



Initial Poverty and Social Analysis

Project Number: 54239-001
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GEO: Proposed Loan to JSC Bank of Georgia for COVID-19 Response to Support Micro, Small and Medium-sized Enterprises

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
BoG	–	Bank of Georgia
MSMEs	–	micro, small and medium-sized enterprises
WMSMEs	–	Women-owned, micro, small and medium-sized enterprises

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Georgia	Project Title:	Proposed Loan to JSC Bank of Georgia for COVID-19 Response to Support Micro, Small and Medium-sized Enterprises
Lending/Financing Modality:	Financial Intermediary	Department/Division:	Private Sector Operations Department Private Sector Financial Institutions Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS
<p>A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy Through its Strategy 2030, the Asian Development Bank (ADB) is emphasizing support, including private sector operations, on the following key operational priorities: (i) addressing remaining poverty and reducing inequalities, and (ii) accelerating progress in gender equality.^a Strategy 2030 underscores private sector operations' support in developing the financial sector in developing member countries (DMCs) to achieve greater financial inclusion; gender equality; job creation; and access to affordable housing, insurance, and savings. The proposed loan will contribute to financial sector development in Georgia as it seeks to reinforce the growth of one of the country's leading financial institutions, JSC Bank of Georgia (BoG). This transaction will focus on the growth of BoG's lending to micro, small and medium-sized enterprises (MSMEs), particularly to women-owned MSMEs (WMSMEs). ADB's country partnership strategy, 2017–2023 and country operations business plan, 2020–2022 for Georgia, indicates that ADB's nonsovereign operations will continuously support the formation of an enabling environment to provide access to financial services to MSMEs, including women entrepreneurs.^b</p>
<p>B. Poverty Targeting <input checked="" type="checkbox"/> General intervention <input type="checkbox"/> Individual or household (TI-H) <input type="checkbox"/> Geographic (TI-G) <input type="checkbox"/> Non-income MDGs (TI-M1, M2, etc.) MSMEs represent a substantial segment of businesses in Georgia. This proposed loan will enable BoG, the second largest bank in the country, to expand its lending to MSMEs that will support Georgia's economic recovery from the COVID-19 crisis.</p>
<p>C. Poverty and Social Analysis</p> <p>1. Key issues and potential beneficiaries. The proposed transaction is expected to directly benefit BoG's MSME borrowers, and their workers whose livelihoods have been threatened by the economic slowdown caused by COVID-19. In 2017, MSMEs comprised 99.7% of all private firms in Georgia and accounted for 62% of total employment.^c</p> <p>2. Impact channels and expected systemic changes. This proposed loan aims to support BoG's lending to MSMEs, including WMSMEs, making available needed funding to these enterprises that will enable them to grow and to sustain livelihoods during the COVID-19 crisis. This is aligned with 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.</p> <p>3. Focus of (and resources allocated in) the transaction TA or due diligence. The due diligence will examine the potential social safeguards impacts and other social risks of the transaction and determine the capacity of BoG to identify and manage them.</p>
II. GENDER AND DEVELOPMENT
<p>1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? 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 overall account penetration is lower than elsewhere in Eastern Europe and Central Asia.^d 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.^e Women still face numerous barriers in starting and succeeding as entrepreneurs, such as social norms on the generally accepted roles of women and men, domestic responsibilities, and limitations in access to finance and assets.</p> <p>2. Does the proposed project or program have the potential to contribute 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? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>

The project aims to help BoG develop programs to (a) support the professional growth and well-being of their female staff, and (b) ease the impacts of the economic crisis on their WMSME borrowers who are more vulnerable to the COVID-19 crisis.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes No

Women who own MSMEs are expected to benefit from this project as BoG will ensure that its COVID-19 financial response and business support response are gender equitable.

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

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.

The main stakeholders of the project are the MSME borrowers of BoG, including WMSMEs. BoG will engage directly with its MSME borrowers and work with them to identify and provide the needed support.

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?

Through this project, gender measures will be developed to support women who own MSMEs overcome difficulties brought on by the pandemic. There are no issues in the project design that require participation of the poor and excluded.

3. What are the key, active, and relevant civil society organizations (CSOs) in the project area? What is the level of civil society organization participation in the project design?

[NA] Information generation and sharing [NA] Consultation [NA] Collaboration [NA] Partnership

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how should they be addressed? Yes No

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI treated as C

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No

No involuntary resettlement impacts are envisaged. BoG's environmental and social management system prohibits on-lending of international financial institutions funds to borrowers causing involuntary resettlement impacts.

2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?

Resettlement plan Resettlement framework Social impact matrix
 Environmental and social management system arrangement None

B. Indigenous Peoples Category A B C FI treated as C

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? Yes No

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No

No Indigenous Peoples impacts are anticipated. BoG's environmental and social management system prohibits on-lending of international financial institutions funds to borrowers causing relocation of Indigenous Peoples from traditional or customary lands, and production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.

3. Will the project require broad community support of affected indigenous communities? Yes No

4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process?

Indigenous peoples plan Indigenous peoples planning framework Social impact matrix
 Environmental and social management system arrangement None

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

Creating decent jobs and employment Adhering to core labor standards (L) Labor retrenchment
 Spread of communicable diseases, including HIV/AIDS Increase in human trafficking Affordability

<input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____
<p>2. How are these additional social issues and risks going to be addressed in the project design? BoG and their borrowers will be required to comply with national labor laws and to take measures to comply with internationally recognized core labor standards.</p>
VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT
<p>1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA 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? <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 transaction TA or due diligence? The project team will conduct the due diligence in accordance with ADB requirements.</p>

^a ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and Pacific*. Manila.

^b ADB. 2019. *Georgia: Country Partnership Strategy (2019-2023)*. Manila.

^c Organisation for Economic Co-operation and Development. 2018. *Mid-Term Evaluation – Georgia's SME Development Strategy 2016-2020*. Paris.

^d World Bank Group. [Georgia Country Gender Assessment](#). 2016.

^e International Finance Corporation and World Bank. [Enterprise Surveys \(database\) \(accessed 22 July 2020\)](#).

Sources: Asian Development Bank and JSC Bank of Georgia.