

INITIAL POVERTY AND SOCIAL ANALYSIS

Country: Regional Project Title: Microfinance Risk Participation and Guarantee Program

Lending/Financing Modality: Unfunded Risk Participation and Guarantee Department/ Division: Private Sector Operations Department / Private Sector Financial Institutions Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction 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 country. However, the program is aligned with ADB's Midterm Review of Strategy 2020 which 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^a

B. Poverty Targeting

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

The program will be implemented through unfunded risk participations and guarantees with partner financial institutions (PFIs) providing local currency loans to ADB-approved MFIs in its DMCs, thereby catalyzing private sector participation and mobilizing additional funds for the MFIs which can be on-lent to the low-income population segment.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. MFIs provide financial products and services that cater to specific needs of microenterprises through microlending. Borrowers are typically microenterprises who have limited access to finance and often rely on relatives or loan sharks to finance their small-scale businesses or personal domestic needs.
2. Impact channels and expected systemic changes. The program is expected to contribute to stimulating economic growth by improving access to finance for some of Asia's poorest households. This will create jobs, provide more investment in human capital, and benefit low income people by providing financial access.
3. Focus of (and resources allocated in) the PPTA or due diligence. Due diligence will assess and confirm the program's potential for social safeguard impacts and other social dimensions aspects (i.e. gender and labor).
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? Access to an account with a financial institution, whether a bank or a non-bank entity, is the first step towards financial inclusion.^b MFIs contribute to addressing this gap by providing financial products and services tailored-fit to underserved women. By guaranteeing and participating in lending risks to MFIs, the program allows banks and other financial institutions to widen their reach to MFIs and correspondingly increase the number of women customers served particularly in countries where the program operates (India, Bangladesh, Indonesia) and expected countries for near to mid-term expansion (Myanmar, Sri Lanka, and Pakistan).
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 program will explore setting indicators on women borrowers and loan portfolio.
3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?
 Yes No Please explain. The program will assess policies of PFIs and MFIs against discrimination based on gender, and promotion of equal job opportunities through a separate technical assistance.
4. Indicate the intended gender mainstreaming category:
 GEN (gender equity) EGM (effective gender mainstreaming)
 SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT
<p>1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.</p> <p>Main stakeholders are PFIs, MFIs, and women end borrowers, their participation in the project design is limited considering the nature of the transaction which is focused on risk participation and guarantee.</p> <p>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?</p> <p>Opportunities for participation will be explored during due diligence, however the program will monitor PFI performance in delivering access to finance to MFIs.</p> <p>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?</p> <p><input checked="" type="checkbox"/> L Information generation and sharing <input type="checkbox"/> L Consultation <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership</p> <p>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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>The program will engage PFIs and MFIs and will not be directly transacting with end borrowers.</p>
IV. SOCIAL SAFEGUARDS
<p>A. Involuntary Resettlement Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI (treated as C)</p> <p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The investment will not involve any physical or economic displacement resulting in involuntary resettlement.</p> <p>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<p>B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI</p> <p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The program will not involve activities having impact on natural or cultural resources, or ancestral domain of indigenous peoples.</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The program will not have activities that impact indigenous communities.</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
V. OTHER SOCIAL ISSUES AND RISKS
<p>1. What other social issues and risks should be considered in the project design?</p> <p><input checked="" type="checkbox"/> L Creating decent jobs and employment <input checked="" type="checkbox"/> L Adhering to core labor standards <input type="checkbox"/> Labor retrenchment</p> <p><input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability</p> <p><input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability</p> <p><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? Given the program focus, there is limited potential to integrate job creation in project design, however MFI loan products and services are geared towards small loans to support small scale business which may contribute to job creation.</p>
VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT
<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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No</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? ADB staff will conduct due diligence to assess social safeguard and other social dimensions aspects of the program.</p>

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

^b Ernest & Young Global Limited. 2015. . *Empowering women: uncovering financial inclusion barriers*.
[http://www.ey.com/Publication/vwLUAssets/EY-empowering-women-uncovering-financial-inclusionbarriers/\\$FILE/EY-empowering-women-uncovering-financial-inclusion-barriers.pdf](http://www.ey.com/Publication/vwLUAssets/EY-empowering-women-uncovering-financial-inclusionbarriers/$FILE/EY-empowering-women-uncovering-financial-inclusion-barriers.pdf)