

## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Bangladesh	Project Title:	Capital Market Development Program III
Lending/Financing Modality:	Policy-based	Department/Division:	SARD/SAPF

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The program supports poverty reduction development goals of the Government of Bangladesh and the Asian Development Bank (ADB) for Bangladesh. Bangladesh has made good progress in reducing poverty over the past decade despite a series of external shocks.

With positive economic growth, Bangladesh reduced poverty from 40% to 31.5% between 2005 and 2010. Rural poverty declined to 35.2% in 2010 from 43.8% in 2005, while urban poverty fell to 21.3% from 28.4% in the same period. Bangladesh's Sixth Five-Year Plan, 2011–2015<sup>8</sup> focuses on accelerating the growth rate of the economy as a "prerequisite for rapid reduction of poverty" by substantially boosting private sector investment. It is estimated that 77.2% of the investment requirements under the plan will stem from the private sector. The plan recognizes the important role the capital market can play in raising funds cost-effectively and in enabling investors to gain access to alternative investment opportunities, and the substantial negative impact that financial market instability has on the plight of the poor. Diversification away from a predominantly bank-based system of financial intermediation expands alternative sources of credit, thereby helping to limit the systemic impacts of economic shocks. The plan appreciates that capital markets can stimulate healthy competition with the banking sector, which under most circumstances results in lower financing costs for all borrowers. The plan, therefore, emphasizes specific capital market reforms to help Bangladesh diversify its financial system so that the country can realize its broad-based economic growth and socioeconomic development objectives—including poverty reduction.

ADB's country partnership strategy, 2011–2015<sup>9</sup> for Bangladesh is aligned with the government's long-term development agenda and clearly emphasizes the prioritization of private sector development to accelerate economic growth. Developing domestic bond markets and the financial sector is a necessary condition for private sector investment. Currently, Bangladesh's finance sector is dominated by commercial banks that are unable to finance the investments that the country requires. The program will support the government's efforts to "make finance and capital markets more efficient," and hence help catalyze private sector investments necessary for economic growth such that it provides the foundations for sustainable productive employment and incomes for the growing Bangladeshi labor force. Specifically, ADB's financial sector strategy for Bangladesh, which is included in the new country operations business plan<sup>10</sup>, is based on the country's Sixth Five-Year Plan and lessons from ADB's previous financial sector interventions.

#### B. Targeting Classification

General Intervention  Individual or Household (TI-H)  Geographic (TI-G)  Non-Income MDGs (TI-M1, M2, etc.)

The project is targeted for addressing the country's financial sector issues and constraints in the development of capital market. The intervention will have a broad and nationwide direct impact on inclusive growth, however, it has indirect impact on poverty reduction.

#### C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The potential primary beneficiaries of the program include (i) the Government because the outcome of the program will contribute to national economic growth; (ii) market participants, namely public and private corporations, financial institutions and individuals; and (iii) regulatory agencies. The poor and the socially-excluded will benefit from the program in an indirect manner.

2. Impact channels and expected systemic changes. These would include (i) financial sector stability, (ii) long-term funding source, (iii) diversified and efficient investment conduit.

<sup>8</sup> Government of Bangladesh, Planning Commission, Ministry of Planning. 2011. *Sixth Five-Year Plan: FY2011–FY2015*. Dhaka.

<sup>9</sup> ADB. 2011. *Bangladesh: Country Partnership Strategy 2011-2015*. Manila.

<sup>10</sup> ADB. 2011. *Bangladesh: Country Operations Business Plan, 2012–2014*. Manila.

3. Focus of (and resources allocated in) the PPTA or due diligence. The PPTA due diligence exercise will be carried out by SAPF project processing team.
4. Specific analysis for policy-based lending. The program will benefit all citizens including the poor through the development of efficient capital markets guaranteeing an optimal allocation of capital. By enhancing the availability of capital and optimizing its cost, it is expected that private sector investment will increase and finance infrastructure, spur economic growth, and create jobs. Improved governance of Bangladesh's financial and capital markets will help attract foreign investments including foreign direct investment, which generates increased employment opportunities including for skilled and unskilled labor. The intervention will have a broad and nationwide direct impact on inclusive growth; however, it has an indirect impact on poverty reduction.

## II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program?  
There is no key gender issue in this program because the development of capital market empowers all individuals' equal rights to access to the market, financial resources and opportunities. It does not minimize the benefits to women. The processing team will further consider these issues while designing the program.
2. Does the proposed project or program have the potential to make a contribution 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
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 theme)  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 potential initial stakeholders will include (i) government agencies, namely Ministry of Finance, Bangladesh Bank, and Securities and Exchange Commission (SEC); (ii) market participants, such as financial institutions, public and private corporations, etc. The preparation of C&P Plan and stakeholder analysis will be done during project design.
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 preparation of C&P Plan and stakeholder analysis will be done during project design.
3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?  
 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 shall they be addressed?  Yes  No

## IV. SOCIAL SAFEGUARDS

### A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement?  Yes  No
2. What action plan is required to address involuntary resettlement as part of the PPTA 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

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
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 PPTA or due diligence process?  
 Indigenous peoples plan  Indigenous peoples planning framework  Social Impact matrix  
 Environmental and social management system arrangement  None

<b>V. OTHER SOCIAL ISSUES AND RISKS</b>
<p>1. What other social issues and risks should be considered in the project design? N/A</p> <p> <input type="checkbox"/> 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 _____ </p>
<p>2. How are these additional social issues and risks going to be addressed in the project design? N/A</p>
<b>VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT</b>
<p>1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA 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?</p> <p> <input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No </p> <p>There is no key issue on poverty, social, and gender detected at this early stage. The processing team will consider these issues while designing the program.</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 PPTA or due diligence?</p> <p>Preparation of C&amp;P plan will be part of consultants' assignment, while conducting poverty, social and/or gender analysis will be carried out by the processing team.</p>