



Initial Poverty and Social Analysis

Project Number: 53089-001
October 2019

CAM: Proposed Senior Loan to Cambodia Post Bank Plc for Cambodia Post Bank Expanding Micro, Small, and Medium-Sized Enterprise Lending Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 24 September 2019)

Currency unit	–	riel (KHR)
KHR1.00	=	\$0.0002436
\$1.00	=	KHR4,105.0

ABBREVIATIONS

ADB	–	Asian Development Bank
CPB	–	Cambodia Post Bank
ESMS	–	environmental and social management system
MSMEs	-	micro, small, and medium-sized enterprises

NOTES

- (i) The fiscal year (FY) of Cambodia Post Bank Plc ends on 31 December.
- (ii) In this report, "\$" refers to United States dollars, unless otherwise stated.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Cambodia	Project Title:	Cambodia Post Bank Expanding Micro, Small, and Medium-Sized Enterprise Lending Project
Lending/Financing Modality:	Loan	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 \$20 million senior loan of Asian Development Bank (ADB) to Cambodia Post Bank (CPB) is intended for the expansion of CBP's portfolio in financing micro, small, and medium-sized enterprises (MSMEs). The proposed project is aligned with the ADB's country partnership strategy for Cambodia (CPS), 2019–2023, which includes finance as one of five core activities, as indicated also in the Cambodia: Country Operations Business Plan (2019-2021) (COBP) which support programs to stimulate small enterprises through enhanced access to long-term non-sovereign finance.^a It will support ADB's Strategy 2030's operational priority in addressing remaining poverty and reducing inequalities.^b

B. Poverty Targeting

General intervention Individual or household (TI-H) Geographic (TI-G) Non-income MDGs (TI-M1, M2, etc.)

CPB will expand its MSME portfolio for agricultural and non-agricultural products using ADB proceeds. MSMEs play a vital role in Cambodia's economy, accounting for 99.8% of all enterprises, totaling 512,731, and employing 71.8% of the national labor force.^c Through the proposed project, CPB will provide broader financial access to MSMEs to manage and sustain businesses and create more jobs.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. ADB data indicates that the national poverty level was 14.0% in 2014, down from 47.8% in 2007. In 2018, the unemployment rate was 1.1% and 20.3% of the employed population were living in households with per-capita consumption or income below the \$1.90 international poverty line. A large majority of Cambodia's population is economically productive with 55.0% age dependency ratio.^d The latest recorded labor force participation rate was 82.6%, in 2014.^e CPB will be the direct beneficiary of the proposed project and MSMEs will indirectly benefit by having broader financial access through the expansion of CBP's financial services.

2. Impact channels and expected systemic changes. The proposed project will strengthen CPB's operation to service MSME's. It will sustain MSMEs operations in Cambodia which is expected to result in direct and indirect income generation and employment security for the working-age population of Cambodia, including the poor and vulnerable.

3. Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will review the existing and future portfolio of CPB, the loan application process, and the implementation of the environmental and social management system (ESMS) in place to screen impacts of subloans on environment, involuntary resettlement, and indigenous peoples. Review on the compliance of CPB with applicable national laws, including the labor code of Cambodia as well as the procedure employed by CPB to monitor compliance of subborrowers.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program?

More than 62% of micro enterprises and 26% of SMEs in Cambodia are owned by women. According to the 2019 study by the International Finance Corporation, women-led SMEs experience more constraints in terms of access to finance from formal institutions. The overwhelming majority of women-led MSMEs use their own funds to start a business or rely on informal sources and savings to expand their businesses. However, for enterprises to expand and successfully graduate to the next level of enterprise development, additional financing in the form of working capital and term loans are needed.^f

2. Does the proposed project or program have the potential to contribute 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

Improved access to finance has the potential to close gaps in financing for women-led SMEs hence targets for use of ADB proceeds for women-led SMEs will be explored.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality? Yes No

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.

Aside from CPB and its employees, the main stakeholders of the proposed project include entrepreneurs of MSMEs that need financing support to sustain and expand business activities.

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? Due diligence will review existing policies of CPB to ensure effective channels of communication with subborrowers and relevant stakeholders. The review process will also determine the need to enhance the existing system for greater participation of different stakeholders.

3. What are the key, active, and relevant civil society organizations (CSOs) 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

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how should they be addressed? Yes No

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI (treated as C)

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No The proposed project is not anticipated to cause involuntary resettlement impacts. Due diligence will review the existing ESMS of CPB to screen and assess subloan applications on involuntary resettlement. Necessary enhancements on the current system to comply with ADB Safeguard Policy Statement will be discussed and agreed upon with CPB.

2. What action plan is required to address involuntary resettlement as part of the transaction TA 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 (treated as 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 The extent of CPB's operations across Cambodia will be verified during due diligence. CBP's screening and categorization procedure to evaluate indigenous peoples impacts of subloans will be assessed.

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

The nature of the proposed project will not require broad community support of affected indigenous communities.

4. What action plan is required to address risks to indigenous peoples as part of the transaction TA 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 (L) 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? Through the proposed project, the compliance of CPB and its subborrowers with national labor laws and regulations and measures taken to adhere to internationally recognized core labor standards, as set out in the ESMS, will be monitored and reported.

VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA 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 transaction TA or due diligence?

Due diligence and assessment of poverty, social, and gender aspects of the proposed project will be undertaken by ADB staff.

^a ADB. 2014. *Country Diagnostic Study: Cambodia—Diversifying beyond Garments and Tourism*. Manila; ADB. 2019. *Country Partnership Strategy: Cambodia, 2019–2023—Inclusive Pathways to a Competitive Economy*. Manila; and ADB. 2019. *Country Operations Business Plan: Cambodia, 2019–2021*. Manila.

^b ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

^c ADB. 2014. *Asia SME Finance Monitor*. Manila.

^d ADB. 2019. *Basic 2019 Statistics*. Manila.

^e ADB. 2019. *Key Indicators for Asia and the Pacific 2019: Cambodia*. Manila.

^f International Finance Corporation. 2019. *Exploring the Opportunities for Women-owned SMEs in Cambodia*. Phnom Penh.

Source: Asian Development Bank.