



Initial Poverty and Social Analysis

July 2020

GEO: COVID-19 Support for Agriculture Borrowers Project

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
Credo	–	Credo Bank JSC
ESMS	–	environmental and social management system
GDP	–	gross domestic product
IMF	–	International Monetary Fund
MSME	–	micro, small and medium sized enterprises

NOTES

- (i) The fiscal year (FY) of Credo Bank JSC ends on 31 December.
- (ii) In this report, "\$" refers to United States dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	<input type="text" value="Georgia"/>	Project Title:	<input type="text" value="COVID-19 Support for Agriculture Borrowers Project"/>
Lending/Financing Modality:	<input type="text" value="Financial Intermediary"/>	Department/ Division:	<input type="text" value="Private Sector Operations Department/ Private Sector Financial Institutions"/>

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy
 The COVID-19 impact is expected to be significant in Georgia. ADB projects GDP growth to decline to zero in 2020 as monetary tightening and the country lockdown are expected to constrain consumption. ADB funding support to Credo Bank for agriculture sector lending will loosen liquidity constraints and enable disbursements to customers, especially women who make up 53% of customers in this segment. The transaction will therefore contribute to food security and sustaining employment in rural Georgia throughout the crisis period. It supports ADB's country partnership strategy and Georgia's development strategy through its emphasis on supporting market-driven sustained productivity, thereby contributing to growth and recovery.^a

B. Poverty Targeting:
 General intervention Individual or household (TI-H) Geographic (TI-G) Non-income MDGs (TI-M1, M2, etc.)
 The project supported by this transaction is focused on increasing assistance to micro, small and medium-sized enterprise (MSME) agriculture sector borrowers in Georgia's rural areas. As of January 2020, 41% of the country's 3.7 million people live in rural areas according to government statistics.^b A joint ADB, IMF and World Bank study found in 2018 that poverty incidence and inequality was mostly concentrated in Georgia's rural areas.^c

C. Poverty and Social Analysis

- Key issues and potential beneficiaries. The expected beneficiaries of the project are Credo's MSME agriculture sector sub-borrowers working predominantly in the country's rural areas. Approximately 60% of Credo's loan book is in the agriculture segment, which needs financing during the 2020 spring season. While poverty incidence in urban areas declined from 18% to 16.4% between 2018 and 2019, incidence of poverty per head of population in rural areas increased from 23.1 to 23.7%.^d
- Impact channels and expected systemic changes. 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 sub-borrowers to continue producing their products and maintain employment.
- Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will focus on identifying the funding gap and associated constraints being experienced by Credo in servicing its agriculture sector MSME customers during the Covid-19 pandemic. ADB will encourage Credo to focus its lending efforts in rural areas that are expected to encounter the most severe impacts during this period.

II. GENDER AND DEVELOPMENT

- 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 account penetration is lower than elsewhere in Eastern Europe and Central Asia.^e Particular barriers encountered by the women include lack of relevant skills and knowledge, and poor access to start-up capital and bank loans, in addition to a low level of property and asset ownership. Women in agriculture are a particularly vulnerable group; in Georgia, they are legally entitled to own and inherit land and property, but customary practices usually give men privilege in property inheritance, ownership, and administration.^f 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.^g As such, women remain more vulnerable to the economic distress and health impact caused by the COVID-19 pandemic. Credo is the largest agriculture lender and majority of its agri-borrowers (53%) are women. Credo has been extended its traditional branch distribution channels with modern fintech solutions to reach out to customers efficiently, especially in remote rural areas.
- 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? Yes No
 The gender actions will aim to support Credo bank to address the gender gaps in improving its product offerings and COVID-19 response, leveraging its digital and financial services to provide adequate financing to its female borrowers, as well as training on business resilience and COVID-19 crisis management skills. Gender actions will also look to the corporate business model to further promote gender equality in its work environment.

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

Yes No

In complement to Georgia's constitution upholding the principle of equal rights for men and women, Georgia's Law on Gender Equality (2010) and ratification of women's rights international conventions, the 2018-2020 National Action Plan on Gender Equality (part of the Human Rights Action Plan of the Government of Georgia) contains provisions on knowledge and increasing the qualifications of women involved in or interested in agriculture, as well as attracting more women into cooperatives and supporting more women in agribusiness activities.

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. ADB anticipates only beneficial impacts for stakeholders from this project. These stakeholders are primarily agriculture sector MSME sub-borrowers able to access Credo finance.

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? Credo engages stakeholders and beneficiaries through its extensive market research and customer outreach activities, especially in rural areas. Credo recognizes that the affordability of its financial products is a primary concern for its customers, especially during this period when COVID-19 impacts are being managed.

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? Credo has an extensive national network of branches, agents and village councilors through which it engages civil society.

Information generation and sharing (L) Consultation (L) Collaboration 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

Credo actively markets its products to all audiences in rural areas through advertising in all media.

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 Credo will on-lend to agriculture sector micro, small and medium-sized sub-borrowers (MSME) in rural Georgia. Credo does not finance government expropriation through its sub-loans to sub-borrowers. The Credo environmental and social management system (ESMS) also prohibits financing of business activities that cause physical or economic displacement. Any land transactions financed by Credo sub-borrowers using ADB loan proceeds will be on a willing buyer-willing seller (lessee-lessor) basis. Credo will reject sub-loan applications that it categorizes through its credit appraisal process as A or B for 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 The Credo ESMS requires screening of sub-loan applications for potential impacts on indigenous Peoples caused by sub-borrower business activities.

3. Will the project require broad community support of affected indigenous communities? Yes No Sub-borrowers seeking sub-loans for business activities that would impact groups identified as distinct and vulnerable Indigenous Peoples per the Credo ESMS would be ineligible for use of ADB loan proceeds.

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
<p>1. What other social issues and risks should be considered in the project design?</p> <p><input checked="" type="checkbox"/> Creating decent jobs and employment (L) <input type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> 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> <p>2. How are these additional social issues and risks going to be addressed in the project design? 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 of the workforce) trapped in low productivity farming.</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?</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 transaction TA or due diligence? In accordance with ADB policy requirements for transactions with financial intermediaries, the transaction team will conduct the necessary poverty and social due diligence with Credo for the proposed loan.</p>

^a ADB. 2019. *Georgia, 2019–2023—Developing Caucasus’s Gateway to the World*. Manila; Government of Georgia. 2016. *Freedom, Rapid Development, Prosperity: Government Platform 2016–2020*. Tbilisi.

^b GeoStat. [Population](#) (accessed 1 July 2020).

^c F. Painchaud, L. Ersado, and J. Sarvi. 2018. Georgia’s Labor Market and Education System. In IMF. *Georgia: Selected Issues*. Washington, DC.

^d GeoStat. [Living conditions](#) (accessed 1 July 2020).

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

^f Asian Development Bank. [Georgia Country Gender Assessment](#). 2018.

^g World Bank Group. *Op.cit.*

Source: ADB