



Initial Poverty and Social Analysis

Project No. 46920-015
March 2021

Regional: Proposed Loans, Guarantees, and Risk Participation Products - Major Change in Scope

This document is being disclosed to the public in accordance with ADB's Access to Information Policy.

Asian Development Bank

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	<div style="border: 1px solid black; padding: 2px;">Regional</div>	Project Title:	<div style="border: 1px solid black; padding: 2px;">Supply Chain Finance Program (Proposed Loans, Guarantees, and Risk Participation Products – Major Change in Scope)</div>
Lending/Financing Modality:	<div style="border: 1px solid black; padding: 2px;">Financial Intermediary</div>	Department/ Division:	<div style="border: 1px solid black; padding: 2px;">Private Sector Operations Department Private Sector Financial Institution Division</div>

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The Asian Development Bank's (ADB) Supply Chain Finance Program (SCFP) will continuously help reduce financing gaps for small- and medium-sized enterprises (SMEs). This is aligned with the following Strategy 2030's^a operational priorities (OPs) and UNDP Sustainable Development Goals (SDGs): (a) contribute in reducing poverty and inequalities (OP1 and SDG1.4) through greater access to finance for SMEs in developing member countries (DMCs) which will create jobs, stimulate growth and improve livelihoods; (b) facilitate trade and investment (OP7, SDG8.10 and SDG9.3) and (c) address gender equality constraints in supply chains by building gender inclusive business strategies and promote gender equality in banking through training of female bank staff and workshops on gender and diversity in DMCs (OP2 and SDG5).

One of the three pillars of ADB's Financial Sector Operational Plan is inclusive finance which was reaffirmed in its 2017 review.^c One component of the strategic focus of ADB's Private Sector Operations Department is to mobilize third-party capital through credit enhancement products and risk transfer arrangements. SCFP helps facilitate this by encouraging private sector contributions to supply chain finance and enabling ADB to provide support to SMEs not traditionally considered bankable.

B. Poverty Targeting:

☒ General intervention ☐ Individual or household (TI-H) ☐ Geographic (TI-G) ☐ Non-income MDGs (TI-M1, M2, etc.)

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries: The program's impact on poverty reduction can be indirect and may be measured within the sector where funding has been provided. The program entails the provision of funding through participating financial institutions (PFIs), and on an exceptional basis, directly to obligors, benefiting companies not traditionally considered bankable to receive financing. This improves cash flow to enable growth and job creation, and encourages more financial institutions to develop and broaden supply chain finance.
2. Impact channels and expected systemic changes: The Program indirectly contributes to poverty reduction through improved cash flow and job creation.
3. Focus of (and resources allocated in) the transaction TA or due diligence: The due diligence process will assess the program's performance in implementing its existing transactions as well as corresponding social risks and impacts of its future 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? SMEs across sectors represent an important source of employment and income for women across Asia. Few countries in the region report gender data of SMEs, notably Malaysia which reports 20% of SMEs are owned by women (2015 census data) and Viet Nam with 21% (2017 data).^d Despite evidence demonstrating the positive impact of gender-responsive procurement practices on profitability and return on investment, the understanding of the women's market in supply chains remains underdeveloped and there is very limited data available on corporate procurement and women-owned businesses. Reference from 2012 data is generally cited with women-owned businesses earning globally less than 1% of the money spent on products and services by large corporations and governments.^e

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's access to and use of opportunities, services, resources, assets, and participation in decision making? ☒ Yes ☐ No

With access to finance being an issue for participating DMCs, especially for SMEs and even more so for women-led enterprises, the project will consider gender measures to generate a better understanding of the women's market through the application of a gender lens in supply chain finance. The project will also consider gender features that will address gaps in limited data on corporate procurement and women-owned businesses.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

☐ Yes ☒ No

<p>4. Indicate the intended gender mainstreaming category:</p> <div style="display: flex; justify-content: space-between;"> <input type="checkbox"/> GEN (gender equity) <input checked="" type="checkbox"/> EGM (effective gender mainstreaming) </div> <div style="display: flex; justify-content: space-between;"> <input type="checkbox"/> SGE (some gender elements) <input type="checkbox"/> NGE (no gender elements) </div>
III. PARTICIPATION AND EMPOWERMENT
<p>1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design. The program benefits ADB DMC companies, including SME suppliers and distributors as well as partner financial institutions and other financial institutions that are not yet providing supply chain financing.</p> <p>2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable, and excluded groups? What issues in the project design require participation of the poor and excluded? The project entails provision of funding to SMEs and suppliers through PFIs and obligors. The participation of the poor and excluded may not be required in the project design.</p> <p>3. What are the key, active, and relevant civil society organizations (CSOs) in the project area? What is the level of civil society organization participation in the project design? The project involves financing of SMEs or suppliers through PFIs and obligors and opportunities for civil society organization participation is limited. Due diligence will investigate what further potential exists for greater participation.</p> <p><input checked="" type="checkbox"/> (L) Information generation and sharing <input type="checkbox"/> Consultation <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership</p> <p>4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how should they be addressed? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No PFIs will directly engage with the client SMEs or suppliers, and concerns regarding the operation of the SCFP will be channeled through the PFIs.</p>
IV. SOCIAL SAFEGUARDS
<p>A. Involuntary Resettlement Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI (treated as C)</p> <p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No There is no anticipated involuntary resettlement impact as PFIs will only provide funding assistance to business activities that will not lead to economic or physical displacement. ADB's excluded goods list derived from ADB's prohibited investment activities list will be applied. ADB funds will not be used for business activities that are classified as Category A or B for involuntary resettlement.</p> <p>2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?</p> <div style="display: flex; justify-content: space-between;"> <input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix </div> <div style="display: flex; justify-content: space-between;"> <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None </div>
<p>B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI (treated as C)</p> <p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The project is used in providing access to working capital for SMEs, suppliers, and distributors. No impact on indigenous peoples' dignity, human rights, livelihood systems or culture is envisaged.</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No ADB's excluded goods based on ADB's prohibited investment activity list will be applied and transactions categorized as A or B on indigenous peoples' impact will be excluded from ADB funding.</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The project is unlikely to entail significant impacts to distinct and vulnerable IPs.</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process?</p> <div style="display: flex; justify-content: space-between;"> <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social impact matrix </div> <div style="display: flex; justify-content: space-between;"> <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None </div>
V. OTHER SOCIAL ISSUES AND RISKS
<p>1. What other social issues and risks should be considered in the project design?</p> <div style="display: flex; justify-content: space-between;"> <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 </div> <div style="display: flex; justify-content: space-between;"> <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability </div> <div style="display: flex; justify-content: space-between;"> <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability </div> <div style="display: flex; justify-content: space-between;"> <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify ____ </div>

2. How are these additional social issues and risks going to be addressed in the project design? Financing is used for businesses and activities that will help improve the income-generating activities of SMEs. The PFIs will monitor and report on their clients' compliance with applicable national labor laws and internationally recognized core labor standards.

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?

☒ Yes ☐ No

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis, and participation plan during the transaction TA or due diligence?

ADB staff will assess the poverty, social, and gender aspects of the proposed project during due diligence and will assess SCFP's performance in managing social risks and compliance of its clients with applicable national and local laws for its existing transactions with ADB.

Sources:

- ^a ADB. 2018. [Strategy 2030: Achieving Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.
- ^b UNDP. 2015. [The 2030 Agenda for Sustainable Development](#). New York.
- ^c ADB. 2017. [Review of 2011 Financial Sector Operational Plan](#). Manila.
- ^d Asian Development Bank. 2020. [Asia Small and Medium-Sized Enterprise Monitor 2020: Volume I—Country and Regional Reviews](#). Manila
- ^e Vazquez, E. A., and B. Frankel. 2017. [The Business Case for Global Supplier Diversity and Inclusion: The Critical Contributions of Women and Other Underutilized Suppliers to Corporate Value Chains](#). Washington DC.