

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Georgia	Project Title:	Bank of Georgia COVID-19 Response to Support Micro, Small, and Medium-Sized Enterprises Project
Lending/Financing Modality:	Financial intermediary	Department/ Division:	Private Sector Operations Department Private Sector Financial Institutions Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY Poverty targeting: general intervention	
A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy <p>The Asian Development Bank (ADB), through its Strategy 2030, has promoted inclusive growth and underscored its support to the finance sector to achieve greater financial inclusion, gender equality, job creation, and access to affordable housing, insurance, and savings.^a The proposed loan will contribute to finance sector development in Georgia, as it seeks to reinforce the growth of one of the country's leading financial institutions, Joint Stock Company (JSC) Bank of Georgia (BOG). This transaction will focus on the maintenance and growth of BOG's lending to micro, small, and medium-sized enterprises (MSMEs),^b particularly to MSMEs owned by women (WMSMEs).^c ADB's country partnership strategy, 2019–2023 and country operations business plan, 2020–2022 for Georgia indicate that ADB's nonsovereign operations will continuously support the creation of an enabling environment to catalyze access to financial services to MSMEs, including women entrepreneurs.^d</p>	
B. Results from the Poverty and Social Analysis during PPTA or Due Diligence <p>1. Key poverty and social issues. MSMEs contribute significantly to Georgia's economy and employment, as they represent a substantial segment of businesses in the country. In 2017, MSMEs comprised 99.7% of all private firms in Georgia and accounted for 62.0% of total employment.^e However, MSMEs are heavily involved in low value-added sectors, e.g., trade (including repair of vehicles), manufacturing, and construction, which make them highly vulnerable to the economic downturn resulting from the coronavirus disease (COVID-19) pandemic. As MSMEs' working capital is depleted and livelihoods are threatened because of low economic activity, MSMEs will need to avail of additional loans or moratoriums in debt payments to keep themselves afloat and retain their workers. Unfortunately, MSMEs, especially WMSMEs, are less likely than larger firms to obtain bank loans. The estimated total finance gap in Georgia for 2017 was \$2.1 billion for small and medium-sized enterprises, with enterprises owned by women representing 43.0% of the gap. For microenterprises, the finance gap was estimated at \$383 million, with enterprises owned by women representing 27.0% of the gap.^f</p> <p>2. Beneficiaries. The proposed transaction will directly benefit BOG's MSME borrowers and their workers, whose livelihoods have been threatened by the economic slowdown caused by COVID-19. It will also indirectly benefit the suppliers of these MSMEs because of the continuation of economic activities.</p> <p>3. Impact channels. As this proposed loan will support BOG's lending to MSMEs, including WMSMEs, these enterprises will have access to critical finance that will enable them to grow and to sustain livelihoods during the COVID-19 crisis. This supports the Government of Georgia's program to allay the economic damage resulting from the pandemic and its Anti-Crisis Economic Plan in particular, under which priority was given to women entrepreneurs and other vulnerable groups. The project will also pave the way for the provision of nonfinancial products and services to help WMSMEs cope with the effects of the COVID-19 crisis.</p> <p>4. Other social and poverty issues. Not applicable.</p> <p>5. Design features. The proposed loan aims to provide much-needed financial assistance to MSMEs to support their economic recovery by reinjecting liquidity into the economy. The project also aims to support WMSMEs in coping with the impacts of the COVID-19 economic crisis. These objectives will be put into effect by ensuring that BOG's liquidity buffer is maintained and that BOG's COVID-19 financial response and business support response are gender equitable.</p>	
II. PARTICIPATION AND EMPOWERING THE POOR <p>1. Participatory approaches and project activities. BOG will engage directly with its MSME borrowers and work with them to provide the support needed during the COVID-19 crisis. Women who own MSMEs will benefit particularly from this project, as BOG will ensure that its COVID-19 financial and business support response is gender equitable. To implement this objective, both the design and monitoring framework and the gender action plan annexed to the loan agreement outline specific gender measures that will be carried out.</p> <p>2. Civil society organizations. Given the nature of the project, there is limited scope to partner directly with civil society organizations.</p> <p>3. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA): [NA] Information gathering and sharing [NA] Consultation [NA] Collaboration [NA] Partnership</p> <p>4. Participation plan. <input checked="" type="checkbox"/> No. A plan is not required as the project has no significant social safeguard issues.</p>	

VI. MONITORING AND EVALUATION

1. **Targets and indicators.** The project targets increasing BOG's total MSME loan portfolio and number of borrowers, particularly WMSMEs. Progress on these targets will be presented in periodic development effectiveness reports to be submitted by BOG.
2. **Required human resources.** BOG has an environmental and social team comprising an environmental expert and social expert who participate in credit review, due diligence, and monitoring. BOG is planning to add a health and safety expert to the team in 2021.
3. **Information in the project administration manual.** Not applicable
4. **Monitoring tools.** BOG will submit to ADB annual environmental and social performance reports.

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- ^a ADB. 2018. [*Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and Pacific*](#). Manila.
 - ^b Microenterprises are companies with annual turnover of less than GEL1.5 million, small enterprises have annual turnover of less than GEL5 million, and medium-sized enterprises have annual turnover of less than GEL20 million.
 - ^c WMSMEs are defined as MSMEs with more than 50% ownership by a woman or with a woman as chief executive officer or chief operating officer.
 - ^d ADB. 2019. [*Country Partnership Strategy: Georgia, 2019–2023—Developing Caucasus's Gateway to the World*](#). Manila.; and ADB. 2019. [*Country Operations Business Plan: Georgia, 2020–2022*](#). Manila.
 - ^e Organisation for Economic Co-operation and Development. 2018. [*Mid-Term Evaluation: Georgia's SME Development Strategy, 2016–2020*](#).
 - ^f International Finance Corporation. 2017. [*MSME Finance Gap: Assessment of the Shortfalls and Opportunities in Financing Micro, Small, and Medium Enterprises in Emerging Markets*](#).
 - ^g ADB. 2019. [*Strategy 2030 Operational Plan For Priority 2 Accelerating Progress In Gender Equality, 2019–2024*](#). For more information on gender analysis and gender action plans.
 - ^h World Bank. 2016. [*Georgia Country Gender Assessment: Poverty and Equity Global Practice*](#).
 - ⁱ World Bank. [*Enterprise Surveys: Georgia*](#) (accessed 22 July 2020).
- Sources: Asian Development Bank and Joint Stock Company Bank of Georgia.