

INITIAL POVERTY AND SOCIAL ANALYSIS

Country: ARM Project Title: Ameriabank CJSC (AMB)

Lending/Financing Modality: Financial Intermediary Department / Division: PSOD/PFI

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The proposed debt and equity transactions with existing client AMB are aligned with the government of Armenia's long-term poverty reduction strategy embedded in the Armenia Development Strategy 2025. As ADB currently only supports finance sector development in Armenia through private sector operations, funding a national retail bank will contribute to inclusive development in the country, especially in secondary towns where AMB branches are located and through promoting women's participation in economic activity.

B. Poverty Targeting:

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

The proposed debt and equity transactions with AMB will strengthen its lending capacity and broaden its finance access channels. AMB's individual entrepreneur and SME customers will benefit through improved access to finance. The CPS describes poverty in Armenia as a problem of unemployment. The proposed project can indirectly address the income dimensions of poverty in Armenia through broadening access to finance for AMB's individual entrepreneur and SME customers, who in turn can generate employment.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Armenia has made considerable progress in poverty reduction since independence in 1991; however, improvements since a reversal of figures in 2009 find that by 2013, 32% of the population was poor and 2.7% extremely poor. The CPS notes that poverty is higher in secondary towns than in the capital city Yerevan, and is higher in northern Armenia, since economic opportunities are limited in smaller urban areas and the urban poor do not have access to farming or other kinds of self-employment in rural areas. The expected beneficiaries of the project's two transactions are individual entrepreneurs and small, and medium sized enterprises (SME) seeking access to finance for their business activities. The World Bank estimates that, out of the 130,000 SMEs in Armenia, 50% have no access to finance, and this figure increases to 60%–70% in rural areas. While this intervention will foster development of the financial sector, it will also improve access to SME retail banking services with the intention of stimulating economic growth and employment opportunity among underbanked businesses.

2. Impact channels and expected systemic changes. Through improvements in AMB's lending capacity and market outreach, individual entrepreneurs and SMEs will have more access to better and more diverse banking services that will in turn provide opportunities to raise their income and improve their employment sustainability. The project includes a technical assistance component (to be processed separately) that will support the development of AMB's product development and market outreach.

3. Focus of (and resources allocated in) due diligence. Due diligence will assess the constraints felt by individual entrepreneurs and SMEs in accessing finance to ensure the technical assistance is targeted at affecting positive change in access channels. Affordability will also be considered historically to understand how AMB has benefitted from past ADB and other IFI interventions to affect positive change for Armenia's underbanked. With regards to poverty alleviation, due diligence will assess AMB's capacity to expand service offerings in urban areas outside Yerevan where income poverty incidence is greatest.

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? While men and women face similar obstacles in accessing finance in Armenia, the CPS reports that women face gender-based obstacles that compromise their ability to start and grow businesses. These obstacles include (i) lack of appropriate skills, information, and familiarity with the business environment; and (ii) questions of self-confidence, lack of networks, aversion to risk, and inexperience in running a business.

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 AMB already has in place mechanisms to affect positive financial inclusion of female borrowers. The XARR for ADB's first intervention with AMB estimated that approximately 23% of SME loans using ADB funds

were to female borrowers. Due diligence will assess if this latest intervention can include additional targeted measures.

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

☐ Yes ☒ No The project will continue AMB's promotion of positive financial inclusion.

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. The primary beneficiaries of the proposed project are individual entrepreneurs and small, and medium sized enterprises in Armenia. AMB's market analysis involved interactions with current and prospective clients to understand their needs and to develop products and outreach activities that will ensure these needs are met. Due diligence will investigate what role ADB's intervention will play in affecting positive continued stakeholder engagement.

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? As the project is focused on increasing inclusive economic growth through entrepreneurship and enterprise development, the project can contribute to engaging and empowering stakeholders through borrower business skills capacity development. Stronger more sustainable SMEs will provide more reliable and longer-term employment opportunities. Due diligence will test the degree to which AMB considers the needs of Armenia's poor and vulnerable in its product development and outreach activity.

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 (L) ☐ 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

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 AMB's environmental and social management system (ESMS) includes a screening checklist for assessing land acquisition impacts. AMB has reported to ADB that none of its subborrowers' subprojects have caused involuntary displacement impacts because of land acquisition undertaken using loan proceeds. Due diligence will assess the effectiveness of the ESMS in screening and categorizing land acquisition impacts.

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 ADB has consistently recognized that no Indigenous People's communities as defined by the SPS currently reside in Armenia. AMB's ESMS does however include a screening checklist for assessing subborrower subprojects for IP and/or ethnic minority impacts. Due diligence will assess the effectiveness of the ESMS in screening for IP impacts to determine an appropriate categorization for the project.

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?

☐ 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 ^(L) ☐ Adhering to core labor standards ☐ Labor retrenchment

☐ Spread of communicable diseases, including HIV/AIDS ☐ Increase in human trafficking ☒ Affordability ^(L)

☐ 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? The project includes technical assistance (to be processed separately) to promote loan product design that will effectively address affordability and business sustainability issues.

VI. DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the 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? Safeguards and social dimension due diligence will be undertaken by PSOD through direct engagement with AMB staff in Armenia. AMB will participate in a teleconference with PSOD safeguards staff and will produce documentary evidence of its ongoing safeguards assessment and compliance activity.

Sources: ADB. 2014. Armenia Country Partnership Strategy 2014-2018. Manila.; WB. 2016. Financial Inclusion Data. Washington, DC.