

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

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| Country: | Regional | Project Title: | Microfinance Risk Participation and Guarantee Program (Major Change and Additional Financing) |
| Lending/Financing Modality: | Risk Participation and Guarantees | Department: Division: | Private Sector Operations Department Financial Institutions Division |

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| <p>I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY Targeting classification: General intervention</p> <p>A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy As a regional initiative, the Microfinance Risk Participation and Guarantee Program does not link to a specific poverty reduction strategy or country partnership strategy of an Asian Development Bank (ADB) developing member. However, the program is aligned with ADB's central mission of poverty reduction through the implementation of various ADB strategies in relation to (i) the promotion of microfinancing and increased access to finance, (ii) the enhancement of financial markets, and (iii) the encouragement of private sector-led initiatives to address these goals.</p> <p>ADB's Midterm Review of Strategy 2020 highlights the importance of inclusive growth and confirms ADB's support for the finance sector through the development of financial infrastructure, institutions, and products and services.¹ Partner financial institutions (PFIs) and local currency lenders (LCLs) that emphasize support for microfinance institutions (MFIs) will help build inclusive finance. The project directly addresses all the key elements of ADB's Midterm Review of Strategy 2020 through the promotion of (i) pro-poor, sustainable economic growth (through financial assistance to microenterprises provided by MFIs; (ii) social development (by enabling financial institutions via MFIs to reach out to poor, underserved areas of their economies, as well as embrace socially sound practices); and (iii) good governance (through working with and endorsing responsible PFIs and LCLs that are active in microfinance and lending to MFIs).</p> <p>B. Results from the Poverty and Social Analysis Key issues. Sharing risk with PFIs and LCLs will enable them to increase their lending volumes to MFIs, which will in turn lead to increased financing for the poor and underbanked populations in Asian developing markets. The borrowers are typically microenterprises that use the funds to establish or expand small-scale businesses, or individuals seeking to satisfy domestic needs. MFIs have recently also started providing non-credit services such as savings accounts (as an agent for commercial banks) and insurance, which offer equal or greater potential to help build social and economic security by helping low-income people to build assets and protect themselves against unforeseen crisis. The microlending modality has been successful in extending finance to previously economically disenfranchised people.</p> <p>Design features. This project will support the goal of poverty reduction indirectly by stimulating economic growth and directly by helping to improve access to finance for some of Asia's</p> |
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¹ ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

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| <p>poorest households. This will create jobs, provide more investment in human capital, and benefit low-income people by providing financial access.</p> | |
| II. PARTICIPATION AND EMPOWERING THE POOR | |
| <p>1. Participatory approaches and project activities. The PFIs and LCLs undertake regular market research and obtain feedback from existing and potential clients and staff to understand MFI needs.</p> | |
| <p>2. Will a project level participation plan be prepared to strengthen participation of civil society as interest holders for affected persons, particularly the poor and vulnerable? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No.</p> | |
| <p>Requirements regarding project implementation and monitoring will be included in the transaction documentation.</p> | |
| III. GENDER AND DEVELOPMENT | |
| <p>Gender mainstreaming category: Some gender elements</p> | |
| <p>A. Key Issues. The program intends to track data across the MFIs that will be part of it. PFIs and LCLs report this information to ADB quarterly. At the end of March 2015, MFIs had disbursed loans to 1.3 million individuals, almost all of whom are women (more than 98%). The average loan size is less than \$250.00.</p> | |
| <p>B. Key Actions. PFIs and LCLs are encouraged to select MFIs that primarily lend to women in rural areas</p> | |
| <p><input type="checkbox"/> Gender action plan <input checked="" type="checkbox"/> Other actions or measures <input type="checkbox"/> No action or measure</p> | |
| IV. ADDRESSING SOCIAL SAFEGUARD ISSUES | |
| <p>A. Involuntary Resettlement Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI</p> | |
| <p>1. Key impacts. No impact. The investment will not result in any physical or economic displacement. It is not expected to involve land acquisition.</p> | |
| <p>2. Strategy to address the impact: Not applicable</p> | |
| <p>3. Plan or other actions. <input checked="" type="checkbox"/> No action</p> | |

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| <p>B. Indigenous Peoples Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI</p> <p>1. Key impacts. No impact. The investment is not expected to cause any adverse impact on indigenous peoples. Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Strategy to address the impacts. Not applicable.</p> <p>3. Plan or other actions. <input checked="" type="checkbox"/> No action</p> |
| <p>V. ADDRESSING OTHER SOCIAL RISKS</p> |
| <p>A. Risks in the Labor Market</p> <p>1. Relevance of the project for the country's or region's or sector's labor market. Indicate the impact as high (H), medium (M), and low or not significant (L). unemployment (L) underemployment (L) retrenchment (L) core labor standards (L)</p> <p>2. Labor market impact. The investment is expected to support the generation of direct and indirect employment through lending to individuals living below the poverty line. In most cases, borrowers use the loan proceeds from the microfinance institutions to support livelihood activities.</p> |
| <p>B. Affordability</p> <p>No impact. For the MFIs, fair customer policies involve thorough evaluation of borrower debt service capacity and explanation of the terms and conditions of the loan. Most MFIs have endorsed the Smart Campaign and have since been improving their systems to adapt its principles, including responsible pricing and prevention of over-indebtedness.</p> |
| <p>C. Communicable Diseases and Other Social Risks : Not applicable</p> <p>1. Indicate the risks, if any, and rate the impact as high (H), medium (M), low (L), or not applicable <input type="checkbox"/> Communicable diseases <input type="checkbox"/> Human trafficking <input type="checkbox"/> Others (please specify) _____</p> <p>2. Describe the related risks of the project on people in project area. Not applicable.</p> |
| <p>VI. MONITORING AND EVALUATION</p> |
| <p>1. Targets and indicators: Specific targets are included in the project's revised design and monitoring framework, including (i) increased lending to MFIs, (ii) expanded coverage, and (iii) improved financial services for women.</p> <p>2. Required human resources: PFIs, LCLs, and MFIs will add and train staff as required for further expansion into rural regions.</p> <p>3. Monitoring tools: The revised design and monitoring framework includes monitoring tools through quarterly monitoring reports.</p> |

ADB = Asian Development Bank, PFI = Partner Financial Institution, LCL = Local Currency Lender, MFI = Microfinance Institution.

^a ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

Source: ADB.