



Initial Poverty and Social Analysis

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Kazakhstan: KMF Expanding Access to Credit for Micro, Small and Medium-Sized Enterprise Borrowers Project

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
ESMS	–	environmental and social management system
KMF	–	Microfinance organization “KMF” Limited Liability Company
MSME	–	micro, small and medium-sized enterprise
WSME	–	women-led micro, small, and medium-sized enterprise

NOTE

- (i) In this report, "\$" refers to United States dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Kazakhstan	Project Title:	KMF Expanding Access to Credit for Micro, Small and Medium-Sized Enterprise Borrowers Project
Lending/Financing Modality:	Financial Intermediary	Department/Division:	Private Sector Operations Department/ Private Sector Financial Institutions Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS
<p>A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy</p> <p>The Asian Development Bank (ADB) is proposing a loan of up to \$15 million (or its yuan equivalent) to Microfinance organization “KMF” Limited Liability Company (KMF) to support the growth of its portfolio for financing micro, small, and medium-sized enterprises (MSMEs), with a focus on women-led MSMEs (WMSMEs). The project will support to the efforts of the Government of Kazakhstan to increase the contribution of MSMEs to Kazakhstan’s GDP to at least 50% by 2050, through enhancing credit access for MSMEs, especially WMSMEs.^a</p>
<p>B. Poverty Targeting</p> <p><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.)</p> <p>The project is classified general intervention and is designed to provide funding support to KMF.</p>
<p>C. Poverty and Social Analysis</p> <ol style="list-style-type: none"> 1 Key issues and potential beneficiaries. The project supports ADB’s Strategy 2030’s operational priority in addressing remaining poverty and reducing inequalities.^b It is aligned with ADB’s country partnership strategy for Kazakhstan (CPS), 2017–2021, which includes supports inclusive and sustainable economic growth through economic diversification, access to finance, private sector development, and supporting gender equity, as indicated also in the Kazakhstan: Country Operations Business Plan (2020-2022) (COBP).^c The CPS and COBP support programs to economic diversification and inclusive growth. The expansion of KMF’s loan portfolio to MSMEs will provide business opportunities and sustainability that is expected to result to direct and indirect income generation and employment security for the working age population of Kazakhstan, including the poor and vulnerable. 2. Impact channels and expected systemic changes. The expansion of KMF’s loan portfolio, using ADB’s funds, will bring greater benefits to MSMEs who will access these financial services. KMF targets the underserved lower-income and emerging lower middle-income segments, providing both group (joint liability) and individual loans. Traditionally, KMF has primarily lent to micro-enterprises, but the company is currently actively expanding into the SME sector. 3. Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will assess the KMF’s existing portfolio and Environmental and Social policies available. 4. Specific analysis for policy-based lending. Not applicable.
II. GENDER AND DEVELOPMENT
<ol style="list-style-type: none"> 1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? Kazakhstan has developed policy and legal frameworks—rights guarantees, legal provisions, national strategies, action plans, and programs—that are designed to advance gender equality as a national goal. The country’s Constitution recognizes gender equality.^d Legal constraints contribute to gender gaps in the workplace with women required to retire 4 years earlier than men, at the age of 59.^e The 2019 Human Development Report data shows women’s labor force participation rate at 62.7% compared to 75.5% for men.^f Notions of the traditional roles of women and men persist in Kazakhstan with women’s role associated with the family and home more than with the economic and political sphere.^g Small business development in Kazakhstan is considered a driving force for economic growth and diversification, as well as a solution for addressing growing social inequalities and limited opportunities, especially for women. It is estimated that only 23.4% of registered companies in Kazakhstan are majority women owned. Amongst the greatest impediments for women starting and growing a business is the lack of access to finance. It is estimated that the finance gap for WMSMEs in Kazakhstan is over \$5.6 billion.^h 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 access to and use of opportunities, services, resources, assets, and participation in decision-making? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Possible gender measures which will be examined during due diligence include increase in the annual disbursements to women-owned/led small or medium sized businesses (WMSMEs), increase in the number of outstanding WMSME borrowers, and/or introduction of a product or service tailored to the needs of female borrowers.

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 EMPOWERING THE POOR

1. Who are the main stakeholders of the project, including beneficiaries and affected people? Explain how they will each participate in the project's design. The main stakeholders of the project are the company's employees and its borrowers. The due diligence will review engagement activities, and information needs of the stakeholders.

2. Who are the key, active, and relevant CSOs in the project area? The commercial nature of the project provides few opportunities for interaction with CSOs.

3. Are there issues during project design for which participation of the poor and vulnerable is important?

Yes No If yes, what are these issues?

4. How will the project ensure the participation of beneficiaries and affected people, particularly the poor and vulnerable and/or CSOs, during project design to address these issues? The due diligence process will determine the need to develop a stakeholder engagement plan and external grievance mechanism to provide clear guidelines in managing concerns and expectations of different stakeholders (regulators, customers, vendors, contractors, among others) on its business activities.

5. What level of CSO participation is planned during the project design?

(L) Information generation and sharing ___ Consultation ___ Collaboration ___ Partnership

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

KMF has developed and implemented guidelines for social and environment management system (SEMS), that will be enhanced to comply with ADB SPS requirements, particularly on social policies and screening, categorization and review procedures.

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

KMF's SEMS will be enhanced to include screening for potential impacts on Indigenous Peoples; their traditional socio-cultural and belief practices; their livelihood systems; or commercial development of their cultural resources and knowledge, and of any natural resources within customary

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 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 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? KMF employs a total of 1,811 people. The bank has an equal opportunity employer and ensures non-discrimination and prevention of harassment in the workplace. KMF employees are free to submit any concerns in the feedback box placed in every branch as well as in the head office. In the evaluation of loan applications, KMF excludes production or activities involving harmful or exploitative forms of forced labor/harmful child labor. Through the appraisal and due diligence process, each loan application is assessed on compliance with national labor laws focusing on occupational safety and health, payment of minimum wage, and worker's rights and welfare.

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? Not applicable.
- Yes No If no, please explain why.
2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis; and the participation plan during the transaction TA or due diligence? ADB Team will conduct environment and social desk review of the fund and its existing investee companies.

ADB = Asian Development Bank, CSO = civil society organization, ESMS = environmental and social management system, MFF = multitranches financing facility, IPSA = initial poverty and social analysis, TA = technical assistance.

- ^a [Government of Kazakhstan, President of Kazakhstan Nursultan Nazarbayev's Address to the Nation of Kazakhstan, 2017, January 31. *Third Modernization of Kazakhstan: Global Competitiveness*.](#)
- ^b ADB. 2018. *Strategy 2030: achieving a Prosperous, Inclusive, Resilient and Sustainable Asia and the Pacific*. Manila.
- ^c ADB. 2017. *Country Partnership Strategy: Kazakhstan, 2017–2021—Supporting Economic Diversification, Inclusive Development, and Sustainable Growth*. Manila; and ADB. 2020. *Kazakhstan: Country Operations Business Plan (2020-2022)*. Manila.
- ^d Asian Development Bank (ADB). 2018. *Kazakhstan Country Gender Assessment*. Manila.
- ^e World Bank. 2020. *Women, Business and the Law 2020*. Washington, D.C.
- ^f United Nations Development Programme. 2019. *Kazakhstan Human Development Report: Urbanization as an Accelerator of Inclusive and Sustainable Development*. New York.
- ^g ADB. 2018. *Kazakhstan Country Gender Assessment*. Manila.
- ^h <https://www.smefinanceforum.org/data-sites/msme-finance-gap> (accessed 28 September 2021).