



Initial Poverty and Social Analysis

Project Number: 54336-001
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Bangladesh: Supporting Post COVID-19 Small Scale Employment Creation

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 1 June 2021)

Currency unit	–	Taka (Tk)
Tk1.00	=	\$0.0118
\$1.00	=	Tk84.7784

ABBREVIATIONS

ADB	–	Asian Development Bank
CMSMEs	–	cottage, micro, small, and medium-sized enterprises
COVID-19	–	coronavirus disease
PFI	–	participating financial institution
TA	–	technical assistance

NOTE{S}

- (i) The fiscal year (FY) of the Government of Bangladesh and its agencies ends on 30 June. "FY" before a calendar year denotes the year in which the fiscal year ends, e.g., FY2021 ends on 30 June 2021.
- (ii) In this report, "\$" refers to United States dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Bangladesh	Project Title:	Supporting Post COVID-19 Small Scale Employment Creation
Lending/Financing Modality:	Financial Intermediation	Department/ Division:	SARD / SAPF

I. POVERTY IMPACT AND SOCIAL DIMENSIONS
A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy
<p>The Perspective Plan of Bangladesh 2021–2041 recognizes the importance of employment to ensure that the benefits of economic growth are distributed to the people especially to the poor, thus, reducing poverty and improving inequality. It also recognizes that credit plays an important role in the development of agriculture and rural economy by contributing to employment generation and poverty alleviation. The plan emphasizes on youth employment, including packaging entrepreneurship development programs with credit and marketing support.^a The government's Eighth Five Year Plan, has committed to a set of broad-based policies to support employment, and prominent among them is to revitalize cottage, micro, small, and medium-sized enterprises (CMSMEs), and support rural enterprise development.^b</p> <p>The National Sustainable Development Strategy 2010–2021 also recognizes the challenges faced by youth and rural economy including limited access to credit and aims to create more employment opportunities for youths and in rural areas.^c</p> <p>The Asian Development Bank (ADB) Country Partnership Strategy for Bangladesh 2016–2020 identifies improving rural livelihoods as a key priority investment area. It also promotes creating conditions for greater private sector participation to increase investments, promote economic diversification, and expand employment opportunities.^d The project is also aligned with the operational priorities of ADB Strategy 2030, which pursues addressing remaining poverty and reducing inequalities, accelerating progress in gender equality, and promoting rural development and food security.^e Aligned with the strategy's objectives and helping mitigate the impact of the coronavirus disease (COVID-19) pandemic, the project will provide funds to participating financial institutions (PFIs) in the form of credit lines to expand financing to the unemployed youths and returning migrants who have received trainings to start and expand micro businesses. Support will also be made available to qualified rural micro business owners and job creation programs to expand non-farm employment base.</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.)
<p>The project is classified as a general intervention as its proposed outputs will benefit overall citizens including the poor and vulnerable by facilitating private sector development in the cottage, micro, and small enterprises segment. This will generate economic growth and create jobs.</p>
C. Poverty and Social Analysis
<p>1. Key issues and potential beneficiaries. Bangladesh has achieved significant poverty reduction since 2010. Poverty incidence (people living below the national poverty line) declined from 31.5% in 2010 to 24.3% in 2016, and further to 20.5% in 2019.^f However, the coronavirus disease (COVID-19) pandemic and containment measures seriously affected livelihoods, especially of the poor and vulnerable. The growth rate of gross domestic product is estimated to be at 5.2% in FY2020, down from 8.2% growth in FY2019.^g As such, job losses could be as high as 3.7 million, an additional 13 million people may fall into poverty, and many informal workers (85.1% of the workforce) lost their livelihoods due to the economic slowdown.^h It is estimated that the poverty level in June 2020 could rise up to 29.4% from 20.5% in 2019.ⁱ The benefits of economic growth have not accrued to all individuals or households equally, which would be further exacerbated due to the COVID-19 pandemic. The share of youth who are not in education, employment, or training increased from 25.4% in 2013 to 29.8% in 2017, with 87% of them being female. The COVID-19 pandemic had a deeper impact on youth employment as the youths tend to be overrepresented in the sectors worst hit by the pandemic, such as wholesale and retail, trade and repair, manufacturing, rental and business services, accommodation, and food services. Because of the pandemic, half a million overseas workers have returned. According to a survey by the International Labour Organization in 12 districts, 70% of the returning migrants are unemployed, 16% are in the informal sector making daily wages, and 9% are self-employed.^j Limited access to financial and other economic resources and incidence of shocks such as the pandemic and natural disasters are closely associated with extreme poverty. Rural non-farm activities or cottage and microenterprises can create forward and backward linkages, generate rural employment, and have a significant impact on rural poverty reduction mitigating the impact of the pandemic. However, the financial constraint of inadequate sources of funds is a major constraint against development of microenterprises in Bangladesh.</p> <p>Project beneficiaries include unemployed youth and returning migrants, particularly women who will receive trainings to start and expand micro businesses. Support will also be made available to qualified rural job creation</p>

<p>programs to expand the non-farm employment base. The project is expected to directly benefit at least 100,000 people and 30,000 enterprises or self-employment opportunities in Bangladesh by providing a reliable source of finance. The project beneficiaries generally belong to the poor and low-income category who have generally been affected by the pandemic and do not have easy access to banks or other sources of formal financial services.</p>
<p>2. <u>Impact channels and expected systemic changes.</u> The key anticipated impact on poverty reduction will be through enhanced credit flow to underserved segments of the market including unemployed youth, migrant returnees, and rural cottage and microenterprises. The proposed project expects to have a significant employment creation impact among a section of the poor and low-income population in Bangladesh, by encouraging the establishment of new enterprises by unemployed youth, returning migrants, and rural micro business entrepreneurs. Total number of jobs created is expected to exceed 100,000. Around 30,000 enterprises or self-employment opportunities are expected to be created. This will help mitigate the COVID-19 pandemic-induced unemployment which is estimated to be 1.4 million–3.7 million. Broad-based recovery of demand in the entire economy will aid setting up of new enterprises in rural areas.</p>
<p>3. <u>Focus of (and resources allocated in) the transaction TA or due diligence.</u> Poverty and social issues that will be reviewed during project design include state of poverty and unemployment among youth and returnee migrants due the COVID-19 pandemic. In addition, impacts of the pandemic on the operation of microenterprises, including the extent of suspension of activities or closure of business will be explored.</p>
<p>II. GENDER AND DEVELOPMENT</p>
<p>1. <u>What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program?</u> COVID-19 pandemic has had serious impact on economic development and employment generation across all groups, but especially for women entrepreneurs and informal workers. The sectors that were most affected are agriculture, fisheries, livestock, small manufacturing, food processing, services, and trading. Women are largely involved both as entrepreneurs and as wage earners in the abovementioned sectors and have been heavily hit by the COVID-19 pandemic. Some of the key challenges faced by women entrepreneurs include decreased income and working capitals as businesses have been halted or shut down, depletion of savings, and restricted mobility outside the home.</p>
<p>2. <u>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?</u> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>The project will provide financial support to women returnee migrants, young unemployed women, and rural women entrepreneurs. It will also provide technical support for entrepreneurship and employment opportunities. Along with providing support to women, the project will also focus on the supply side with policy level support to the PFIs to be more socially inclusive and gender responsive in their service delivery. Some key actions include (i) financial support provided to returnee women migrants and young women and women entrepreneurs in rural areas (20% of all beneficiaries); (ii) capacity development support for the women beneficiaries for entrepreneurship and skills development; (iii) gender responsive corporate strategy with gender action plan for the PFIs; (iv) management information system installed in PFIs; and (v) build capacity of women staff of participating financial institutions (PFIs) in governance, risk management and financial management.</p>
<p>3. <u>Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?</u> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>4. <u>Indicate the intended gender mainstreaming category:</u> <input type="checkbox"/> GEN (gender equity) <input checked="" type="checkbox"/> EGM (effective gender mainstreaming) <input type="checkbox"/> SGE (some gender elements) <input type="checkbox"/> NGE (no gender elements)</p>
<p>III. PARTICIPATION AND EMPOWERMENT</p>
<p>1. <u>Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.</u> The main stakeholders of the project are Bangladesh Bank, PFIs, unemployed youth, returnee migrants, and rural entrepreneurs. Bangladesh Bank and selected PFIs will participate in the project design.</p>
<p>2. <u>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?</u> The consultation with potential PFIs has identified the actions that can increase financing to the intended beneficiaries. Needs for capacity building of the PFIs were also discussed and the attached TA will support capacity building of PFIs, as needed. Training of unemployed youth and returnee migrants have been included as a component in the project to increase their capability and enable them to develop their own micro businesses. Engagement with youth networks women groups or migrant associations could strengthen outreach and targeting.</p>
<p>3. <u>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?</u> (L) Information generation and sharing (L) Consultation (L) Collaboration (L) Partnership</p>
<p>4. <u>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?</u> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>

IV. SOCIAL SAFEGUARDS	
A. Involuntary Resettlement Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C X <input checked="" type="checkbox"/> FI	
1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The project interventions of small scale lending, technology enhancement, skill development and market and employment information sharing will not trigger involuntary resettlement. Any subprojects requiring physical or economic displacement from land acquisition will be excluded. The project category would be FI-C.	
2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process? <input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix <input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None	
B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C X <input checked="" type="checkbox"/> 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? The project is not anticipated to have any negative impacts on asset or cultural dignity of IP communities. Rather IP persons will be equally eligible to have access to funds generated by the project. The benefits are to individuals rather than IP groups. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Schemes with likely negative impacts on IP will be excluded from the project.	
3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process? <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social impact matrix <input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None	
V. OTHER SOCIAL ISSUES AND RISKS	
1. What other social issues and risks should be considered in the project design? (H) Creating decent jobs and employment <input type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____	
2. How are these additional social issues and risks going to be addressed in the project design?	
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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No (No transaction TA involved)	
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? The loan will be assessed with staff resources during due diligence.	

^a Government of Bangladesh, Planning Commission. 2020. [Perspective Plan of Bangladesh 2021–2041](#). Dhaka.

^b Government of the People's Republic of Bangladesh. 2020. Eighth Five Year Plan July 2020–June 2025: Promoting Prosperity and Fostering Inclusiveness. Dhaka.

^c Government of Bangladesh, Ministry of Planning. 2013. [National Sustainable Development Strategy 2010–21](#). Dhaka.

^d ADB. 2016. [Country Partnership Strategy: Bangladesh, 2016–2020](#). Manila.

^e ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and Pacific](#). Manila.

^f Government of Bangladesh, Bangladesh Bureau of Statistics. 2019. *Poverty and Extreme Poverty Rate of Bangladesh 2018-19*. Dhaka.

^g ADB. 2020. [Asian Development Outlook 2020 Update: Wellness in Worrying Times](#). Manila.

^h Government of Bangladesh, Bangladesh Bureau of Statistics. 2018. *Labour Force Survey 2016–17*. Dhaka and ADB. 2020. [COVID-19 Economic Impact Assessment Template](#). Manila.

ⁱ Government of Bangladesh, Planning Commission. 2020. *Eighth Five Year Plan Extreme Poverty Background Study*. Unpublished.

^j International Organization for Migration. 2021. [Rapid Assessment Round 2: Needs and Vulnerabilities of Internal and International Return Migrants in Bangladesh](#). Dhaka.

Source: Asian Development Bank.