

## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:  Project Title:

Lending/ Financing Modality:  Department/Division:

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The proposed senior loan to Khushhali Bank Limited will support financial inclusion for agriculture and MSMEs which is aligned with ADB's Midterm Review of Strategy 2020 which aims to strengthen its support for the finance sector by assisting the development of financial infrastructure, institutions, and products and services; and by promoting inclusive growth.<sup>a/</sup> The ADB funding, will help KBL provide loans to MSMEs and farmers in order to realize their investment needs which is consistent with ADB's country partnership strategy for Pakistan, 2015-2019 specifically identifying inclusive growth through financial services support to segments with limited access to finance.<sup>-b/</sup>

#### B. Targeting Classification

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

The proposed investment will support financial inclusion for agriculture and MSMEs in Pakistan. KBL's expanded lending capacity will support the roll-out of its MSME products allowing coverage to a market being served by highly expensive informal sector and further growth in its agriculture portfolio.

#### C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Access to financial services is a major requirement for the improvement of livelihood in Pakistan. This demand has traditionally been served by the informal sector whose terms of business have generally been unfair. Through the project, subloans will be made available to rural households, primarily for agricultural and MSME activities. The proposed loan will particularly benefit rural households, including women entrepreneurs. The proposed loan will support MSME growth in Pakistan and improve access to finance which remains one of the most critical obstacles to the development of the MSME sector; and address funding needs of MSMEs especially women entrepreneurs.

2. Impact channels and expected systemic changes. Development impact through these investments potentially include job creation through small businesses established by MSME borrowers.

3. Focus of (and resources allocated in) the PPTA or due diligence. Due diligence will address the following: a number of topics standard to MSMEs with focus on the operation of KBL, including investment strategy and process; its existing portfolio; quality of existing team in

charge of SEMS implementation and provisions to ensure team capacity and knowledge of ADB's environmental and social safeguards requirements among others. The project will be in compliance with local laws and regulations as well as the requirements of ADB's SPS and other social dimensions on gender and core labor standards.

4. Specific analysis for policy-based lending. N/A

## II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program? The demographics of Pakistan represent a predominantly rural landscape with nearly 70 percent of the population involved in on or off farm economic activities. In such challenging circumstance, reduction of gender inequalities requires that women have access to increased decision-making power over both house hold finance as well as over national economies and that they are simultaneously capacitated enough to meet the added challenge of surviving in an increasingly competitive environment being ushered in through the process of globalization.

The project has gender categorization of effective gender mainstreaming (EGM). A Gender Action Plan (GAP) indicating specific measures and targets to improve women's access to KBL loan.

2. Does the proposed project or program have the potential to make a contribution 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? The GAP prepared for the proposed project is expected to improve women's acces to KBL loan through the following measures: (a) targeted increase in number and loan disbursement to women borrowers; (b) enhancement of training module for KBL credit staff to include gender aspects in MSMEs; and (c) expansion of KBL database to include monitoring of gender indicators.

Yes       No      Please explain. A gender action plan was prepared for the proposed project.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality? The proposed project is not expected to cause any specific cultural or social impact upon or exclude any socioeconomic group. It instead aims to increase women's access to financial facilities provided by KBL.

Yes       No      Please explain If yes, actions and measures should be prepared during PPTA or due diligence.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity theme)       EGM (effective gender mainstreaming)  
 SGE (some gender elements)       NGE (no gender elements)

## III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design. Potential stakeholders include

KBL and their MSME customers who will utilize finance from the loan including KBL staff and end-users of MSME products.

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? Consultation meetings and outreach activities will be conducted by KBL with the relevant stakeholders including its target MSME borrowers.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design? KBL even during project design has been continuously assisted by several development organizations in expanding its outreach through its CSR activities. The collaboration is expected to continue during project implementation.

L Information generation and sharing H Consultation M Collaboration N/A  
Partnership

Indicate in each box the level of participation by marking high (H), medium (M), low (L), or not applicable (N) based on definitions in the ADB's Guide to Participation.

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed?  Yes  No Please explain.

Details of the consultation and participation activities and grievance and dispute resolution will be included in KBL's SEMS.

#### 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 proposed project will promote development benefits associated with increased MSME access to KBL loan. The proposed Loan will fund agriculture and MSME activities and will only provide loan to activities that will not lead to economic or physical displacement.

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process? The Fund will develop ESMS satisfactory to ADB and will adopt its ESMS prior to the first disbursement.

Environmental and social management system arrangement

**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 The project is not expected to entail any significant impact on indigenous peoples.

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 project will not have

significant impacts on Indigenous Peoples.

3. Will the project require broad community support of affected indigenous communities?   
 Yes  No Please explain.

4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process? The Fund will develop ESMS satisfactory to ADB and will adopt its ESMS prior to the first disbursement.

Environmental and social management system arrangement

#### V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

H Creating decent jobs      H Adhering to core labor standards

Indicate high (H), medium (M), low (L) for selected boxes

2. How are these additional social issues and risks going to be addressed in the project design? ADB loan will be used for subloans for agriculture and MSME activities which are expected to create employment and improve the income generating activities of the borrowers, more importantly the rural households. KBL's operations will comply with the national labor laws and will take measures to comply with the relevant core labor standards.

#### VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (vi) other social risks. Are the relevant specialists identified?

Yes       No If no, please explain why. There is no PPTA under private sector project but the client will mobilize competent staff to cover social dimension issues.

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 PPTA or due diligence? Due diligence will be undertaken by staff.

#### Sources:

<sup>a/</sup> ADB. 2014. Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific. Manila.

<sup>b/</sup> ADB. 2015. Country Partnership Strategy: Pakistan, 2015-2019. Manila