

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

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| Country: | Georgia | Project Title: | M Square Affordable Housing Project |
| Lending/Financing Modality: | Loan | Department / Division: | Private Sector Operations Department / Infrastructure Finance Division 1 |

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 of up to \$10 million comprising of (i) an A loan of up to \$10 million; and (ii) a B-loan of up to \$5 million to Optima Limited Liability Company (Optima) for the M Square Affordable Housing Project will finance the development of two affordable residential complexes in Tbilisi. The aggregated size of the A and B loans will not exceed \$10 million. The project is aligned with the following operational priorities (OPs) of Asian Development Bank's (ADB) Strategy 2030: addressing remaining poverty and reducing inequalities (OP1); accelerating progress in gender equality (OP2); tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability (OP3); and making cities more livable (OP4).^a The project is also consistent with ADB's country partnership strategy for Georgia, 2019-2023 as it will contribute to promoting the country's economic development, making urban cities more livable, and reducing inequality.^b It also supports the increase of private sector involvement in urban areas, which is in line with ADB's Urban Operational Plan 2012-2020.^c

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

1. **Key poverty and social issues.** Georgia's gross domestic product was expected to contract 5.0% in 2020 because of the coronavirus disease (COVID-19) pandemic. The national unemployment rate was high at 12.1% in 2020 showing little change since 2015.^d More than 50% of Georgia's population has been residing in urban areas since the 1970s. Tbilisi, where accounts for almost half of the urban population, is viewed by many Georgians as the main source of nonagricultural jobs and livelihoods, acting as a draw for much of the country's internal migration.^e Available data indicates that from 2004 to 2008, central Tbilisi apartment prices tripled from \$400 to \$1,300 per square meter (m²) (endnote e). Other constraints facing the country include limited low-cost and social housing stock for low-income households, and a prevalence of informal housing in urban areas. Tbilisi also hosts many internally displaced persons (IDPs) many of whom occupy informal and low-quality housing. IDPs, who may number more than 250,000, fled secessionist conflicts in the breakaway regions of Abkhazia and South Ossetia in the early 1990s, and again in August 2008 as armed conflict broke out between Georgia and Russia over South Ossetia. IDPs occupy former public buildings, or build informal settlements on land that they occupy. In 2016, to address the needs of low-income households, Sveti Group LLC (Sveti), a private property developer, announced the development of three large housing projects in Tbilisi and started construction and sales. Construction of the projects was halted in 2018, leaving several blocks unfinished. About 2,500 families that had made partial payments were left with unfinished apartments. The project will complete these unfinished apartments, thus providing both existing and new apartment owners with opportunities to improve their urban living standards, while also enhancing the borrower's environmental and social performance in project execution.

2. **Beneficiaries.** The completion of the two residential complexes by Optima will benefit about 3,700 low to lower middle-income families, including the 1,500 families with partial payments to Sveti. The Government of Georgia announced a stimulus plan in May 2020 for the real estate sector. (Confidential information deleted.) The units will feature upgraded energy efficiency and accessibility standards, which will substantially reduce heating and cooling costs and will create a comfortable room climate year-round. The project will also offer dedicated areas in each block that will respond to the specific needs of women; these will be designed based on consultations with women's focus groups.

3. **Impact channels.** ADB financing will support Optima to complete two housing projects at Chkondideli and Mirtskhulava, and enhance access to affordable and sustainable housing in Tbilisi for low to lower middle-income populations. Its energy efficient features will contribute to reducing the expenses that future unit owners shoulder. ADB's due diligence will also contribute to enhancing the client's capability in handling identified environmental and social impacts during project implementation.

4. **Other social and poverty issues.** (Confidential information deleted.) Optima and the lender's environmental and social consultant also conducted surveys to ascertain if there are any vulnerable households that will be adversely affected by this temporary relocation, and confirmed that they all have an alternative living arrangement in place or are willing to rent elsewhere, and that none are vulnerable according to the survey criteria.

5. **Design features.** Construction of the housing complexes resumed in the second quarter (Q2) of 2020 and will be completed in Q2 2023. The project offers affordable apartments in "white finishing" condition, which is above local market standards. The environment and social (E&S) due diligence process will ensure that negative risks and impacts will be addressed through a corrective action plan and an environmental and social management plan (ESMP). The project will ensure additionality through specific measures to create more employment through the project and gender mainstreaming measures.

C. Poverty Impact Analysis for Policy-Based Lending. Not applicable.

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| II. PARTICIPATION AND EMPOWERING THE POOR | |
| <p>1. Participatory approaches and project activities. During due diligence, Optima identified the Municipal Government of Tbilisi, government regulatory institutions, resident stakeholders, existing unit owners, real estate customers, and communities near the construction sites as the major stakeholder groups for the project. The client carried out consultations with the resident stakeholders to discuss project details prior to officially resuming construction of the complexes. The client also recognizes that there will be a requirement for community liaison activities to ensure that project-affected communities and other parties are provided with adequate and comprehensive information about project progress, potential impacts and mitigation measures. Optima's ESMP will be enhanced in line with ADB requirements to ensure that stakeholder engagement activities are undertaken and to include a formal community grievance redress mechanism.</p> <p>2. Civil society organizations. There are limited opportunities for engagement with civil society organizations given the nature of the project.</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):</p> <p><input type="checkbox"/> Information gathering and sharing (NA) <input type="checkbox"/> Consultation (NA) <input type="checkbox"/> Collaboration (NA) <input type="checkbox"/> Partnership (NA)</p> <p>4. Participation plan.</p> <p><input type="checkbox"/> Yes. <input checked="" type="checkbox"/> No. However, Optima will develop a stakeholder engagement plan and grievance redress mechanism as part of its ESMP to enhance community relations, communications, and responsiveness to stakeholders.</p> | |
| III. GENDER AND DEVELOPMENT | |
| Gender mainstreaming category: effective gender mainstreaming | |
| <p>A. Key issues. It is increasingly recognized that promoting gender equality and economic inclusion in urban planning contributes to reducing persistent gender and inclusion gaps in accessing essential services.^f To support inclusive urban infrastructure, Tbilisi City Hall has considered increasing women's participation in urban planning and governance, and taking gender-specific needs into account in the design of public spaces and affordable housing.⁹ Gender analysis conducted during due diligence concluded that m2 Group LLC (m2 Group), Optima's parent company, applies principles of equal opportunity, anti-sexual harassment and anti-discrimination in its corporate policies and practices. m2 Group has put in place supporting mechanisms and training sessions on gender equality issues and related policies. Notably, this has resulted in more women being assigned to technical/skilled, middle management, or senior management positions, although the company continues to have some difficulty recruiting women to positions that are traditionally considered men's roles in Georgia, such as construction work. The company demonstrates sound understanding of the concerns and importance of gender-sensitive planning to increase the safety and security of housing areas and public spaces.</p> <p>B. Key actions. The project has a gender action plan that includes key features to improve gender equality in accessible housing, with dedicated areas specifically responding to women's needs. In m2 Group's effort to support gender equality in housing infrastructure, other gender measures will look at disseminating knowledge on women's inclusion in this sector by hosting targeted open events and publishing good practices guidelines. Optima will submit periodic reports on implementation of gender measures to ADB.</p> <p><input checked="" type="checkbox"/> Gender action plan <input type="checkbox"/> Other actions or measures <input type="checkbox"/> No action or measures</p> | |
| IV. ADDRESSING SOCIAL SAFEGUARD ISSUES | |
| A. Involuntary Resettlement | Safeguard Category: <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI |
| <p>1. Key impacts. Land for the project was acquired before the initial construction project under Sveti. The ESCA determined that there are no outstanding issues regarding this land acquisition. The project does not require any additional land, temporary or otherwise, and as such no involuntary resettlement is anticipated as a result of land acquisition. (Confidential information deleted.) The process is being supported by meaningful consultations and negotiated and signed agreements, with firm commitments made by the company on completion dates, and routes to raise grievances or concerns during the process.</p> <p>2. Strategy to address the impacts. Corrective Action Plan (CAP) based on the ESCA.</p> | |

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| 3. Plan or other Actions. <input type="checkbox"/> Resettlement plan (Temporary) <input type="checkbox"/> Combined resettlement and indigenous peoples plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework <input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> Social impact matrix <input checked="" type="checkbox"/> No action | |
| B. Indigenous Peoples Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI | |
| 1. Key impacts. Impacts on indigenous peoples are not anticipated. Construction activities are on existing construction sites with unencumbered title transferred to the client in an urban area of Tbilisi in which no indigenous peoples' communities are present or affected. Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No 2. Strategy to address the impacts. None required. 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 | |
| A. Risks in the Labor Market 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 type="checkbox"/> unemployment <input type="checkbox"/> underemployment <input type="checkbox"/> retrenchment <input checked="" type="checkbox"/> core labor standards (L) 2. Labor market impact. The borrower is the owner of the contracted construction company and as such no large-scale retrenchment is expected following completion of construction. | |
| B. Affordability (Confidential information deleted.) | |
| C. Communicable Diseases and Other Social Risks 1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA): <input checked="" type="checkbox"/> Communicable diseases L <input type="checkbox"/> Human trafficking (NA) <input type="checkbox"/> Others (please specify) _____ 2. Risks to people in project area. Project construction was suspended for 1 month from 31 March 2020 because of a COVID-19-induced lockdown. Construction recommenced in May 2020. The client and the site will ensure strict adherence to all regulations set by the government related to COVID-19. | |
| VI. MONITORING AND EVALUATION | |
| 1. Targets and indicators. The project aims to finish the construction of the housing complexes by 2023. Performance monitoring indicators include number of affordable housing units, number of units finished with energy efficient installations (wall and roof insulation, triple glazed PVC windows and doors, and decentralized combination boiler heating systems); and gender indicators, including development of women-friendly and gender-inclusive housing infrastructure measures, and initiatives by m2 Group to raise awareness about gender equality in housing infrastructure. 2. Required human resources. Optima will designate qualified E&S personnel to monitor and ensure compliance with the E&S requirements of the project. 3. Information in the project administration manual. Not applicable. 4. Monitoring tools. An annual environment and social monitoring report, per ADB's Safeguard Policy Statement (2009) requirements, will be submitted by Optima to ADB. The implementation of the gender action plan will be part of Optima's annual development effectiveness monitoring reporting to ADB. | |

^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*. Manila.

^c ADB. 2013. *Urban Operational Plan, 2012–2020*. Manila.

^d ADB. 2020. *Basic Statistics 2020*. Manila; and ADB. 2017. *Basic Statistics 2017*. Manila.

^e ADB. 2016. *Realizing the Urban Potential in Georgia: National Urban Assessment*. Manila.

^f African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank. 2019. *Creating Livable Cities: Regional Perspectives*. Manila.

^g ADB. 2019. *Technical Assistance Consultant's Report: Promoting Gender Equality and Women's Empowerment (Phase 2)—Future Cities, Future Women Initiative*. Manila.

Source: Asian Development Bank.