



Initial Poverty and Social Analysis

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Indonesia: Administration of Equity Investment for Financial Wellness Holdings Pte Ltd

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 07 April 2021)

Currency unit	–	Indonesian rupiah/s Rp
Rp 1.00	=	\$ 0.00007
\$1.00	=	Rp 14378.5

ABBREVIATIONS

AI	-	artificial intelligence
FMCG	-	fast moving consumer good
STEM	–	science, technology, engineering, and math disciplines
CSO	–	civil society organization

NOTE

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

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Indonesia	Project Title:	Administration of Equity Investment for Financial Wellness Holdings Pte. Ltd.
Lending/Financing Modality:	General Corporate Finance	Department/ Division:	Private Sector Operations Department/ Office of the Director General

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The Indonesian government boosted its financing of various stimulus and social protection programs by 18.6 percent from 2019 in order to rescue its economy that has been massively hit by COVID-19 pandemic.^a This urgent economic and anti-poverty strategy is not a deviation from the country's Medium-Term National Development Plan (RPJMN) for 2020-2024 which is "Strengthening Economic Resilience for Quality Growth."^b The ADB's latest Country Partnership Strategy (CPS 2020–2024)^c for Indonesia is likewise built on the same development agenda, and aims to help Indonesia survive and emerge stronger from the COVID-19 pandemic through three strategic pathways, one of which is improving the well-being of its citizens. Under such pathway, access to social protection is crucial in the improvement of the well-being of the Indonesians, particularly the vulnerable individuals that can help mitigate the impact of COVID-19 and other financial shocks brought about by unforeseen circumstances. In ADB's Strategy 2030,^d this falls under Operational Priority 1 which is "addressing remaining poverty and reducing inequalities".

Financial Wellness Holdings Pte. Ltd. (FWH)^e and Gaji Pintar Indonesia (GPI)^f are fintech companies that offer employees an early access option to their earned but unpaid wages through Wagely. This allows employees of partner employers to fund unexpected expenses and cut down on exorbitant interest rates from conventional, unconventional, and predatory lending sources. The program is implemented by FWH in partnership with employers who wish to offer to their employees the ability to access earned wages on-demand under a business-to-business-to-consumer (B2B2C) model. Its mission is to provide a sustainable solution for all employees in breaking the cycle of debt caused by overdraft fees, high-interest credit or pay day loans and play a leading role in building financial wellness for lower- and middle-income workers in Indonesia. Their product has three main features: (i) Track-employees can register for free and track their wages in real-time and better plan their budget for the coming weeks; (ii) Earn: employees can access a portion of their earned wages and customize their earned wage access program with recommendations; and (iii) Learn: offer financial literacy content (blog articles and financial health surveys) and financial health profiles. Recently, the company is planning to add other features to increase stickiness, such as save a share of the earnings every month, receive relevant insurance coverage for live events, and learn and access financial literacy programs.

B. Poverty Targeting

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

Low and middle-income wage earners will benefit from the project that offers an early access option to their earned but unpaid wages through an electronic platform allowing employees of partner employers to fund unexpected expenses and cut down on exorbitant interest rates from conventional, unconventional, and predatory lending sources. It seeks to promote financial wellness and resilience to lower-and middle-income workers in Indonesia (numbering to around 140 million) and in other DMCs where the company will expand in the near future. These workers who live paycheck to paycheck will enjoy interest-free financial service and financial education resources that help employees avoid debt traps and strengthen their financial literacy.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Access to social protection is crucial in the improvement of the well-being of the Indonesians, particularly the vulnerable individuals that can help mitigate the impact of COVID-19 and other financial shocks brought about by unforeseen circumstances. Although the government of Indonesia expanded the coverage and scope of its various social assistance programs, when COVID-19 struck, the pandemic exposed the limitations of their overall system, such as insufficient coverage, poor targeting, inadequate benefits, and a lack of integration across social assistance programs and with social security and social insurance schemes. Providing sufficient protection for all, regardless of age, sex, or disability is seen as a key to reducing poverty and ensuring stability throughout people's lives.⁹ The project contributes in the provision of social protection for all by offering low and middle-income employees an early access option to their earned but unpaid wages through Wagely. This allows employees of partner employers to fund unexpected expenses and cut down on exorbitant interest rates from conventional, unconventional, and predatory lending sources.

2. Impact channels and expected systemic changes. Employees of employers who will partner with Financial Wellness Holdings' will benefit primarily from Wagely's financial technology solution that integrates with the payroll and human resources systems and has a mobile app companion for employee use. Wagely's integration with existing systems allows for automatic payment deductions and real-time tracking and monitoring of employee transactions. While enrolled, employees can also gain from the product's three main features: Track, Earn and Learn. Through "Track", employees can register for free and track their wages in real-time and better plan their budget for the coming weeks. The "Earn" gives employees access to a portion of their earned wages and customize their earned wage access program with recommendations. Its "Learn" feature" offers financial literacy content (blog articles and financial health surveys) and financial health profiles.

3. Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will be carried out on Financial Wellness Holdings' systems in managing environmental and social risks and impacts of its operations at the corporate level, at Singapore and Indonesia operations level, and at the level of its partner employers and their employees, and its third-party payment providers. The labor policies and practices of the Company as well as its compliance with the national labor laws, internationally recognized core labor standards, standards set by the certification bodies, and its gender responsiveness as set out in the GAP will also be reviewed and verified.

4. Specific analysis for policy-based lending. Not applicable

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? Indonesia's social protection policies for women only offer maternal health and maternal leave. There are limited programs specifically targeting women's empowerment including boosting their economic power. Hence, women are more at-risk from poverty across their lives.^h Women in Indonesia are also underrepresented both in managerial positions (based on 2019 data, only 29.8% are womenⁱ) and in board positions^j (6% are reportedly women). This is despite the growing evidence that underscores the positive correlation of female directors' presence and improved performance of the company. Similarly, in all science, engineering and technology fields, including education, careers, and decision-making and advisory bodies, women are under-represented.^k Lastly, the country is yet to pass its draft law, "Elimination of Sexual Violence," prepared in 2014, and supported since by civil society organizations.

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

The project will seek the promotion of women's economic empowerment by allocating a certain proportion of financial services to women and enhancement of gender responsiveness and equality in the company's workplace and its business activities. Additionally, the project is expected to contribute in narrowing the gender gap in fintech industry by offering regular and technical positions to women. Lastly, it will aim to increase women's participation in top management of the Company with the addition of one woman and will push for the development of Company's anti-sexual harassment policy and subsequently provide Company's employees anti-sexual harassment training.

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

The project will not have an adverse impact on women and/or girls nor will it widen gender inequality.

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 Company shareholders, investors, senior managers, employees, partner employers and their employees, and third-party payment providers are the main stakeholders of the project.

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 will support the expansion of Financial Wellness Holdings business that provides financial wellness and resilience to lower-and middle-income workers who live paycheck to paycheck by providing interest-free financial service and financial education resources that help employees avoid debt traps and strengthen their financial literacy. Meanwhile, the partner employers are assured of savings costs due to higher productivity, lower employee turnover, lower working capital requirements for employee loans and lower inventory loss/ employee theft. The Financial Wellness Holdings' employees, women employees, company's partner employers and their employees, and partner third-party payment providers are expected to directly benefit from the project. The poor, vulnerable and excluded groups are not expected to participate in the project design.

<p>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? <input checked="" type="checkbox"/> L Information generation and sharing <input type="checkbox"/> N Consultation <input type="checkbox"/> N Collaboration <input type="checkbox"/> N Partnership Financial Wellness Holdings website is made accessible to all including any CSO who may be interested.</p> <p>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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
IV. SOCIAL SAFEGUARDS
<p>A. Involuntary Resettlement Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>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</p> <p>2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process? <input checked="" type="checkbox"/> None</p>
<p>B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>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</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process? <input checked="" type="checkbox"/> None</p>
V. OTHER SOCIAL ISSUES AND RISKS
<p>1. What other social issues and risks should be considered in the project design? <input type="checkbox"/> Creating decent jobs and employment <input checked="" type="checkbox"/> L 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 checked="" type="checkbox"/> Others, please specify <u>Adherence to Indonesia labour laws and internationally recognized core labor standards.</u></p> <p>2. How are these additional social issues and risks going to be addressed in the project design? Social due diligence will be conducted and corrective measures will be spelled out in the Corrective Action Plan.</p>
VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT
<p>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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No A dedicated social safeguards consultant and one gender consultant who are assigned to the project have identified areas for clarification on the part of the Company during the due diligence phase.</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 transaction TA or due diligence? One social safeguards consultant and one gender consultant have been conducting the necessary poverty, social, and/or gender analysis, and participation plan during the transaction TA or due diligence phase.</p>

^a Negara, Siwage. 2020. "A Year of Crisis and Setback for Indonesia's Economy." East Asia Forum. <https://www.eastasiaforum.org/2020/12/30/a-year-of-crisis-and-setback-for-indonesias-economy/>

^b Government of Indonesia. 2020. "National Medium-Term Development Plan (RPJMN) 2020-2024." Jakarta.

^c ADB. 2020. "Country Partnership Strategy: Indonesia, 2020-2024 — Emerging Stronger." Manila.

^d ADB. 2018. "Strategy 2030." Manila.

^e FWH is the holding company of GPI. FWH's is based in Singapore, with office at 24 Raffles Place #10-05, Clifford Centre.

^f GPI oversees the development and operations of Wagely in Indonesia. Its office is located at Citylofts Sudirman #2001, No. 121, Jl. K.H. Mas Mansyur, RT. 10/RW. 11, Karet Tengsin, 10220, Kota Jakarta Pusat, Daerah Khusus, Ibukota Jakarta.

^g ADB. 2020. "Country Partnership Strategy: Indonesia, 2020-2024 — Emerging Stronger." Manila.

^h OECD. 2019. "Social Protection System Review of Indonesia." OECD Development Pathways. Paris. <https://doi.org/10.1787/788e9d71-en>

ⁱ International Labour Organization. 2019. "SDG 5.5.2 Female share of employment in managerial positions (%)." ILOSTAT database, <https://ilostat.ilo.org/data>.

^j ILOSTAT data: ilo.org. "[Championing Women on Corporate Boards in Indonesia.](#)"

^k Hermawati, W. and Luhulima, A. 2000. "[Women in Science, Engineering and Technology \(SET\): A Report on the Indonesian Experience.](#)" *Gender, Technology and Development*. (4)1: 87-100.

^l Cobb, Ellen Pinkos. 2020. [International Workplace Sexual Harassment Laws and Developments for the Multinational Employer.](#) NY: Routledge.