



Initial Poverty and Social Analysis

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Indonesia: Administration of Equity Investment for Fairbanc Private Limited

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 28 April 2021)

Currency unit	–	Indonesian rupiah/s Rp
Rp 1.00	=	\$ 0.00007
\$1.00	=	Rp 14493

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 Fairbanc Private Limited
Lending/Financing Modality:	General Corporate Finance	Department/ Division:	Private Sector Operations Department/ Office of the Director General

I. POVERTY IMPACT AND SOCIAL DIMENSIONS
<p>A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy</p> <p>The Government of Indonesia has laid out in its Medium-Term National Development Plan (RPJMN) for 2020-2024 the country's target for economic growth at 5.6% -6.2% by 2024 and likewise reducing the poverty rate to 7% by 2024, from the current rate of 9.41%. One of the development agenda in the RPJMN is "Strengthening Economic Resilience for Quality Growth." The ADB's Strategy 2030 and ADB's Country Partnership Strategy (CPS), 2020–2024 for Indonesia align with the country's development agenda and the impact of the corona virus disease. One of the key operational policies of Strategy 2030 is "addressing remaining poverty and reducing inequalities" with improving business environment for entrepreneurs including small and medium-sized enterprises (SMEs) as one of the commitments to generate jobs. Meanwhile, the overall goal of the CPS is achieving inclusive, competitive, and sustainable development in Indonesia through three strategic pathways: (i) improving well-being, (ii) accelerating economic recovery, and (iii) strengthening resilience. Under the CPS, access to finance, particularly for micro, small, and medium- sized enterprises (MSMEs), is viewed as critical for inclusive growth in the country. MSMEs which are deemed as essential in promoting growth, creating jobs, and alleviating poverty, employ 89% of the workers from the private sector, and contribute 57% to the country's GDP. MSMEs in Indonesia are receiving more bank credit but its growth has been slow, while the nonbank finance industry is relatively small.</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>C. Poverty and Social Analysis</p> <p>1. Key issues and potential beneficiaries. MSMEs in Indonesia are viewed as essential in promoting growth, creating jobs, and alleviating poverty, employ 89% of the workers from the private sector, and contribute 57% to the country's GDP. Nonetheless, while MSMEs in Indonesia are receiving more bank credit, the nonbank finance industry is relatively small. Fairbanc Private Limited is a data-driven provider of interest-free, 'pay-later' micro-credit to micro-retailers in the fast-moving consumer goods (FMCG) supply chain through distributors without requiring credit history. Through leveraging the distributors of large FMCG companies (e.g. Unilever, Sosro, Belfoods), Fairbanc gains access to large networks of underserved micro-retailers and reduces credit risks and transaction costs. Meanwhile the company's AI-powered mobile loan and payments platform enables customer profiling, efficient assignment of credit to micro-retailers who can drive sales and less likely to default, and macro level sales analytics. The project aims to contribute to the expansion of the nonbank finance industry by providing interest-free AI-powered mobile loan and payments platform for MSMEs particularly, the micro-retailers in fast-moving consumer goods (FMCG) supply chain. Due diligence will determine how women and the poor borrowers will benefit from the project.</p> <p>2. Impact channels and expected systemic changes. The project will provide interest-free, 'pay-later' micro-credit to unbanked micro-retailers in the fast-moving consumer goods (FMCG) supply chain through distributors without requiring credit history. Fairbanc's AI-powered mobile loan and payments platform enables customer profiling, efficient assignment of credit to micro-retailers who can drive sales and less likely to default, and macro level sales analytics.</p> <p>3. Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will be carried out on Fairbanc systems in managing environmental and social risks and impacts of its operations at the corporate level, at Indonesia operations level, and at the level of its partner distributors, bank, and FMCGs. The labor policies and practices of the Company as well as its compliance with the national labor laws, standards set by the certification bodies, and its gender responsiveness as set out in the GAP will also be reviewed and verified.</p> <p>4. Specific analysis for policy-based lending. Not applicable</p>

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?

Women play a central role in micro, small and medium enterprises (MSMEs) in Indonesia as they account for the ownership of 51% of small enterprises, and 34% of medium-sized enterprises, which together contribute 9.1% of GDP. Despite significant representation in business ownership, women experience greater difficulties than men^a to access finance. Apart from this, while women's access to maternal health care services under the government's health insurance programme, *Jaminan Kesehatan Nasional* (JKN), or National Health Insurance has improved, inequalities still persist in the coverage of maternal health services across socioeconomic groups and geographical areas of Indonesia.^b

In the same vein, women in Indonesia are underrepresented both in managerial positions (based on 2019 data, only 29.8% are women^c) and in board positions^d (6% are reportedly women). Notwithstanding, evidence from Indonesian studies^e have pointed out the link between the presence of female directors and improved firm performance. A study conducted by the Indonesian Institute of Sciences revealed stark gender imbalance in career representation and in reaping the benefits of technology development. In all science, engineering and technology fields, including education, careers, and decision-making and advisory bodies, women are under-represented.^f Lastly, a draft law, "Elimination of Sexual Violence," prepared in 2014, and supported since by civil society organizations, defines forms of sexual violence not covered by existing legislations, including sexual harassment. It has yet to pass, despite increasing incidence of sexual harassment in the workplace.^g

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 proposed project will endeavor to increase women participation at different levels and different areas during the project implementation thereby contributing to closing the gender gap in financial services, insurance, labor, board representation, and in STEM professions. Due diligence will closely monitor Fairbanc commitments and capacities to enhance gender equality at the workplace and contribute to better awareness of sexual harassment issues. Gender and development indicators to be incorporated in the project design will be discussed with the client as part of the due diligence process.

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 banks, partner distributors, partner FMCGs, and the micro-credit borrowers 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 growth of Fairbanc business that provides interest-free, 'pay-later' micro-credit to unbanked micro-retailers in the fast-moving consumer goods (FMCG) supply chain. The Fairbanc's employees, women employees, company's partners (banks, distributors, FMCGs) and micro-credit borrowers are expected to directly benefit from the project. The poor, vulnerable and excluded groups are not expected to participate in the project design.

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 N Consultation N Collaboration N Partnership

Fairbanc website is made accessible to all including any CSO who may be interested.

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 <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input 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	
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 type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None	
B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input 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? <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	
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 type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None	
V. OTHER SOCIAL ISSUES AND RISKS	
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 applicable national labour laws.</u>	
2. How are these additional social issues and risks going to be addressed in the project design? It is recommended for the Company to carry several measures spelled out in the Corrective Action Plan.	
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 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.	
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.	

- ^a IFC in partnership with USAID. 2016. "[Women-owned SMEs in Indonesia: A Golden Opportunity for Local Financial Institutions Market Research Study.](#)"
- ^b Anindya, K. et al. 2020. [Impact of Indonesia's national health insurance scheme on inequality in access to maternal health services: A propensity score matched analysis.](#) Journal of Global Health.
- ^c International Labour Organization. "SDG 5.5.2 Female share of employment in managerial positions (%)." ILOSTAT database, <https://ilostat.ilo.org/data>, 2019.
- ^d ILOSTAT data: ilo.org. [Championing Women on Corporate Boards in Indonesia.](#)"
- ^e Syamsudin, S., Setiany, E., and Sajidah, S. 2017. "[Gender Diversity and Firm Value: A Study on Boards of Public Manufacturing Firms in Indonesia.](#)" *Problems and Perspectives in Management*. 15 (3-1):276-284; Triantana and Asri, M. 2017. "[The Impact of Female Directors on Firm Performance Evidence from Indonesia.](#)" *Journal of Indonesian Economy and Business*. 32 (1):19-32.
- ^f 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.
- ^g Cobb, Ellen Pinkos. 2020. [International Workplace Sexual Harassment Laws and Developments for the Multinational Employer.](#) NY: Routledge.

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