

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Kyrgyz Republic	Project Title:	Senior Loan Facility for Bai Tushum Bank
Lending/Financing Modality:	Financial Intermediary	Department/ Division:	Private Sector Operations Department Private Sector Financial Institution Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The proposed project is a \$10 million senior loan to Bai Tushum Bank for on-lending to micro, small and medium enterprises (MSMEs). The project will contribute to expanding access to affordable finance across the country, and is aligned with both ADB's country partnership strategy (CPS) for Kyrgyz Republic 2013-2017 and the Kyrgyz Republic National Sustainable Development Strategy 2013–2017. Both adopt inclusive growth as a strategy for poverty reduction and promote private sector development as a driver of change.

B. Poverty Targeting

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

The investment will (i) provide \$10 million for MSME lending, (ii) increase loan tenor from 24 months to 30 months, and (iii) launch two new financial products to MSMEs.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Bai Tushum Bank has 32,000 clients and provides a diverse range of financial services to entrepreneurs, MSME borrowers and small corporates. Its MSME segment comprises almost 69% of its portfolio. The project will support Bai Tushum Bank's operations enabling it to provide longer tenor funds for on-lending to MSMEs; increase the number of its MSME loan accounts; and increase its lending activities to MSMEs and offer new products to its borrowers.

2. Impact channels and expected systemic changes. The growth triggered due to the additional financing for MSMEs will result in (i) job creation, (ii) generating incomes for low-income people and vulnerable population in rural and underserved areas, and (iii) fostering economic growth, social stability and contributing to growth of a dynamic private sector.

3. Focus of (and resources allocated in) the PPTA or due diligence. Identify poverty and social issues that need to be carefully reviewed during project design; potential components and measures that should be considered.

The due diligence will review Bai Tushum Bank's environment and social management policies and system, and other social dimension concerns such as gender benefits and core labor standards.

4. Specific analysis for policy-based lending. NA

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?

Women's MSMEs generally lack access, capacity, experience, and information to increase their use of financial services, especially among rural 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 project will include measures to ensure women will have access to financial products and services of Bai Tushum Bank.

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

Yes No Please explain. A gender action plan will be developed to ensure positive impact to women borrowers,

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 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.

Project activities will be limited to on-lending to MSMEs and corresponding activities are included in the DMF.

Borrowers and other stakeholders are not expected to participate in the project design.

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?

There are no issues in the project design which would require participation of the poor and excluded. Bai Tushum Bank has an extensive outreach program to its borrowers through its branches and staff.

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 N Consultation N Collaboration N Partnership N

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 Project activities are limited to on-lending to MSMEs.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No

The investment activities will not involve involuntary resettlement leading to physical or economic displacement.

2. What action plan is required to address involuntary resettlement as part of the PPTA 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

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 MSME lending using ADB funds will not entail any impacts on indigenous peoples.

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

Bai Tushum Bank's ESMS will include a screening mechanism for all investments to assess impacts on Indigenous Peoples. Sub-loans found to have indigenous peoples impacts will be excluded from ADB financing.

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

Indigenous peoples plan Indigenous peoples planning framework Social Impact matrix

Environmental and social management system arrangement None

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? Bai Tushum Bank will screen all its potential borrowers for use of child or forced labor as part of the preliminary environmental and social assessment form. During the loan period, Bai Tushum Bank will monitor its borrowers' compliance with national labor laws and 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 (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? Due diligence will be undertaken by ADB staff.