

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Regional	Project Title:	Proposed Guarantees, Loans, and Risk Participation Products for Additional Financing – Trade Finance Program
Lending/Financing Modality:	Financial Intermediary	Department /Division:	Private Sector Operations Department/ Private Sector Financial Institutions Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Poverty targeting: General Intervention

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

The Trade Finance Program (TFP) of the Asian Development Bank (ADB) supports ADB's Strategy 2030 and the overarching objective of achieving an Asia and Pacific region that is prosperous, inclusive, resilient, and sustainable; it supports five of ADB's seven operational priorities (OPs).^a The TFP is also aligned with the United Nations Sustainable Development Goals and addresses ending remaining poverty and reducing inequalities by providing access to trade and supply chain finance.^b The additional financing will increase the overall program limit and enable the program to close additional market gaps and provide higher levels of support to developing member countries (DMCs). The program will continue to draw the private sector into DMCs where partner banks otherwise may not operate. Financial development will also be supported by providing information to the private sector through knowledge products that enable them to operate in developing Asia.

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

- 1. Key poverty and social issues.** The program's impact on poverty reduction can be indirect and may be measured within the sector by the provision of guarantees in support of and loans to DMC banks to support trade.^c The program is the single largest mobilizer of cofinance at ADB.
- 2. Beneficiaries.** The proposed investment will benefit ADB DMC banks and their clients that are small and medium-sized enterprises (SMEs). It will also benefit the labor force through new job opportunities with SMEs.
- 3. Impact channels.** The program, by providing SMEs with less costly financing through DMC banks, will facilitate trade and indirectly contribute to poverty reduction and job creation.
- 4. Other social and poverty issues.** None.
- 5. Design features.** The program is classified as a general intervention and is expected to have a positive impact on access to finance by DMC banks through trade finance linkages.

II. PARTICIPATION AND EMPOWERING THE POOR

- 1. Participatory approaches and project activities.** Where goods, services, and commodities being traded are material components of a project classified as Category B for environment and/or involuntary resettlement under ADB's Safeguard Policy Statement (2009), the partner bank(s) will be requested to ensure that the consultation and participation process (if undertaken) will be guided by each DMC bank's environmental and social management system. The arrangements implemented under each participating DMC bank will include facilitating consultations with stakeholders, and ensuring that they are implemented, as practicable.
- 2. Civil society organizations.** The program will not directly engage with civil society organizations for each transaction but will be open to responding to inquiries in accordance with ADB's Access to Information Policy and ADB's Safeguard Policy Statement.
- The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA):
L ☒ Information gathering and sharing ☐ Consultation ☐ Collaboration ☐ Partnership
- 4. Participation plan.** ☐ Yes. ☒ No. DMC banks directly engage with the client SMEs and concerns or complaints related to the project can be conveyed through the DMC banks.

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: Effective Gender Mainstreaming

A. Key issues.

The trade finance gap was estimated at \$1.5 trillion globally in 2019 with firms owned by women found to face additional barriers in accessing trade finance; the rejection rate for their proposals was 44%, compared with 38% for firms owned by males. Once rejected, firms owned by women were less likely to seek alternative finance—whether formal or informal (footnote b). The TFP launched its initial gender initiative in 2016 to review and advise on appropriate and practical human resource measures to be implemented within DMC partner banks to increase gender equality. To execute this initiative, TFP engaged a consultant that conducted an assessment of DMC partner banks' human resource policies to determine how these policies can be enhanced to attract, retain and promote more women in banking. This initiative assessed the human resources policies of 19 partner banks to identify enhancements to attract, retain, and promote women in banking; 12 banks in 8 countries implemented 25

recommendations.^d The initiative was extended to a new cohort of DMC partner banks in 2019, and is expected to be completed in 2021.^e

B. Key actions.

☒ Gender action plan ☐ Other actions or measures ☐ No action or measure

Key features of the gender action plan are: (i) significant women's participation in training and seminars, (ii) human resource policies of participating banks enhanced, (iii) training and networking sessions for women-owned businesses that focus on increasing their access to trade finance, (iv) development of training for banks focused on improving the banks' customer service for female clientele.

IV. ADDRESSING SOCIAL SAFEGUARDS ISSUES

A. Involuntary Resettlement

Safeguard Category: ☐ A ☐ B ☐ C ☒ FI

1. **Key impacts.** The program will continue to support a broad array of transactions involving trade, import, and export of goods and commodities of various types, including (i) medical and pharmaceutical goods and commodities; (ii) consumer goods; (iii) food, agricultural and related goods; (iv) oil, gas and energy-related commodities; (v) raw non-energy commodities; (vi) industrial machinery and capital goods; (vii) automotive goods and parts; (viii) textiles and apparel; (ix) technology and communication; and (x) construction and building materials. The program will consider trade of commodities, goods or services that are material components of projects potentially classified as Category B for involuntary resettlement under ADB's Safeguard Policy Statement.

2. **Strategy to address the impacts.** Partner banks will be required to apply ADB's prohibited investment activities list. Where the transaction involves goods applied towards a Category B project, banks will be required to have an ADB-endorsed environment and social management system (ESMS) and demonstrated capacity to implement the ESMS prior to using ADB funds. Should the TFP receive a proposal from a partner bank to support a transaction for supply of equipment for an ADB financed project with Category A impacts, TFP support can only be provided by exception if compliance is first confirmed by ADB. The ESMS will be implemented in accordance with the ADB Safeguard Policy Statement requirements for financial intermediaries under Safeguard Requirements 4: Special Requirements for Different Finance Modalities.

3. Plan or other Actions.

- | | |
|--|--|
| <input type="checkbox"/> Resettlement plan | <input type="checkbox"/> Combined resettlement and indigenous peoples plan |
| <input type="checkbox"/> Resettlement framework | <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework |
| <input checked="" type="checkbox"/> Environmental and social management system arrangement | <input type="checkbox"/> Social impact matrix |
| <input type="checkbox"/> No action | |

B. Indigenous Peoples

Safeguard Category: ☐ A ☐ B ☐ C ☒ FI (treated as C)

1. **Key impacts.** The program will not engage in activities that will directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples or affect the territories or natural or cultural resources that indigenous peoples own, use, or occupy or claim as an ancestral domain or asset.

Is broad community support triggered? ☐ Yes ☒ No

2. **Strategy to address the impacts.** ADB funds will not be used for business activities that are classified as Category A or B for indigenous peoples.

3. Plan or other actions.

- | | |
|---|--|
| <input type="checkbox"/> Indigenous peoples plan | <input type="checkbox"/> Combined resettlement plan and indigenous peoples plan |
| <input type="checkbox"/> Indigenous peoples planning framework | <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework |
| <input type="checkbox"/> Environmental and social management system arrangement | <input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary |
| <input type="checkbox"/> Social impact matrix | |
| <input checked="" type="checkbox"/> No action | |

V. ADDRESSING OTHER SOCIAL RISKS

A. Risks in the Labor Market

1. Relevance of the project for the country's or region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L).

☒ unemployment (L) ☐ underemployment ☐ retrenchment ☒ core labor standards (L)

2. Labor market impact. The program will support billions of dollars of trade in commodities, capital goods, and consumer goods, among businesses and activities that are expected to improve the income-generating activities of SMEs and will at the same time provide employment opportunities. Partner banks will comply with relevant national laws including labor laws, internationally recognized core labor standards, and guidelines, and periodically report such compliance to ADB. An updated child and forced labor guideline has been developed and will include a training component for partner banks operating in DMCs. These banks will need to demonstrate to the TFP their ability to properly manage such risks; if gaps are identified, ADB will offer capacity building training. In addition, the TFP is running a pilot program with a United Kingdom-based fintech company to promote the establishment of worker welfare safeguards by connecting high work standards to favorable supply chain financing costs. The pilot is currently

focused on the garment industry in India; if successful, ADB could evaluate further applications on additional industries and DMCs.

B. Affordability

The program will be used to continuously support institutional and finance sector development by deepening the sector through expansion of finance to support SMEs.

C. Communicable Diseases and Other Social Risks

1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA):

☒ Communicable diseases (NA) ☒ Human trafficking (NA)

☐ Others (please specify) _____

2. Risks to people in project area. None

VI. MONITORING AND EVALUATION

1. Targets and indicators. ADB program staff will report on the number of trade transactions supported under the program, including support for SMEs and intraregional and bilateral trade, and delivery of gender indicators.

2. Required human resources. Not applicable as monitoring and evaluation will be undertaken internally by the TFP.

3. Information in the project administration manual. Not applicable

4. Monitoring tools. Partner banks will comply with ADB Safeguard Policy Statement requirements, relevant national laws, and internationally recognized core labor standards and guidelines, and will report annually to ADB.

^a ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila; and ADB. 2019. Manila.

^b ADB. 2019. [Trade Finance Gaps, Growth, and Jobs Survey](#). ADB Briefs No. 113. September. Manila.

^c In the context of the TFP, a “guarantee” is a reference to a standby letter of credit issued by ADB under the TFP Credit Guarantee product. A standby letter of credit is not a guarantee as a matter of law, but is referred to as such by the TFP for ease of understanding and marketing purposes.

^d ADB. 2018. [ADB Gender Initiative with Trade Finance Partner Banks Phase II: Implementation](#), May. Consultant's report. Manila (TA 8925).

^e ADB. 2020. *Review of Gender Strategies Within Trade Finance Program Partner DMC Banks of Asian Development Bank*. Consultant's report. Manila. (TA 9669).

Source: Asian Development Bank (Trade Finance Program).