



Initial Poverty and Social Analysis

Project Number: 44934-030
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Guarantee and Unfunded Risk Participation Products for Additional Financing Microfinance Program (Regional)

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ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
MFI	–	microfinance institution
MFP	–	Microfinance Program
NBFI	–	nonbank financial institution
PFI	–	Partner financial institution

NOTE

In this report, “\$” refers to United States dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Regional	Project Title:	Proposed Guarantee and Unfunded Risk Participation Products for Additional Financing Microfinance Program
Lending/Financing Modality:	Program	Department/ Division	Private Sector Operations Department Private Sector Financial Institutions Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

As a regional initiative, the Microfinance Program (MFP) does not link to a specific poverty reduction strategy or country partnership strategy of an Asian Development Bank (ADB) developing member. However, the program will contribute to achieving the ADB's Strategy 2030, specifically in addressing remaining poverty and reducing inequalities as well as accelerating progress in gender equality and support to the finance sector through the development of financial infrastructure, institutions, and products and services.^a The program will also respond to ADB's measures to address the economic impacts of the coronavirus disease (COVID-19) pandemic by providing access to individuals and microenterprises access to financing for post-pandemic economic recovery.^b

B. Poverty Targeting:

☒ General Intervention ☐ Individual or Household (TI-H) ☐ Geographic (TI-G) ☐ Non-Income MDGs (TI-M1, M2, etc.)

ADB's additional financing to the MFP will strengthen and widen support to partner financial institutions (PFIs) and microfinance institutions (MFIs)/ nonbank financial institutions (NBFIs). These PFIs and ADB-approved MFI's/NBFI's provide financial services to low-income population segments to build and sustain livelihoods or income-generating activities.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The program will continue to support PFIs lending to MFIs serving underserved populations, primarily women, in Bangladesh, Cambodia, India, Indonesia, Pakistan, and the Philippines. The additional financing will increase the number of supported PFIs and MFIs/NBFIs and widen the program's geographic coverage to countries within Central Asia and the Pacific. Borrowers of MFIs are typically microenterprises who have limited access to funds to establish or expand small-scale businesses or individuals seeking to satisfy domestic needs. The additional financing will also extend support to help restore and rebuild the livelihoods of microentrepreneurs and individuals affected by the COVID-19 outbreak.
2. Impact channels and expected systemic changes. The program will continue to focus on providing support to MFIs/NBFIs, through the PFIs, that respond directly to the needs of micro entrepreneurs for financial services and support for economic recovery from the COVID-19 pandemic impacts.
3. Focus of (and resources allocated in) the transaction TA or due diligence. The due diligence process will assess PFI's performance in screening MFI's onlending activities against ADB Prohibited Investment Activities List and social safeguards impacts and other social dimension aspects (i.e., gender and labor). The review of onboarding and annual review documents will confirm the nature and extent of environmental and social impacts of MFI's transactions.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? Globally, about 1.7 billion low-income adults lack access to finance, virtually all in the developing world.^c The financial needs of lower-income people who find it difficult to borrow from formal lending sources, due to small loan requirements and the lack of collateral, are being met by microfinance, a mainstream mode of extending credit, savings and insurance products in ADB's developing member countries. In 2017, 374 microfinance institutions in South Asia, East Asia and the Pacific served 103 million active borrowers, approximately 90% of which were women.^d However, a significant number of the poor still remain unbanked. Just four Asian countries - India, Indonesia, Pakistan and People's Republic of China together account for over a third of unbanked adults globally.^e Overall, women also have lower access to financial services than men. In South Asia, for example, the gap in ownership of a bank account between women and men still stands at 15%.^f COVID-19 has exacerbated existing gender gaps. Emerging evidence from the impacts of COVID-19 shows that women disproportionately bear the resulting socio-economic hardships. Women earn less, save less and are more likely to live close to poverty. COVID-19 has resulted in increased unpaid domestic and care work for women, which in normal times already averages 3 times as much as men.^g In addition, the COVID-19 pandemic threatens to erode the substantial progress made by microfinance over the past two decades (2000-2021).^h

2. Does the proposed project or program have the potential to contribute to the promotion of gender equity and/or empowerment of women by providing women access to and use of opportunities, services, resources, assets, and participation in decision-making? ☒ Yes ☐ No
 Potential gender measures which will be explored during due diligence include increasing the number of women end-borrowers that receive financing under the program; increasing the number of women-led microenterprises that receive financing under the program; improving the HR practices of financial institutions; training micro-borrowers (majority of whom are women); and/or training of financial institution staff on gender sensitive practices.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?
☐ Yes ☒ No

4. Indicate the intended gender mainstreaming category:
☒ GEN (gender equity) ☐ EGM (effective gender mainstreaming)
☐ SGE (some gender elements) ☐ NGE (no gender elements)

III. PARTICIPATION AND EMPOWERING THE POOR

1. Who are the main stakeholders of the project, including beneficiaries and affected people? Explain how they will each participate in the project's design. The main stakeholders of the program are PFIs, MFIs, NBIs, and women end borrowers; however, because the nature of the transaction is focused on risk participation and guarantee, the involvement of these stakeholders during due diligence and project design stage is expected to be limited.

2. Who are the key, active, and relevant CSOs in the project area? There are some MFIs/NBFIs that will be supported through the MFP that are considered non-profit organizations established to provide financial services to low-income households and microentrepreneurs.

3. Are there issues during project design for which participation of the poor and vulnerable is important?
☐ Yes ☒ No If yes, what are these issues?

4. How will the project ensure the participation of beneficiaries and affected people, particularly the poor and vulnerable and/or CSOs, during project design to address these issues? CSO participation, particularly the non-profit MFI's/NBFIs, will be limited during the due diligence and project design stage, and their participation will be more pronounced during program implementation.

5. What level of CSO participation is planned during the project design?
☒ Information generation and sharing ☐ Consultation ☐ Collaboration ☐ Partnership

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category ☐ A ☐ B ☐ C ☒ FI (treated as C)

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? ☐ Yes ☒ No
 The implementation of the program will not involve any physical or economic displacement resulting in involuntary resettlement. Due diligence will confirm that MFIs/NBFI's supported by PFI's through the program do not on-lend to any individual or group borrowers having business activities involving involuntary resettlement impacts.

2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?
☐ Resettlement plan ☐ Resettlement framework ☐ Social impact matrix
☐ Environmental and social management system arrangement ☒ None

B. Indigenous Peoples Category ☐ A ☐ B ☐ C ☒ FI (treated as C)

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? ☐ Yes ☒ No

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? ☐ Yes ☒ No
 The program will not involve activities impacting natural or cultural resources or the ancestral domain of indigenous peoples. Due diligence will confirm if onlending activities of PFIs and MFIs/NBFIs do not result to direct or indirect impacts on Indigenous Peoples' (IP's) dignity, human rights, livelihood systems, culture or impact the territories or natural or cultural resources that IPs own, use, occupy, or claim as an ancestral domain or asset.

3. Will the project require broad community support of affected indigenous communities?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process?		
<input type="checkbox"/> Indigenous peoples plan	<input type="checkbox"/> Indigenous peoples planning framework	<input type="checkbox"/> Social impact matrix
<input type="checkbox"/> Environmental and social management system arrangement	<input checked="" type="checkbox"/> None	
V. OTHER SOCIAL ISSUES AND RISKS		
1. What other social issues and risks should be considered in the project design?		
<input checked="" type="checkbox"/> (L) Creating decent jobs and employment <input checked="" type="checkbox"/> (L) Adhering to core labor standards <input type="checkbox"/> Labor retrenchment <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____		
2. How are these additional social issues and risks going to be addressed in the project design? Because of the nature of the transaction and program focus, the potential to integrate job creation in project design is minimal. However, MFI's/NBFI's loan products and services cater to small-scale businesses, contributing to job creation.		
VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT		
1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA or due diligence process to better analyze (i) poverty and social impact, (ii) gender impact, (iii) participation dimensions, (iv) social safeguards, and (v) other social risks? Are the relevant specialists identified?		
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis; and the participation plan during the transaction TA or due diligence? ADB staff will conduct due diligence to assess social safeguard and other social dimensions aspects of the program.		

- ^a ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.
- ^b ADB. 2020. [ADB's Comprehensive Response to the COVID-19 Pandemic](#). Manila.
- ^c World Bank. 2018. The Global Findex Database 2017. Unbanked means those without an account at a financial institution or mobile money provider. Washington, DC.
- ^d Convergences. 2018. [Microfinance Barometer 2018: Microfinance and Profitabilities](#). Paris – France.
- ^e World Bank. 2018. The [Global Findex Database 2017](#). (accessed 11 November 2021)
- ^f UN ESCAP. 2019. [Inequality of Opportunity in Asia and the Pacific Financial Inclusion](#), (accessed 7 October 2021)
- ^g UN Women. 2020. *Policy brief: The impact of COVID-19 on women*. New York.
- ^h Alliance for Financial Inclusion. 2021. [Mitigating The Impact Of COVID-19 On Gains In Financial Inclusion](#). (accessed 7 October 2021)

Source: Asian Development Bank