

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Pakistan	Project Title:	Rural Financial Inclusion and Dairy Growth Facility
Lending/Financing Modality:	Partial Credit Guarantee	Department/ Division:	Private Sector Operational Department/ Financial Institutions Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

1. The ADB assistance will guarantee investment loans made to dairy farmers through participating commercial banks (PCBs) in collaboration with participating dairy companies (PDCs).
2. The facility supports the building of inclusive financial systems by focusing on funding agriculture where productivity is low, and the potential for employment and income generation is high. The Facility will help establish a model for commercial banks to reach dairy farmers that so far do not have access to affordable commercial funding.
3. The investment is aligned with ADB's Strategy 2020's a core target area on finance sector development. ADB aims to promote inclusive growth by strengthening its support for the finance sector by helping countries develop their financial infrastructure, institutions, and products and services as well as explore the use of technologies to expand the reach of the formal financial system to rural areas. An ADB financial sector assessment in preparation of the forthcoming Pakistan country partnership strategy is currently ongoing. Consultations with stakeholders highlight the importance of the private and financial sector, and the need for improving financial inclusion, especially in rural areas.

B. Targeting Classification:

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

The facility will help provide small dairy farmers access to bank finance at affordable cost to expand their production and enhance their access to the dairy mass markets through the collaborating PDCs. The facility is envisaged to build a scalable commercial model that integrates dairy supply chain benefitting farmers, the dairy companies and creditors.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries.
The Facility is expected to benefit small dairy farmers who have no or limited access to affordable credit. Loans from Participating Commercial Banks (PCBs) will finance the acquisition of cattle for milk production and associated capital expenses such as sheds and animal feed. The participating small farmers, in collaboration with Participating Dairy Companies (PDCs), will benefit through field advisory activities. Progress of participating dairy households will be closely monitored by the PDCs.
2. Impact channels and expected systemic changes.
With the significant number of rural households engaged in small dairy farming, the dairy sector has the potential to enhance its production capacity by enhancing their productivity. This can be done by providing access to affordable loans and technical assistance to build their management skills. The participating farmers as well as their households are expected to benefit through improved productivity and higher income.
3. Focus of (and resources allocated in) the PPTA or due diligence.
ADB Team will conduct a due diligence on the PDCs' and PCBs' Environmental and Social Management Systems meeting ADB environmental and social safeguard requirements.
4. Specific analysis for policy-based lending. Not applicable.

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?
Women and girls contribute substantially to dairy family farm activities including feeding, collecting fodder for animals, shed management, vaccination and treatment. Engro Foods Limited (EFL), the first PDC under the Facility, recognizes the important role of women and their contribution to the dairy production. It is important to recognize that the sale of milk and work in the public areas is normally performed by male household members.

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 Please explain. EFL has integrated the training of women household members in their project support activities. EFL has committed to recruit dedicated female officers in their project team.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?
 Yes No Please explain. Dairy farm families are expected to substantially benefit from the investment.

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 project stakeholders include donors, private commercial banks, agribusiness companies, and dairy farming households. The first transaction under the project has been carefully designed by EFL to ensure interest and benefit to the farmers. Additional PCBs and PDCs will be required to integrate farmer households requirements in the design and implementation process.

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 first transaction under project has been carefully designed by the EFL to ensure interest and benefit to the farmers. Additional PCBs and PDCs will be required to integrate farmer households requirements in the design and implementation process.

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 (treated as C)

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No
 No impact. The facility will not entail physical and economic displacement. Eligible dairy farm beneficiaries are expected to own and/or lease adequate land for additional cattle and investment. Should future investments require any additional land, this will be acquired or leased on a willing seller-willing buyer or willing lessor-willing lessee basis.

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?
 Environmental and social management system arrangement

B. Indigenous Peoples Category A B C FI (treated as C)

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
 PCBs and PDCs will adopt an ESMS that will include procedure of screening and categorization of IP risks and the mitigating measures. Transactions that would trigger any impacts on IPs are not eligible under the project.

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?
 Environmental and social management system arrangement
 Transactions that would trigger any impacts on IPs are not eligible under the project.

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?

The PCBs and PDCs ESMS will ensure compliance with national labor laws and standards.

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

Relevant information is gathered by the PDCs and PCBs subject to their and ADB due diligence.

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?

The ADB Team will conduct due diligence and meetings with PDCs and selected farmers to will cover social safeguards, labor, gender, and other social aspects of the project. EFL has a dedicated project team that is assigned this task in collaboration with the related PCB loan officers.

^a ADB. 2008. Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020. Manila.