

INITIAL POVERTY AND SOCIAL ANALYSIS

Country: Bhutan Project Title: Strengthening Economic Management Program II

Lending/Financing Modality: Policy-Based Lending Department/Division: South Asia Department
Public Management, Financial Sector and Trade Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

Based on Bhutan's Tenth Five-Year Plan (2008–2013), although rapid economic growth and significant development efforts in the past greatly improved the general quality of the life as reflected in the decline in poverty incidence from about 32% in 2003 to about 23% in 2007 and 12% in 2012, the country still continues to face high levels of rural poverty, widening income and non-income inequality, and narrow economic base.

ADB's country partnership strategy (CPS) for 2014–2018 and country operations business plan (COBP) for 2013–2015 aim to support the government's primary goal of poverty reduction. Recent developments in the financial sector, such as the recent rupee crisis, highlighted the weakness of Bhutan's economic management that needs to be strengthened in the near to medium-term in order to reduce macroeconomic volatility. In addition, private sector development combined with economic diversification and employment generation is essential for poverty reduction. Finally, financial sector development is necessary to promote high economic growth. As such, the proposed Strengthening Economic Management Program II (SEMP II) will provide the required assistance to the Government of Bhutan in strengthening macroeconomic management, banking sector and capital markets, and the business climate for diversification of the economy in order to achieve more stable and sustainable economic growth, and balanced macroeconomic development.

B. Targeting Classification

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

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Not applicable.
2. Focus of (and resources allocated in) the PPTA or due diligence. Not applicable.
3. Focus of (and resources allocated in) the PPTA or due diligence. Not applicable.
4. Specific analysis for policy-based lending. No specific intervention on the poor, vulnerable and excluded group is involved in the proposed program. However, better and strengthened macroeconomic management and diversification of the economy leading to higher economic growth, employment, and income opportunities will have a significant impact on the poor, vulnerable, and excluded group.

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? Based on ADB 2014 Bhutan Gender Equality Diagnostic of Selected Sectors, p.66-69, although women in Bhutan are active as entrepreneurs in various sectors of the economy and an important component of the private sector labor force, they experience more constraints in accessing mainstream financial services and credit. They have to bear various other impediments such as poor working conditions and low pay. Therefore, proactive financial inclusion, promotion of entrepreneurship, and financial literacy, particularly targeting low-income and rural women, are paramount to improve their livelihood.

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

The SEMP II can promote (i) financial inclusion for women through gender-sensitive financial literacy and education programs, (ii) access to affordable financial services through mobile financial services, which can specifically target low-income, and rural women, and (iii) equitable access to entrepreneurial opportunities.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes No Please explain.

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. Not applicable

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? Not applicable

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

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 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? SEMP II target improvement of business climate for entrepreneurs that will help create employment.

VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT

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 (vi) other social risks. Are the relevant specialists identified?

Yes No Not applicable. There is no PPTA for the proposed program.

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?

During loan fact-finding missions, the National Commission for Women and Children (NCWC) and the Bhutan Association of Women Entrepreneurs (BAOWE) will be consulted as part of the due diligence. Gender dimension will be considered during the formulation of the financial inclusion policy, financial literacy and education program, and improving the business climate in Bhutan. Gender segregated information and data will be collected.