

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Tajikistan	Project Title:	Promoting Financial Inclusion through Greenfield Banking
Lending/Financing Modality:	Senior loan and equity investment	Department/ Division:	Private Sector Operations Department/ Financial Institutions Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The ADB assistance comprises an equity investment up to \$3 million equivalent in TJS, which will be used to support ABT's loan growth to Micro, small, and medium-sized enterprises (MSMEs) across Tajikistan. The investment is expected to help build inclusive financial systems will be supported through ABT's focus on funding entrepreneurs and regions where the potential for employment and income generation is high.

The government's 5 year plan emphasizes the need to support private sector growth in neglected regions and sectors. An independent Asian Development Bank (ADB) evaluation of its country assistance to Tajikistan was completed in 2014 highlighting the importance of inclusive growth.¹ The ADB Country Partnership Strategy (2010-2014) highlights the support of the private sector as a pillar.² The COBP, 2014–2016, also retains the focus on poverty reduction through strong support for inclusive growth.³

B. Targeting Classification:

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

ADB support to ABT will help channel savings into productive investments. With ABT's focus on funding MSMEs and regions, the high potential for employment and income generation can be achieved.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The country's poverty headcount index improved within a span of 10 years from a high of 84% in 1999 to 28% in 2009.⁴ This can be largely attributed to improved political stability and a surge in worker remittances. However, rural poverty remains high. The rural poor represent 77% of total poor, or 50% of the rural population, pointing to high poverty among the unemployed and seasonally employed in agriculture. Progress in poverty reduction cannot be sustained unless additional channels for income generation are encouraged by inclusive private entrepreneurship focused growth strategies. MSMEs including farms in Tajikistan encounter a number of issues that constrain growth including the limited access to finance. The government has adopted some reforms, including simplified administrative procedures for market entry, and improved regulations. Although these reforms improve the business environment, the enterprises will not be able to grow and operate effectively without better access to funding. The loan to ABT is expected to improve financing for underserved MSMEs and farmers in Tajikistan.

2. Impact channels and expected systemic changes. In 2012, GDP originated 48% from services, 26% from agriculture and 26% from industrial production. Agriculture employs over 60% of the labor force⁵, however with a low value added per worker. Low quality standards, inadequate infrastructure, lack of access to finance, strong market power of purchasers, and government interference are major factors impeding agricultural productivity. With the proposed assistance to ABT, the project will help enhance availability of financing to rural farmer and entrepreneurs who wish to access funds to improve their production and business. This will also create more farm employment and business employment to the local population.

3. Focus of (and resources allocated in) the PPTA or due diligence. ADB Team will conduct a due diligence on the ABT's environmental and social management system implementation and how ABT identified and addressed of its

¹ ADB. 2014. Tajikistan: Country Assistance Program Evaluation, 2000–2011. Manila

² ADB. 2010. Country Partnership Strategy: Tajikistan, 2010–2014. Manila.

³ ADB. 2013. Country Operations Business Plan, 2014-2016. Manila.

⁴ Measured at \$2 per day purchasing power parity. World Bank. PovcalNet.

<http://web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTPROGRAMS/EXTPOVRES/EXTPOVCALNET/0,,contentMDK:22716987~pagePK:64168427~piPK:64168435~theSitePK:5280443~isCURL:Y,00.html> (accessed 06 March 2014).

⁵ World Bank. 2012. Tajikistan: Public Employment For Sustainable Agriculture and Water Management Project.

<http://documents.worldbank.org/curated/en/2012/06/16518651/tajikistan-public-employment-sustainable-agriculture-water-management-project>

subloans' impacts on environment, land acquisition and involuntary resettlement, indigenous peoples/ethnic minority issues, gender aspects, labor practices, stakeholder engagement, among other related issues.

4. Specific analysis for policy-based lending. Not applicable

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? ABT has 2,300 (30 June 2014) female borrowers, representing 26% of overall borrowers. Outstanding female loans were \$14 million on 30 June 2014, representing 30% of ABT's portfolio. ABT has adequate policies and practices in place that support equal opportunity employment and access to markets for women.

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?

Yes No Please explain. The due diligence will explore measures to help enhance ABT's effort to further encourage women clients to access finance services offered by ABT.

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

Yes No Please explain

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? The initial stakeholders of the equity investment include the ABT and its regional branches, MSMEs, and farmers.

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? During the project preparation, the project team will discuss and consult with the ABT Management on how it will engage better with the targeted MSMEs and farmers in the rural areas.

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?

Information generation and sharing Consultation Collaboration Partnership

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

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 sub-loans are not expected to result in physical or economic displacements. Land requirements by subborrowers (if any) will be purchased on a willing seller-willing buyer basis. Process of screening of subloans will be incorporated in the ESMS and category A and B on involuntary resettlement will be excluded from financing..

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?

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

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 investment is not expected to cause any adverse impact on indigenous peoples. ABT will include in its ESMS a screening process such that category A and B on indigenous peoples will be excluded from financing.

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

4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?

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?

- Creating decent jobs and employment Adhering to core labor standards Labor retrenchment
 Spread of communicable diseases, including HIV/AIDS Increase in human trafficking Affordability
 Increase in unplanned migration Increase in vulnerability to natural disasters Creating political instability
 Creating internal social conflicts Others, please specify _____

2. How are these additional social issues and risks going to be addressed in the project design? ABT will include in its ESMS compliance with the national labor standards and take measures to comply with the 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 Due diligence covered the required items and no further specialist input was required.

3. 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? The ADB Team conducted due diligence and meetings with clients that will cover social safeguards, labor, gender, and other social aspects of the project.