengthening representative community organizations to play a role in flood warning, disaster preparedness, upkeep of flood control and drainage systems, and management of flood control systems.
- Select investments that have been developed in consultation with local people, including women.

- Select projects that provide adequately for loss of access to land or income.
- For large construction works, select investments that employ local labor and materials suppliers.

## Appendix D: Building Partnerships for Urban Planning and Management

The multitranche financing facility (MFF), [North Karnataka Urban Sector Investment Program](#), in India, will assist the Government of Karnataka to rehabilitate urban infrastructure facilities and to construct new ones, including water supply systems, sewerage systems, drainage, urban road resurfacing and junction improvements, and basic services in slums.

**Stakeholder consultations** during MFF preparation helped identify and prioritize subprojects. People in the 25 initially identified areas expressed a strong desire for improved urban infrastructure and services. Water supply was given the highest priority in 18 of the 25 areas, sanitation was ranked second, and drainage was ranked third. In the slum areas, preference for water supply was overwhelming, followed by sanitation.

**The participation strategy** was developed based on these findings, and on assessment of communities' absorptive capacity. The strategy for public participation focuses on building partnerships among nongovernment organizations (NGOs), business communities, local governments, stakeholder agencies such as the Karnataka Slum Clearance Board, and neighborhoods. Local town and district-level NGOs and an apex NGO will be involved in monitoring community participation. Ongoing consultation and participatory monitoring will help ensure that the investment program meets communities' needs.

## Appendix E: Maximizing Opportunities for Women

**The gender strategy** for the [North Karnataka Urban Sector Investment Program](#), in India, fosters women's participation to maximize the program's beneficial impacts on women. The multitranche financing facility (MFF) encourages increased decision making by women in the MFF design, implementation, and monitoring. Self-help groups for women aim to bring positive benefits to poor women in poor areas, where the percentage of female-headed households is disproportionately higher than the average. Monitoring and evaluation systems will generate gender-disaggregated information to enable tracking of the gender impacts. Likely benefits include reduced time spent collecting water, improved health, and increased employment opportunities.

**The gender action plan (GAP)** details goals and objectives from a gender perspective, actions to be taken, indicators and mechanisms for monitoring, and responsibilities to be assigned to stakeholders at each stage of the MFF.

Principal GAP objectives are to (i) integrate a gender perspective into the design of the MFF; (ii) empower women by giving them opportunities to participate from the beginning; (iii) ensure women's awareness of the MFF's benefits and opportunities for their involvement in design; (iv) integrate gender within urban local governments and the Karnataka Slum Clearance Board's areas of work, with a specific focus on the design of the MFF; (v) empower women from poor families to participate in local governments; (vi) mainstream a gender perspective in MFF implementation; (vii) ensure that benefits of the investment program positively affect women and are equitable; and (viii) promote gender awareness in the institutional development program.

**GAP activities.** The MFF proactively seeks women from disadvantaged families as target beneficiaries, ensuring that they have one third of the representation in neighborhood groups. Neighborhood groups, ward-level committees, and city-level community development societies are all constituted with women members, and undertake participatory planning at program sites.

**GAP tasks.** The MFF will include training of community infrastructure volunteers, community savings volunteers, and community development officers, including women. It will initiate, in prioritized slums, participatory planning exercises organized by community infrastructure volunteers and local nongovernment organizations, identifying infrastructure priorities of neighborhood groups. Through this process, neighborhood-level, ward-level, and city-level plans are formulated, incorporating community inputs, including those of women.

## Appendix F: Managing Social Risks

The multitranches finance facility (MFF), the [CAREC Transport Corridor Investment Program](#), aims to improve major highway sections and to strengthen the road sector institution and road network management capacity in Kazakhstan. To address social risks, the MFF design incorporates measures on employment, HIV/AIDS, and human trafficking.

**Employment.** The Government, through the executing agency, will include a specific provision in bidding documents to ensure that civil works contractors (i) comply with applicable core labor standards and labor laws and incorporate applicable workplace occupational safety norms; (ii) do not differentiate payment between men and women for work of equal value; (iii) do not employ child labor in construction and maintenance activities; (iv) do not employ forced or compulsory labor; (v) do not permit discrimination in employment; (vi) allow for freedom of association; and (vii) to the extent possible, maximize employment of local poor and disadvantaged people for project construction, provided that the requirements for job efficiency are adequately met.

**HIV/AIDS.** The HIV/AIDS infection rate of women in Kazakhstan is increasing and the prevalence among drug users is declining, suggesting that attention be given to transit routes as points of transmission. The investment program will include distributing leaflets on HIV/AIDS transmission and initiating a needle exchange program at one site.

**Trafficking.** Kazakhstan is a source, transit, and destination country for human trafficking and growing evidence indicates internal rural-urban trafficking, largely of women. Drugs are trafficked from Afghanistan through Kazakhstan to Russia and Europe. The MFF is not likely to affect current trafficking patterns materially, as the investments will not remove significant transit barriers. However, traffickers may see the improved corridor as an attractive alternate to the current south-north route. Thus, one element of the communications program for the whole corridor program aims to raise public awareness and encourage civil society engagement to protect potential victims of trafficking and aid efforts to detect and stop traffickers.

These measures are covered in the MFF undertakings and legal agreements. The inception mission and reviews will cover social issues. Investment selection criteria require that the project roads, in line with the larger objectives of the program, will be socially sound and include measures to mitigate negative social impacts.

## Appendix G: Generic Terms of Reference for Social Capacity Building

These generic terms of reference (TOR) for poverty and social analyst consultants address three tasks in preparing and implementing a multitranche financing facility (MFF):

- (i) analyzing sectoral social issues for input to the MFF sector road map and framework financing agreement (FFA);
- (ii) conducting poverty and social analysis (PSA) for the first tranche investments; and
- (iii) providing capacity development necessary for assisting the executing agency to prepare social analysis for subsequent tranches.

The TOR may be adapted to the specific characteristics of an MFF and the country and the sector context.

The social analysts will have a strong background in relevant social science and will have had experience in developing countries in order to draw policy comparisons and bring best practices into the development discussion.

### 1. Sector Analysis of Social Issues for Input to the MFF Sector Road Map and FFA

The poverty and social analyst will be a principal adviser to the government/executing agency and the MFF team on social and poverty issues and will ensure, together with the MFF team leader, that the road map, policies, and partnership arrangements being developed for the proposed MFF are socially inclusive, equitable, and sustainable.

The poverty and social analyst will address social dimensions in the preparation of the MFF road map, strategic context, and policy framework, through sector-level PSA and diagnostics. The analyst will identify opportunities to contribute to inclusive growth by integrating the social dimensions of participation, gender and development, social safeguards, and management of social risks into the MFF road map, policy framework, and partnership arrangements. The analyst will liaise with MFF team members conducting social and gender analysis for the first tranche investments to ensure a clear division of tasks and a coordinated approach.

Specifically, the poverty and social analyst will conduct PSA for the MFF sector and prepare recommendations for the overall MFF.

**During PSA for the MFF sector**, the analyst will do the following:

- (i) Assess the expected MFF contribution to sector objectives and the Millennium Development Goals (MDGs) at the country level, and the likely social benefits and impacts of the MFF.
- (ii) Assist the team leader in identifying key stakeholders, including both men and women in poor and vulnerable groups, and their MFF-related interests.
- (iii) Assess any barriers likely to prevent certain groups from participating in the MFF and benefiting from it. This involves assessing how social factors such as status, gender, ethnicity, race, caste, age, marital status, citizenship, urban/rural location, or disability may affect people's access to goods and services, resources, economic opportunities, and/or decision making processes in the MFF sector. Ascertain the extent to which these factors affect people's vulnerability to chronic or sudden risks in the sector. Ascertain the extent to which social networks, self-help groups, and other mechanisms enable poor and marginalized

- groups to benefit from development initiatives and to manage social and economic risks in the sector.
- (iv) Assess the effectiveness of the sector's formal and informal institutions in promoting inclusion and equitable treatment of women and other social groups. Assess the extent to which formal and informal mechanisms enable poor and marginalized groups to participate in the sector.
  - (v) Assess adverse social impacts that may arise from the policy, legal, or institutional reforms proposed for the MFF policy framework and sector road map, together with their likely transmission channels.
  - (vi) Assess the adequacy of sector laws to promote inclusion, mitigate the social risks associated with development projects in the sector, and enable social analysis and a participatory process of stakeholder engagement.
  - (vii) Analyze the country's labor market in the relevant sector(s), including reconciling official indicators with evidence from surveys and focusing on employment, unemployment, and underemployment rates; incidence of seasonal labor; regional disparities in employment; real wage dynamics; informal sector and self-employment; changes in participation rates (especially for women); and working conditions and compliance with national labor laws and international core labor standards. Identify labor market imbalances in the relevant sector(s) by analyzing mismatches in the supply of and demand for labor, and provide recommendations for more inclusive, labor-absorbing development patterns in the sector(s).
  - (viii) Identify any obstacles to employment posed by labor laws or regulations in the relevant sector(s) and recommend how to address these problems. Assess the likely social effects of any sector downsizing or restructuring proposals.
  - (ix) Identify other social risks and constraints that may undermine MFF progress and their impacts.
  - (x) Identify root causes of social problems in a problem tree analysis, so that they can be addressed through MFF design and monitored in the design and monitoring framework (DMF).
  - (xi) Prepare a gender analysis of the MFF in accordance with Appendix 6 of the Asian Development Bank (ADB) [\*Handbook on Social Analysis\*](#), and assist the team leader in identifying project design elements, particularly policy changes, investments, or MFF implementation arrangements that could enhance women's or girls' participation in and benefit from the MFF, or exclude them from doing so.
  - (xii) Assess the adequacy of the proposed executing agency's organizational structure for promoting inclusion, addressing gender equity, managing the social risks associated with development projects in the sector, and enabling social analysis and a participatory process of stakeholder engagement.
  - (xiii) Assess the executing agency's administrative procedures for promoting inclusion, addressing gender equity, managing the social risks associated with development projects in the sector, and enabling social analysis and a participatory process of stakeholder engagement. This may include, for example, the use of informal and traditional information sharing procedures; client centered approaches; opportunities for consultation; strategies for empowering user groups and local people; client feedback and complaint resolution mechanisms; and facilitation of client inputs to design, management, operation, and maintenance of investments.
  - (xiv) Assess any likely social risks or gaps, including those arising from the scope of the borrower's social policy and legal framework, the executing agency's capacity constraints, or the likely phasing of MFF interventions.

- (xv) Review the numbers of staff assigned to manage social issues and their experience, qualifications, and motivation, and the acceptability of staff to client or user groups. Assess the training needs of executing agency staff.
- (xvi) Assess the executing agency's capacity for effective interagency coordination. Assess the extent to which the executing agency should work with partner organizations, such as nongovernment organizations (NGOs) and community-based organizations (CBOs), to extend its capacity for social analysis, community outreach, community mobilization, and community-based monitoring and evaluation.

**For the MFF**, the analyst will provide the following :

- (i) Recommend a strategy for stakeholder engagement for the MFF in the context of the MFF road map, strategy, and policy framework, in accordance with Appendix 5 of the [Handbook on Social Analysis](#).
- (ii) Identify opportunities for the MFF road map to include measures to enhance the MFF policy framework and institutions to overcome barriers; promote greater inclusion and equity, including gender equity; empower impoverished or excluded groups; and promote security, including through proposed nonphysical MFF measures.
- (iii) Suggest strategies for revising laws, organizational structure, or administrative procedures through the MFF road map, strategy, and policy framework to promote inclusion, manage the social risks associated with development projects in the sector, and enable poverty and social analysis and a participatory process of stakeholder engagement.
- (iv) Identify opportunities for formulating social selection criteria for MFF investments to screen out social risks and to promote inclusive outcomes.
- (v) Based on the PSA for the sector, identify the need for a gender plan or other gender-inclusive design measures, and prepare the plan or measures.
- (vi) Assist the team leader in resolving labor-related problems and issues, identifying appropriate labor law or policy changes, and drafting appropriate assurances related to labor issues. Assist the team leader in identifying opportunities in the proposed MFF to (a) mitigate the effects of potential layoffs of workers due to restructuring or retrenchment; and (b) improve employment opportunities for the poor, women, and other vulnerable groups. Propose measures to ensure that the MFF tranches will comply with national labor laws (e.g., minimum wage, equal pay, safe working conditions, social security contributions) and international core labor standards, as applicable.
- (vii) Prepare a social framework specifically for social dimensions where necessary. Where social dimensions will be addressed in tranches submitted after ADB's Board of Directors approves the MFF and first periodic financing request (PFR) and for sector tranches, the social framework prepared before Board approval will set out the broad magnitude of the scope and criteria for carrying out further social analysis and developing more specific plans or measures in future. The social framework may encompass capacity development for identifying, screening, preparing, and managing social dimensions and for developing the relevant selection criteria in subsequent tranches.
- (viii) Address key social gaps and risks in the preparation of the MFF terms and conditions, in the form of undertakings, which are documented in the legal agreements. Specify risk management measures or plans as necessary.
- (ix) Identify requirements for capacity development for the executing agency and/or any related agencies to support (a) implementation of social dimensions of the

first investment program; (b) PSA to help prepare investments to ADB standards for social dimensions for second and subsequent tranches; and (c) socially responsible sector policy and administrative enhancements, good corporate practice and social risk management, and monitoring and evaluation. Formulate a training plan that reflects the needs and priorities of staff members and that enhances their capacity to manage social issues and a participatory process of stakeholder engagement.

- (x) Identify social indicators for the MFF DMF, to monitor social inclusion, equity, empowerment, and security for the overall MFF. The DMF will track overall MFF impact and social outcomes.
- (xi) Draft relevant parts of the report and recommendation of the President (RRP); FFA, especially Schedule 5 on Social Dimensions and Safeguards; undertakings; and first PFR, including the summary poverty reduction and social strategy (SPRSS). The FFA incorporates any social frameworks. Draft TORs for additional social analysis or capacity development as may be necessary during implementation.

## **2. Social Analysis for First Tranche Investments**

These generic TOR are adapted for MFF first tranche investments from Appendix 2 of ADB's [\*Handbook on Social Analysis\*](#).

The analyst will be a principal adviser to the government and the MFF team on poverty and social issues and will, together with the MFF team leader, ensure that the first tranche investments being developed for the proposed MFF are socially inclusive, equitable, and sustainable. Depending on the scope, size, and complexity of the first tranche investments, additional, qualified specialists may have to be recruited to address gender, safeguard, labor, and other social risks.

The social analyst will do the following:

- (i) Review the list of potential MFF first tranche investments in cooperation with the team leader.
- (ii) Work with staff of the executing agency or their representatives to identify opportunities to contribute to inclusive growth by integrating the social dimensions of participation, gender and development, social safeguards, and management of social risks into the MFF investments.
- (iii) Liaise closely with the social analyst(s) conducting the sector review to share relevant information and to ensure there is no duplication.
- (iv) Conduct surveys and/or participatory rapid assessments, as required, to define, enumerate, map, and target intended clients/beneficiaries if potential first tranche investments are likely to target individuals or households.
- (v) Establish and maintain contact with relevant NGOs and CBOs in the proposed first tranche area(s).
- (vi) Assist the team leader and other specialists in preparing design measures and/or plans to address relevant social issues in the first tranche investment, as required.

For guidance on specific tasks the social analyst will perform, see Appendix 2.2 of the [\*Handbook on Social Analysis\*](#), as follows:

- (i) for social development and participation, see pp. 69–70;
- (ii) for gender and development, see pp. 71–72;

- (iii) for labor, see pp. 74–6, and the [Core Labor Standards Handbook](#) (ADB–ILO 2006); and
- (iv) for other social risks and vulnerabilities, see pp. 76–77.

### **3. Capacity Building for Assisting the Executing Agency to Prepare Social Analysis for Subsequent Tranches**

To assist the government in preparing the MFF tranches for ADB financing, the consultants will liaise with the government, development partners, and other relevant stakeholders to help prepare the MFF tranches in a participatory manner.

**Context for Social Analysis in MFF Implementation.** The MFF presents an opportunity to develop capacity among sector agencies to plan and manage to promote inclusive growth by addressing the social dimensions. This includes establishing transparent processes for public finance management, covering both the revenues and expenditures of government and parastatal bodies. Transparency involves independent audits and publication of annual activity reports, with specific mention of how services are being improved for the impoverished and excluded. A systematic approach is needed to ensure (i) accountability, participatory planning, transparent monitoring, and competitive implementation; and (ii) that procurement reforms and transparent contracting arrangements are promoted at the project and program levels.

The analyst's responsibility includes oversight where specific activities may be contracted out to the private sector, such as billing, revenue collection, and infrastructure maintenance; regulation for different forms of building and operating new investments; and regulation of grant concessions and full privatization of transportation investments.

**Outline of Tasks.** The social analyst will do the following:

- (i) Review the list of potential MFF tranche investments in cooperation with the team leader.
- (ii) Work with staff of the executing agency or its representatives to identify opportunities to contribute to inclusive growth by integrating the social dimensions of participation, gender and development, social safeguards, and management of social risks into the MFF investments.
- (iii) Be responsible for ensuring that each investment is documented in accordance with ADB's standards for initial poverty and social analysis (IPSA) and SPRSS.
- (iv) Liaise closely with the social analyst(s) reviewing the sector to share relevant information and ensure there is no duplication.
- (v) Conduct or commission surveys and/or participatory rapid assessments, as required; and define, enumerate, map, and target intended clients/beneficiaries if potential MFF investments are likely to target individuals or households
- (vi) Establish and maintain contact with relevant NGOs and CBOs in the proposed investment area(s).
- (vii) Assist the team leader and other specialists in preparing design measures and/or plans to address relevant social issues in the MFF tranche investments, as required.
- (viii) Ensure that each proposed investment is prepared taking account of ADB publications (see the reference section).
- (ix) Ensure that each proposed investment conforms to earlier agreements, for example as set out in MFF undertakings and approved documents.

- (x) Support social preparation and monitoring of investments as the MFF tranches are prepared, conducting due diligence for the key parameters for the subsequent investments to assess social feasibility studies and reviewing the methodology and conclusions of the PSAs for subsequent investments to verify that they were undertaken in accordance with the ADB guidelines, including on IPSA and SPRSS.
- (xi) Determine if there are gaps in the analyses and propose additional work to fill them.
- (xii) Conduct additional investigations as required for the IPSA and prepare an IPSA report meeting ADB's requirements.
- (xiii) Ensure that the contractor excludes child labor from the civil works and monitor contractors' compliance with and performance of required actions regarding HIV/AIDS and human trafficking, in accordance with the contract documents.
- (xiv) Provide training and support for counterpart staff in conducting PSA to ADB standards.
- (xv) Prepare periodic reports for ADB as requested by the MFF team leader.

## Appendix H: India—Inclusive Social Development in an MFF

The [Rajasthan Urban Sector Development Investment Program](#), a \$273 million multitranchise financing facility (MFF) in India, addresses inclusive social development as a cross-cutting theme, with a subtheme of human development. The physical investments—water supply, wastewater management, solid waste management, urban drainage, urban transport and roads, and social and cultural heritage infrastructure—are linked to a capacity development program to enable the urban local governments to make the state system more responsive, to empower local government, to improve the financial performance of the local bodies and service providers, and to improve urban services overall for citizens.

Baseline surveys showed that about 76% of households in slums in project towns did not have access to water service connections. Slum dwellers faced low water pressure and infrequent supply at too few public standpipes, which delivered water only once or twice a week. In summer, slum dwellers, particularly women, had to spend about an hour each day in a difficult search to find water elsewhere, and some had to buy water in at a high cost. To increase access to water, the MFF design includes low water connection fees (paid in installments) and lifeline tariffs to make drinking water more reliable and affordable for the poor.

The focus on the urban poor goes beyond infrastructure to encompass a holistic approach to meeting their needs and empowering them to improve their own living conditions, including the use of self-help schemes and the careful application of cross-subsidies. Policy reforms include (i) local resource generation and improved municipal management, (ii) improved cost recovery for water supply, (iii) capacity development for municipal governments, (iv) establishment of an urban infrastructure development and finance facility, and (v) community participation.

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