

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Turkmenistan	Project Title:	Small and Medium-Sized Enterprises Finance Project
Lending/Financing Modality:	Financial intermediation loan	Department/ Division:	Central and West Asia Department / Public Management, Financial Sector, and Trade Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS
<p>A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy The proposed project will finance viable small and medium-sized enterprises in Turkmenistan, thereby supporting economic diversification and ultimately employment generation. The project is aligned with the National Program for Social and Economic Development of Turkmenistan 2011–2030.^a The authorities are prioritizing economic diversification beyond the hydrocarbon sector and private sector development, and aim to increase the private sector share in non-hydrocarbon gross domestic product (GDP) to 70% by 2020 from an estimated 56% in 2012 and 60% in 2015. The proposed project is aligned with the Asian Development Bank (ADB) Country Operations Business Plan 2016–2017 for Turkmenistan which aims to support reform efforts through policy advice and private sector promotion.^b</p>
<p>B. Poverty Targeting: <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.) The proposed project is a general intervention. It will support economic growth through SME sector development that has the potential to create jobs (skilled and unskilled). To help SMEs to grow, expand, and compete, the proposed project aims to enable PFIs to increase their financing of SMEs.</p>
<p>C. Poverty and Social Analysis 1. Key issues and potential beneficiaries. Turkmenistan is an upper middle-income country with a per capita gross national income of \$7,380 (Atlas Method).^c Poverty incidence (population living below \$1.25 per day) has been reduced to 16.8% among the employed population.^d The potential project beneficiaries are entrepreneurs who will benefit from increased availability of financial services for their businesses. This is expected to provide indirect benefits to the working population, both employed and unemployed, as investment opportunities result in the creation of jobs and increased wages. In 2015 the SME sector comprised 15,705 registered firms with private ownership, which accounted for 68.4% of total number of entities as well as 91,000 individual entrepreneurs. Most entrepreneurs are small traders and service providers. 2. Impact channels and expected systemic changes. Increased investment opportunities are expected to have indirect medium- and long-term impacts on poverty, mainly through more sustainable economic growth and increased employment opportunities and wages. 3. Focus of (and resources allocated in) the PPTA or due diligence. The due diligence will analyze the potential employment opportunities and other social effects, particularly core labor standards. 4. Specific analysis for policy-based lending. Not applicable.</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? In 2014, the female employment rate was 42.1% much lower than the 69.2% for men; the female unemployment rate (10.7%) was slightly above the male unemployment rate (10.4%) (footnote c). Women represent 42.1% of wage employment in the non-agricultural sector (footnote d).</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? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Please explain. The proposed project is expected to promote gender equity through the increased access to finance by women-owned businesses and access to financial literacy programs of the PFIs. The female loan officers of the PFIs will also be trained.</p> <p>3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Please explain. The project is expected to support all businesses irrespective of its labor composition.</p> <p>4. Indicate the intended gender mainstreaming category: <input type="checkbox"/> GEN (gender equity) <input type="checkbox"/> EGM (effective gender mainstreaming) <input checked="" type="checkbox"/> SGE (some gender elements) <input type="checkbox"/> NGE (no gender elements)</p>
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.

The potential project beneficiaries are current and future entrepreneurs and investors who will benefit from increased access to finance. This is expected to provide indirect benefits to the working population, both employed and unemployed, as investments translate into more jobs and increased wages.

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 beneficiaries (entrepreneurs and investors) will be directly engaged by the participating financial institutions as their clients.

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

The project does not have a defined project area. The subprojects are expected to be geographically spread across the country.

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

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No The project will finance small and medium-sized enterprises and most of them are not expected to require land acquisition. In Turkmenistan, the state owns the land. Any land acquisition by the subborrowers will be based on the existing legal practices, i.e., a voluntary sales or lease agreement with the consent of the owner (i.e., the state).

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

No impacts are expected on Indigenous People communities in Turkmenistan.

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No

Not applicable.

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

Not applicable.

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 _____

The United States State Department categorizes Turkmenistan in the Tier 2 Watch List group of countries and reports that "Turkmen nationals are subjected to forced labor within the country in the informal construction industry. Participation in the cotton harvest is compulsory for some public sector employees, who face termination if they refuse to work or are unable to pay for a surrogate worker. State officials in the Lebap and Dashoguz regions reportedly required some business owners to send staff to pick cotton. The government continued to convict trafficking offenders under its anti-trafficking statute and actively partnered with an international organization to organize official trainings and draft a 2016–2018 national action plan to combat trafficking."^{9e}

<p>2. How are these additional social issues and risks going to be addressed in the project design?</p> <p>The ADB will not finance activities in the cotton and construction industries that do not meet the International Labor Organization's Convention on Core Labor Standards. The due diligence will include social analysis on the extent to which core labor standards are an issue in private businesses in Turkmenistan.</p>
<p>VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT</p>
<p>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?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No An environment and social safeguards specialist and two banking specialists have been engaged.</p>
<p>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?</p> <p>The due diligence team includes an international environment and social safeguards specialist for a total of 1 person-month and two banking experts for a total of 3 persons-months.</p>

^a Government of Turkmenistan. 2010. *National Program for Social and Economic Development of Turkmenistan 2011–2030*. Ashgabat.

^b ADB. 2015. *Country Operations Business Plan: Turkmenistan, 2016–2017*. Manila.

^c World Bank. *World Development Indicators*. <http://data.worldbank.org/products/wdi> (accessed 28 July 2016).

^d ADB. 2015. *Basic Statistics*. Manila.

^e United States State Department. *Trafficking in Persons Report 2015*. <http://www.state.gov/j/tip/rls/tiprpt/2015/index.htm> (accessed on 16 March 2016).