

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Cambodia	Project Title:	ACLEDA Bank Plc – Promoting Financial Inclusion in Cambodia
Lending/Financing Modality:	Senior Loan	Department/ Division:	Private Sector Operations Department Financial Institutions Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The proposed loan is consistent with the Government of Cambodia 10-year rolling financial sector development strategy for 2011–2020, targeting the development of a sound financial sector that can contribute to poverty reduction by supporting economic growth and giving low-income people better access to finance. The project will make a significant contribution to financial inclusion in rural and unserved segments of the country's population. The proposed project is also in line with the Asian Development Bank (ADB) country partnership strategy for Cambodia for 2011-2013, which lists financial sector one of five priority sectors. The strategy makes microfinance and finance for small and medium-sized enterprise priority subsectors within the financial sector and identifies limited access to finance as a key constraint to private sector development.

B. Targeting Classification

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

The proposed project will contribute to improving access to financial services for Micro, Small, and Medium Enterprises (MSMEs) through ACLEDA Bank and enhance penetration of banking services through expansion of outreach to rural areas that are not currently served by formal banking systems.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries.

(i) Cambodia's small, underdeveloped economy is heavily dependent on agriculture, garment exports, and tourism. MSMEs account for 90% of the country's firms and for 73% of all employment. Limited access to finance is one of the most critical challenges MSMEs in Cambodia face.

(ii) 90% of the country's poor live in the rural areas with limited access to finances. Cambodia's level of financial services outreach is one of the lowest in Asia and the Pacific and MSMEs lack the access they need to finance their business needs.

The proposed loan will provide additional financing for Cambodia's MSMEs, including women borrowers and agricultural borrowers located in rural and underserved areas of the country.

2. Impact channels and expected systemic changes.

In addition to its direct beneficial impacts on financial inclusion through funding for MSMEs, the proposed project is expected to set an example for other banks to increase their outreach to rural areas through more branches and expanded operations. Providing financing to MSMEs will strengthen their role as an important source of employment, especially in the rural areas where most of the country's poor live.

3. Focus of (and resources allocated in) the PPTA or due diligence.

The project team will explore the possibility of incorporating design features that shall positively impact the rural population, which shall include (i) increase in number of branches in rural and backward areas, and (ii) increase in numbers of rural borrowers and agricultural borrowers.

4. Specific analysis for policy-based lending: N/A

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? Providing access to finance, and penetration of banking services in rural areas are the key issues identified in the Cambodian MSME financing sector. Both these issues have a significant relevance to women borrowers and establishments and will be taken up for further detailing during the due diligence.

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.

The Due diligence will explore with ACLEDA bank, the potential of contributing to gender equality through (i) a targeted increase in the number of women borrowers (ii) possibilities of developing financial products to women, especially in rural areas and (iii) capacity building of ACLEDA staff to service and manage women borrowers more

effectively.

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:

Depending on the commitment of ACLEDA to endorse or adopt the measures towards gender mainstreaming in the project, the gender mainstreaming category will be assigned.

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.

Main stakeholders are the ACLEDA Bank, MSMEs and other borrowers. ACLEDA Bank will reach out to potential borrowers in underserved and rural areas through its branches. Negative impacts are not envisaged as the beneficiaries will be benefitted through access to finance at much lower rates compared to the informal systems currently prevalent.

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 investment is a senior unsecured loan to ACLEDA Bank. The due diligence will explore if there are special products developed or planned to be developed by ACLEDA to target the poor and vulnerable sections of the society.

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 – L Consultation – N Collaboration – N Partnership – N

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

The proposed lending to ACLEDA Bank is not expected to involve land acquisition or result in any physical or economic displacement

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 The proposed lending to ACLEDA Bank MSMEs is not expected to affect indigenous communities.

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?

The project team will look into the bank's environment procedures and manual to ensure it prohibits funding to MSMEs involved in production or activities involving harmful or exploitative forms of forced labor or child labor.

The ESMS of ACLEDA bank will be developed to include adherence to ADB's social protection requirements and adherence to core labor standards. ACLEDA will ensure that all borrowers adhere to the core labor standards and report to ADB as part of the annual reporting.

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

Yes No

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 project team, with inputs from the safeguards personnel of ACLEDA bank will carry out the assessments on poverty, social and gender aspects, as part of the due diligence.