

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Kyrgyz Republic	Project Title:	Rural Financial Inclusion
Lending/Financing Modality:	Project	Department/ Division:	Central and West Asia Department/Public Management, Financial Sector, and Trade Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The Kyrgyz Republic National Sustainable Development Strategy (NSDS) for 2013–2017^a aims to achieve successful, stable democracy, along with stable growth in GDP and household incomes. Persistent poverty and regional disparities are recognized as key challenges. The strategy calls for the sustained development of the rural economy and agricultural sector, targeting increased output of the agricultural sector, improved quality and ensuring food security. The strategy refers also to the need to improve the efficiency of agricultural production and the competitiveness of the sector. The proposed project will finance farmers and small agriculture related businesses, supporting rural economic development and employment generation.

B. Poverty Targeting

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

The proposed project is a general intervention. It will support economic growth, especially in rural areas, through agriculture and rural MSME development. This has the potential to create jobs, both skilled and unskilled. To help agribusiness sustain the output production and improve their productivity to grow and become more competitive, the proposed project will facilitate the expansion of agriculture portfolios of participating financial institutions (PFIs) to finance farmers and agriculture MSMEs.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The Kyrgyz republic is a lower middle-income country with a per capita gross national income of \$1,170 (Atlas Method).^b Poverty incidence (population living below \$1.25 per day) has declined to 1.29% of the total population and concentrates in rural areas, where a third of the population is classified as poor, using national poverty lines.^c Recent economic crises (in 2008 and in 2015) affected remittances, which are an essential source of financial support for many households. The potential project beneficiaries are farmers and agricultural MSMEs directly or indirectly involved in agriculture production (such as input suppliers, processors, traders). These individuals and businesses will benefit from increased availability of financial services to fund their activities. This is expected to provide indirect benefits to the population of working age, both employed and unemployed, as investment opportunities result in the creation of jobs and better productivity allows wage increases.

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 potential demand for financial resources, growth prospects of the sector and employment generation opportunities.

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?

About a third of the total registered women employment is in the agriculture sector (2015, World Development Indicators). However, most farms and small rural businesses are not registered, so women economic participation in the rural economy is expected to be substantially higher. Increased economic opportunities in the rural areas are expected to benefit women, especially as they face higher unemployment rates. Female unemployment (9.1% of female working force) is also significantly higher than that of men (6.7%, 2016).

In 2013, women constituted 28% of management of small firms and 31% of medium-sized firms. Agricultural enterprises headed by women constitute 16.5% of all such enterprises. Most rural enterprises are not registered. Entrepreneurs report that the cost of doing business rises with formal registration, without providing added benefits. Female entrepreneurs also have less access to financing, especially commercial loans, than male entrepreneurs,

as they lack collateral and have more limited financial literacy. They are however the main client of microfinance organizations. Women comprise around two-thirds of the borrowers from microfinance organizations. The project will help compile gender disaggregated data on borrowers' performance and contribute to gender analysis within the PFIs. The project design will also explore the value of targeting a percentage of project funds to women farmers and women-owned enterprises, as well as targets regarding their participation in business support and financial literacy programs.

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 proposed project is expected to promote gender equity through the increased access to finance by women-owned business, increased employment opportunities in farms and agriculture related MSMEs and access to financial literacy and other support programs of the PFIs. A gender action plan will be prepared during project processing to ensure gender outreach.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?
 Yes No Please explain. The project is expected to support all businesses irrespective of their labor structure.

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 potential project beneficiaries are current and future farmers and 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 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?
 L 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 rural areas of 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-C

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No The assessment is based on the small size of the loans (average between \$400 and \$4,500) and the nature of portfolio of pre-selected PFIs and further to further confirmation during project processing.

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 (Project screening checklist will be prepared to exclude subprojects which have IR/IP impacts)

B. Indigenous Peoples Category A B C FI-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

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

<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</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<p>V. OTHER SOCIAL ISSUES AND RISKS</p>
<p>1. What other social issues and risks should be considered in the project design?</p> <p><input checked="" type="checkbox"/> Creating decent jobs and employment <input checked="" type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment</p> <p><input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability</p> <p><input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability</p> <p><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? Social impacts, including mechanisms to ensure application of core labor standards will be reviewed during project processing.</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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No there is no PPTA.</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? This will be conducted by ADB staff.</p>

^a National Council for Sustainable Development of the Kyrgyz Republic. 2013. *National Sustainable Development Strategy for the Kyrgyz Republic*. Bishkek.

^b World Bank. *World Development Indicators*. <http://data.worldbank.org/indicator/NY.GNP.PCAP.CD?locations=KG> (accessed 9 June 2017)

^c World Bank. *World Development Indicators*. <http://data.worldbank.org/indicator/SI.POV.DDAY?locations=KG> (accessed 9 June 2017)