

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Georgia	Project Title:	Credo COVID-19 Support for Agriculture Borrowers
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**

The loan to Credo Bank JSC (Credo) will support its lending to agriculture sector borrowers to help mitigate the impact of the coronavirus disease (COVID-19) pandemic. It is aligned with the Government of Georgia's Anti-Crisis Plan for Agriculture to minimize the impact of the pandemic on the agriculture sector. The COVID-19 pandemic has exacerbated limitations in access to finance for micro, small, and medium-sized enterprises (MSMEs) in the agriculture sector. The transaction supports the following key operational priorities of Strategy 2030 of the Asian Development Bank (ADB): (i) addressing remaining poverty and reducing inequalities, (ii) promoting rural development, and (iii) improving progress in gender equality through the gender action plan (GAP).^a 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 formation of an enabling environment to provide access to financial services for MSMEs, including women entrepreneurs.^b

B. Results from the Poverty and Social Analysis during PPTA or Due Diligence

1. Key poverty and social issues. Despite the relatively low contribution of the agriculture sector to gross domestic product (7% in 2019), 40.9%^c of all active working age persons in Georgia work in agriculture—97% of whom are self-employed and fall outside existing support systems.^d Further, low baseline incomes in the sector suggest that the loss of economic activity could have a disproportionately high impact on the rise in poverty incidence compared with other sectors. As of January 2020, 41% of the country's 3.7 million people live in rural areas according to government statistics.^e A joint ADB, International Monetary Fund, and World Bank study in 2018 found that poverty incidence and inequality were mostly concentrated in Georgia's rural areas.^f While poverty incidence in urban areas declined from 18% in 2018 to 16.4% in 2019, the poverty incidence in rural areas increased from 23.1 to 23.7%.^g

2. Beneficiaries. The expected beneficiaries of the project are Credo's MSME agriculture sector sub-borrowers working predominantly in the country's rural areas. Credo has a well-diversified loan book across different agriculture products, coupled with lengthy experience with agriculture sector MSME borrowers.

3. Impact channels. The primary impact channel for Credo's agriculture sector customers is through access to available and affordable finance during the COVID-19 pandemic. Improved access to finance will enable Credo's borrowers to continue producing and trading their products, which will contribute to sustaining the livelihoods of MSME owners and workers and promoting economic activities in the country.

4. Other social and poverty issues. Not applicable.

5. Design features. The loan aims to minimize the damage to the agriculture sector from the COVID-19 pandemic by ensuring the continuity of Credo's capacity to support MSMEs. Credo will increase its number of loans and disbursements to agriculture sectors borrowers, while maintaining its number of active borrowers in this sector. As the largest agriculture lender, with a majority (53%) of agri-entrepreneur clients being women, the loan will leverage the fintech solutions Credo has been developing as an extension of its traditional branch distribution channels, especially in rural areas, to reach out to more women customers.

II. PARTICIPATION AND EMPOWERING THE POOR

1. Participatory approaches and project activities. Credo engages directly with its MSME borrowers in the agriculture sector through its extensive product development and market research activities, especially in rural areas. Credo will use its web portal to deliver content on business resilience and practical advice on dealing with the adverse impacts of COVID-19. Credo will directly target women borrowers in the agriculture sector to increase the use of its web portal business resilience content during the pandemic. These activities are described in the design and monitoring framework and the GAP.

2. Civil society organizations. Given the nature of the project, there is limited scope to partner directly with civil society organizations. Credo has extensive national networks of branches and village councilors through which to engage and empower beneficiaries.

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):

☐ Information gathering and sharing (NA) ☐ Consultation (NA) ☐ Collaboration (NA) ☐ Partnership (NA)

4. Participation plan. Participation plans will not be prepared as Credo maintains a strong public profile through its branch presence and marketing, which allow it to participate actively with civil society.

☐ Yes ☒ No

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: effective gender mainstreaming

A. Key issues. Georgia is one of the few countries in Eastern Europe and Central Asia in which women are more likely than men to have a bank account, yet account penetration is lower than elsewhere in Eastern Europe and Central Asia.^h Particular barriers encountered by women include lack of relevant skills and knowledge, and poor access to start-up capital and bank loans, in addition to low property and asset ownership. Women in agriculture are considered a vulnerable group; in Georgia, they are legally entitled to own and inherit land and property, but customary practices usually give more privilege to men in terms of property inheritance, ownership, and administration.ⁱ Both men and women are engaged in entrepreneurship in Georgia, but women are more likely to own micro-businesses and least likely to own large businesses. In the agriculture sector, women are overrepresented in own-account farm activities and unpaid work, and a third of agricultural holdings are owned or managed by women, most of whom are engaged mainly in subsistence or small-scale activities.^j As such, women remain more vulnerable to the economic distress and health impact caused by the COVID-19 pandemic. Credo promotes an open organizational culture and its human rights policy covers equal employment opportunity, in conformity with the national Labor Law, 2013. Credo has also developed separate anti-discrimination and anti-sexual harassment policies, though yet to establish a dedicated complaint mechanism to handle these issues. While Credo has increased its overall female staff ratio from 49% in 2015 to 53% in 2019, most of its professional women remain in nonmanagerial positions.

B. Key actions

☒ Gender action plan ☐ Other actions or measures ☐ No action or measure

CreDO will implement a gender action plan to address these issues. Key features of the gender actions are the enhancement of its product offerings by creating a specific module on business resilience, and practical advice on dealing with the impacts of the COVID-19 crisis, which will be accessible through its dedicated web portal—aiming to reach its female agri-business customers. Gender measures are also related to enhancing CreDO's business model, expanding its management development program to a broader pool of its female staff, and effective implementation of the zero tolerance for discrimination or sexual harassment policy through the establishment of a dedicated complaint committee. CreDO will submit periodic reports on the implementation of gender measures to ADB.

IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

A. Involuntary Resettlement

Safeguard Category: ☐ A ☐ B ☐ C ☒ FI-C

1. Key impacts. Credo will onlend the proceeds of the loan to its agriculture sector MSME borrowers in Georgia. Credo does not finance government expropriation through its subloans to subborrowers.

2. Strategy to address the impacts. Credo's environmental and social policy and procedure (ESPP) prohibits the financing of business activities that cause physical or economic displacement. Based on the ESPP, any land transactions financed by Credo subborrowers using ADB loan proceeds will be on a willing buyer-willing seller (lessee-lessor) basis. Credo will reject subloan applications that it categorizes through its credit appraisal process as A or B for involuntary resettlement impacts.

3. Plan or other Actions.

- ☐ Resettlement plan
☐ Resettlement framework
☐ Environmental and social management system arrangement
☒ No action

B. Indigenous Peoples

Safeguard Category: ☐ A ☐ B ☐ C ☒ FI treated as C

1. Key impacts. No indigenous peoples impacts are anticipated. ADB's review of Credo's current and future agriculture sector MSME portfolio found no evidence of its borrowers causing adverse or beneficial impacts on distinct and vulnerable ethnic minority or indigenous peoples groups.

Is broad community support triggered? ☐ Yes ☒ No

2. Strategy to address the impacts. Credo's environmental and social policy and procedure (ESPP) requires screening of subloan applications for potential impacts on indigenous peoples caused by subborrower business activities. Credo will reject subloan applications that it categorizes through its credit appraisal process as *A* or *B* for indigenous peoples impacts.

3. Plan or other actions.

- | | |
|---|--|
| <input type="checkbox"/> Indigenous peoples plan | <input type="checkbox"/> Combined resettlement plan and indigenous peoples plan |
| <input type="checkbox"/> Indigenous peoples planning framework | <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework |
| <input type="checkbox"/> Environmental and social management system arrangement | <input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary |
| <input type="checkbox"/> Social impact matrix | |
| <input checked="" type="checkbox"/> No action | |

V. ADDRESSING OTHER SOCIAL RISKS
<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, indicated as high (H), medium (M), and low or not significant (L). <input checked="" type="checkbox"/> unemployment (L) <input checked="" type="checkbox"/> underemployment (L) <input type="checkbox"/> retrenchment <input type="checkbox"/> core labor standards</p> <p>2. Labor market impact. The transaction focuses on maintaining access to finance during the COVID-19 pandemic to enable employment among rural agriculture sector MSMEs. Georgian agriculture has a large pool of self-employed persons (about half the workforce) trapped in low productivity farming.</p>
<p>B. Affordability</p> <p>Credo ensures in its underwriting process that net income is properly estimated, and that debt service is affordable by customers.</p>
<p>C. Communicable Diseases and Other Social Risks</p> <p>1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA): <input type="checkbox"/> Communicable diseases (NA) <input type="checkbox"/> Human trafficking (NA) <input type="checkbox"/> Others (please specify) _____</p> <p>2. Risks to people in project area. Agriculture sector MSME finance is not expected to generate any communicable diseases or other social risks. Credo's policy provisions require that all subloans comply with national laws and regulations.</p>
VI. MONITORING AND EVALUATION
<p>1. Targets and indicators. Credo plans to increase its capacity to support MSMEs financially in the agriculture sector, of which women customers' share will be sustained. The project is also expected to enhance Credo's product offerings to recover from the COVID-19 pandemic and improve Credo's institutional gender inclusivity.</p> <p>2. Required human resources. ADB will monitor the poverty and social impact of the project through annual reporting provided by Credo.</p> <p>3. Information in the project administration manual. Not applicable.</p> <p>4. Monitoring tools. Monitoring tools for poverty and social dimensions are in the annual environmental and social performance report required from Credo and through ADB's extended annual review report.</p>

- ^a ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.
- ^b ADB. 2019. [Country Partnership Strategy: Georgia, 2019–2023—Developing Caucasus's Gateway to the World](#). Manila; ADB. 2019. [Country Operations Business Plan: Georgia, 2020–2022](#). Manila.
- ^c National Statistics Office of Georgia. GEOSTAT Database. [Labour Force Survey](#) (accessed 1 July 2020).
- ^d Government of Georgia, Ministry of Economy and Sustainable Development. 2017. [Labour Market Analysis of Georgia](#). Tbilisi.
- ^e National Statistics Office of Georgia. GEOSTAT Database. [Population](#) (accessed 1 July 2020).
- ^f F. Painchaud, L. Ersado, and J. Sarvi. 2018. Georgia's Labor Market and Education System. International Monetary Fund. *Georgia: Selected Issues*. Washington, DC.
- ^g National Statistics Office of Georgia. GEOSTAT Database. [Living Conditions](#) (accessed 1 July 2020).
- ^h World Bank Group. 2016. [Georgia Country Gender Assessment](#). Washington, DC.
- ⁱ Asian Development Bank. 2018. [Georgia Country Gender Assessment](#). Manila.
- ^j World Bank Group. 2016. [Georgia Country Gender Assessment](#). Washington, DC.
- Source: Asian Development Bank.