

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Sri Lanka	Project Title:	Senior Loan Facility and Technical Assistance for Hatton National Bank
Lending/Financing Modality:	Financial Intermediary	Department/ Division:	Private Sector Operations Department Private Sector Financial Institutions Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS
<p>A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy</p> <p>The proposed loan to Hatton National Bank (HNB) will strengthen Sri Lanka's private banking sector and increase access to infrastructure finance. The project is aligned with the government's development policy framework (DPF) for 2010-2016, which pursues strategies to accelerate economic growth, improve access to finance, address inadequate and poor quality of infrastructure, and increase the current low level of private sector investment. The project is also consistent with ADB's 2012-2016 country partnership strategy (CPS) for Sri Lanka, which is anchored on the government's development policy framework and calls for ADB support for private sector development particularly in financial sector development.</p>
<p>B. Poverty Targeting</p> <p><input checked="" type="checkbox"/> General Intervention <input type="checkbox"/> Individual or Household (TI-H) <input type="checkbox"/> Geographic (TI-G) <input type="checkbox"/> Non-Income MDGs (TI-M1, M2, etc.)</p> <p>The project is designed to expand HNB's infrastructure finance portfolio. The involvement of ADB as a partner will support HNB in the development and adherence to high standards in corporate governance and environmental and social responsibility.</p>
<p>C. Poverty and Social Analysis</p> <p>1. Key issues and potential beneficiaries. The proposed assistance to HNB will provide long-term financing for infrastructure development, especially in the underdeveloped regions in the country. Poor infrastructure (urban development, power generation, tourism, water supply and sanitation) is identified in the CPS as an impediment to growth and development.</p> <p>2. Impact channels and expected systemic changes. The project will contribute to infrastructure development of energy, solid waste management, telecommunications, transportation, and water and sanitation. Financing for infrastructure loans by HNB will benefit communities in the project areas, especially in the underdeveloped regions of the country.</p> <p>3. Focus of (and resources allocated in) the PPTA or due diligence. Due diligence will include review of existing practices and systems of HNB on addressing social safeguards and other social issues including gender and labor. The due diligence will focus on the review of current environment and social management systems of HNB, and assess compliance with ADB's safeguard policy requirements. The due diligence will identify and agree upon with HNB the need for enhancements/improvements to the existing systems and work with HNB to develop a SPS compliant ESMS for HNB.</p>
II. GENDER AND DEVELOPMENT
<p>1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program? Sri Lanka's Development Policy Framework identifies women as pioneers of development and gives importance to creating an environment conducive to women's utilization of their knowledge in emerging opportunities and enabling them to engage in gainful economic activities.</p> <p>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?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Please explain. The bank commits to target women as an important business segment and will continue its current policies and practices to support financial access for women, especially in the country's rural and less developed regions. Specific gender measures will be explored during due diligence.</p> <p>3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Please explain. HNB upholds gender equality and provides equal opportunities for men and women.</p> <p>4. Indicate the intended gender mainstreaming category:</p> <p><input type="checkbox"/> GEN (gender equity) <input type="checkbox"/> EGM (effective gender mainstreaming) <input type="checkbox"/> SGE (some gender elements) <input checked="" type="checkbox"/> NGE (no gender elements)</p>

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.</p> <p>Potential borrowers in underserved and rural areas are the main stakeholders of this project. The bank conducts an extensive outreach program to the borrowers through its network of branches.</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?</p> <p>In addition to HNB's efforts of carrying out extensive outreach to the borrowers through its field staff, HNB works together with communities in sectors of infrastructure, healthcare and education, as part of its Corporate Social Responsibility program.</p> <p>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?</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 shall they be addressed? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No HNB's grievance mechanism will address safeguards and other social concerns in the bank's operations.</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 – Projects Categorized as A for involuntary resettlement impacts will be avoided from ADB funding</p> <p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No It is expected that some of HNB's investments may require land acquisition (infrastructure projects) and potentially have involuntary resettlement impacts. Due diligence will examine HNB's ESMS and ensure all potential involuntary resettlement impact are addressed in accordance with the provisions outlined in the Environment and Social Management System (ESMS) of HNB.</p> <p>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix <input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p> <p>As part of the due diligence, the adequacy of the existing ESMS to address the involuntary resettlement safeguards outlined in the SPS will be ascertained. Gaps, if any will be identified and agreed upon with HNB as part of the ESMS arrangements, for subsequent incorporation in the ESMS.</p>
<p>B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI - Projects Categorized as A for indigenous peoples safeguards will be avoided from ADB funding</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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No</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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No The indigenous people in Sri Lanka are in designated reservations declared by the Government. It may be possible that some of HNB's investment (infrastructure projects) may have impacts on indigenous peoples or on their ancestral domain.</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The HNB has established and is currently implementing its ESMS in line with the International Finance Corporation Performance Standards. The due diligence will include an assessment whether the ESMS provisions are consistent with the requirements in ADB safeguards on indigenous peoples. A screening mechanism for all of HNB's investments for indigenous peoples impacts will form part of the ESMS to ensure compliance with SPS requirements on indigenous peoples.</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix <input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p> <p>Gaps, if any will be identified and agreed upon with HNB as part of the ESMS arrangements, for subsequent incorporation in the ESMS.</p>
V. OTHER SOCIAL ISSUES AND RISKS
<p>1. What other social issues and risks should be considered in the project design?</p> <p><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 _____</p> <p>2. How are these additional social issues and risks going to be addressed in the project design?</p>

The ESMS will include measures to ensure compliance with national labor laws and internationally recognized core labor standards, in accordance with ADB's social protection strategy.

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 (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 PPTA or due diligence?

Project team will conduct due diligence and work closely with the environment and social team of HNB in carrying out the analysis of gender and poverty related aspects.