



FAST Report

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Bond Joint Stock Company Microfinance Organization Crystal Crystal Gender Bond Project (Georgia)

This is a redacted version of the document approved by ADB's Board of Directors, which excludes information that is subject to exceptions to disclosure set forth in ADB's Access to Information Policy

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 26 September 2022)

Currency unit	–	lari (GEL)
GEL1.00	=	\$0.3538
\$1.00	=	GEL2.8263

ABBREVIATIONS

ADB	–	Asian Development Bank
CAP	–	corrective action plan
COVID-19	–	coronavirus disease
ESMS	–	environmental and social management system
FAST	–	Faster Approach to Small Nonsovereign Transactions
FX	–	foreign exchange
GAP	–	gender action plan
IT	–	information technology
MFI	–	microfinance institution
MSMEs	–	micro, small, and medium-sized enterprises
NBG	–	National Bank of Georgia
SDG	–	Sustainable Development Goal
WMSMEs	–	women-owned, micro, small, and medium-sized enterprises

NOTE

In this report, "\$" refers to United States dollars.

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^a Outposted to the Georgia Resident Mission.

^b Assigned to the Georgia Resident Mission.

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PROJECT AT A GLANCE

1. Basic Data		Project Number: 56134-001	
Project Name	Crystal Gender Bond Project	Department/Division	PSOD/PSFI
Country Borrower	Georgia Joint Stock Company Microfinance Organization Crystal		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=56134-001-PortAtaGlance		
2. Sector	Subsector(s)	ADB Financing (GEL million)	
✓ Finance	Small and medium enterprise finance and leasing		20.000
		Total	20.000
3. Operational Priorities		Climate Change Information	
✓ OP1: Addressing remaining poverty and reducing inequalities		GHG reductions (tons per annum)	100
✓ OP2: Accelerating progress in gender equality		Climate Change impact on the Project	Medium
✓ OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		ADB Financing	
		Adaptation (\$ million)	0.000
		Mitigation (\$ million)	1.500
		Cofinancing	
		Adaptation (\$ million)	0.000
		Mitigation (\$ million)	0.500
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 1.4		Gender Equity (GEN)	✓
SDG 5.a			
SDG 9.3		Poverty Targeting	
		General Intervention on poverty	✓
4. Nonsovereign Operation Risk Rating			
Obligor Name	Obligor Risk Rating	Facility Risk Rating	
Joint Stock Company Microfinance Organization Crystal			
5. Safeguard Categorization	Environment: FI-C	Involuntary Resettlement: FI-C	Indigenous Peoples: FI-C
6. Financing			
Modality and Sources		Amount (GEL million)	
ADB		20.000	
Nonsovereign SOFR Based Loan (Regular Loan): Ordinary capital resources		20.000	
Cofinancing		0.000	
None		0.000	
Others^a		7.000	
Total		27.000	
Currency of ADB Financing: Lari			

^a Derived by deducting ADB financing and Cofinancing from Total Project Cost.

I. INTRODUCTION

1. This is an eligible transaction under the Enhanced Faster Approach to Small Nonsovereign Transactions (FAST) framework.¹ The transaction involves an investment of up to GEL20,000,000 in a 2-year gender bond issued by the Joint Stock Company Microfinance Organization Crystal (Crystal) for the Crystal Gender Bond Project in Georgia.

2. While micro, small, and medium-sized enterprises (MSMEs), including women-owned MSMEs (WMSMEs), play a key role in Georgia's economy, their growth remains constrained by a lack of access to finance. The unstable macroeconomic environment since 2020 has also demonstrated that access to affordable local currency financing is crucial. To address this financing gap, the Asian Development Bank (ADB) will subscribe, as an anchor investor, to a gender bond² of about GEL27,000,000 issued by Crystal.³ Crystal will use all proceeds of the gender bond to finance WMSMEs,⁴ including for climate-related loans.⁵

II. THE FINANCIAL INTERMEDIARY

A. Investment Identification and Description

3. **Micro, small, and medium-sized enterprises sector.** MSMEs are important contributors to Georgia's economy and jobs. They accounted for 88.0% of private firms, provided 57% of the country's jobs, and contributed to 60.0% of total production value in 2020.⁶ While domestic credit to private sector (% of gross domestic product) increased steadily from 51.1% in 2015 to 79.9% in 2020,⁷ limited access to financial resources for MSMEs remains a critical obstacle to the country's economic development. MSMEs face larger financing gaps because they are less able to obtain bank loans than large firms. This is mainly caused by a lack of financial literacy and credit history, creating difficulties for financial institutions to assess credit worthiness, and resulting in high operational costs and high collateral requirements. MSMEs faced additional challenges in accessing finance at the height of the coronavirus disease (COVID-19) pandemic, when many MSMEs suspended business activities and encountered liquidity challenges because of reduced demand.⁸

4. **Additional constraints for women-owned micro, small, and medium-sized enterprises.** Georgia is one of the few countries in Eastern Europe and Central Asia where women are as likely as men to have a bank account. However, more men borrow from financial institutions than women (27.4% of all men versus 20.1% of all women as of 2021).⁹ Furthermore,

¹ Asian Development Bank (ADB). 2022. *Enhanced Faster Approach to Small Nonsovereign Transactions*. Manila.

² A gender bond is a social bond issued with the purpose of raising gender equality and women empowerment. It follows the Social Bond Principles of the International Capital Market Association as a subcategory. Social Bond Principles are voluntary process guidelines on the use of proceeds, project selection, management, and reporting. International Capital Markets Association. [Social Bond Principles](#).

³ The final total bond issuance will depend on the results of the book building exercise 2 weeks before issuance.

⁴ WMSMEs are defined as Crystal's clients with loans applied by, disbursed to, and signed by a woman for a business that would be the main source of loan repayment.

⁵ Climate-related loans are loans extended by Crystal mainly for (i) renewable energy such as solar power, (ii) energy-efficient buildings and household improvements with appliances and products that reduce or avoid carbon dioxide emissions, (iii) clean transportation such as hybrid or electric vehicles, and (iv) drip irrigation systems.

⁶ [National Statistics of Georgia](#) (accessed 5 September 2022).

⁷ World Bank DataBank. 2020. [Domestic Credit to Private Sector \(% of GDP\)](#) (accessed 4 October 2022).

⁸ In a survey of 1,938 enterprises conducted in 2020 by PricewaterhouseCoopers Georgia LLC, 79% of respondents said they needed additional financing but most were not successful in obtaining it. K. Williams et al. 2020. [Georgian Business in the Face of the COVID-19 Pandemic](#).

⁹ World Bank. [The Global Findex Database 2021](#) (accessed 5 September 2022).

only 22.0% of formally registered firms have female participation in ownership as of 2020.¹⁰ One of the most significant barriers encountered by women is poor access to start-up capital and loans, in addition to a low level of property and asset ownership. Collateral requirements for business loans are onerous, and difficulties in accessing financing affect women disproportionately because they are less likely to own property, leading to smaller and higher-interest loans than for men. WMSMEs are also more severely affected by COVID-19 because they tend to operate in vulnerable sectors of the economy and are typically smaller (for instance, subsistence agriculture, and services and handicrafts catering to tourists).

5. **Microfinance sector.** Georgia has 38 registered microfinance institutions (MFIs). With a market share of only 3.1% of the total finance sector,¹¹ MFIs still play an important role in providing access to finance to low-income borrowers, particularly in remote rural areas. Banks are generally reluctant to finance this segment in large volumes as it is considered riskier and expensive under the strict capital adequacy requirements for banks. Crystal became Georgia's leading MFI after Credo Bank, an experienced player in the microfinance sector, obtained a full banking license in 2017 and graduated to serve a slightly higher income segment. Since then, the National Bank of Georgia (NBG) has designed a microfinance banking license (between a full-fledged banking license and an MFI license) that allows MFIs to capture local savings, while having less heavy regulatory requirements to remain agile and focused on the microfinance population.¹²

6. **Borrower identification.** Channeling financial resources through specialized MFIs with underwriting policies that are not based on collateral can bridge the large financing gap for WMSMEs. ADB has been actively supporting microfinance in Georgia since 2015, providing technical assistance and financing to FINCA Bank (a microfinance-focused bank that merged with Credo Bank) and Credo Bank.¹³ Crystal leads MFIs in Georgia in lending to women, with a commitment to climate-friendly financial inclusion. It has demonstrated resilience despite the difficult operating environment since 2019 and it is expected to maintain a solid financial performance and solvent structure underpinned by its strong capitalization and improving asset quality. Crystal is also obtaining a microfinance banking license that will enable it to increase its development impact by expanding its product range. This project represents a progression of ADB's product offering in Georgia; expanding to bonds may heighten public awareness about the importance of mobilizing finance to WMSMEs and contribute to developing local capital markets.

7. **One ADB project.** The transaction, which will be the first gender bond in Central and West Asia and the first subscribed by ADB, is a One ADB project. It builds on the policy work that ADB has undertaken under the scope of the Fiscal Resilience and Social Protection Support Program

¹⁰ World Bank. 2020. [Enterprise Surveys: Georgia 2019 Country Profile](#). Washington, DC (Figure 4).

¹¹ National Bank of Georgia. *Monetary and Financial Statistics. M3.1. Financial-institutionseng.xlsx. Net Assets of Financial corporations* (accessed 30 September 2022).

¹² For instance, the internal capital adequacy assessment process and Basel III buffers will not be required for MFIs (only Basel II capital framework), and liquidity coverage reporting will be significantly simplified. Credit provisioning requirements and IFRS 9 regulatory frameworks, however, will be the same for microfinance and commercial banks. Details on the microfinance banking license are in Sector Overview (accessible from the list of linked documents in Appendix 2).

¹³ ADB. 2015. [Report and Recommendation of the President to the Board of Directors: Proposed Loans and Technical Assistance to Credo Microfinance Organization, FINCA Bank Georgia, and TBC Bank for Financial Inclusion for Micro and Small Business Growth in Georgia](#). Manila; ADB. 2018. [Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance to Credo Bank JSC for Low-Income Housing Finance and Proposed Loan to TBC Bank JSC for Affordable Mortgage Finance in Georgia](#). Manila; and ADB. 2020. [FAST Report: Loan to Credo Bank JSC for the Credo COVID-19 Support for Agriculture Borrowers Project in Georgia](#). Manila.

(comprising two subprograms),¹⁴ which will, among other policy actions, develop and implement a capital market development strategy in collaboration with the NBG and the Ministry of Finance, including specific key performance indicators on corporates issuing more local currency bonds. This project is an example of a downstream output made possible by ADB's presence as an anchor investor through ADB's private sector operations.

B. Business Overview and Strategy

8. **Business overview.** Among the MFIs, including commercial banks such as Credo and nonbank MFIs, Crystal has a notable franchise with 13.0% market share by loan volume at the end of the first quarter of 2021. Crystal started operations in 1997 and is the largest and oldest MFI in Georgia. It has a loan portfolio of GEL362 million as of the end of 2021 (a 10.0% increase since the end of 2020), more than 1,000 staff, and 120,000 customers across 13 regions served through 50 physical branches and digital channels. Crystal focuses on low-income borrowers with informal incomes, mostly in rural areas. As of December 2021, 85.0% of its gross loan portfolio was outside of Tbilisi and 58.0% in the rural areas of Georgia, and 62.0% of its borrowers were women.¹⁵ Crystal's wide product range includes credit, climate-related financing, leasing, money transfers, e-wallets, foreign exchange (FX), insurance, and nonfinancial products, contributing to financial inclusion beyond access to credit. Its clients operate and earn income from services (29.0%), agriculture (26.0%), small trade and production (17.0%), formal salaries (16.0%), and remittances (11.0%) and 1% from other income, such as pension and other financial aid.¹⁶ Crystal plans to maintain the same sector concentration. Fitch Ratings affirmed Crystal's rating at B- with a stable outlook on 15 July 2022.

9. Confidential Information Deleted

10. **Commitment to climate-friendly financial inclusion.** Crystal launched its climate financing initiative in 2017 and has disbursed climate-related loans to 17,000 clients amounting to GEL36 million, mostly for energy-efficient household appliances. It aims to further increase this portfolio to GEL50 million by 2026.

11. **Digital transformation.** In 2020, Crystal adopted a 3-year digitalization strategy to respond to the need for online services and to achieve economies of scale. Crystal is also a leader from an information technology (IT) perspective, being the first Georgian institution to comply with the ISO 27001 information security standard. The ongoing digital transformation is expected to improve efficiency and ultimately translate into stronger profitability. In 2020, Crystal started implementing "Crystal One," an online credit platform that provides remote services to existing and new customers and facilitates operational efficiency by organizing loan information, contracts, and repayment schedules. Other IT initiatives include developing Crystal's core digital business, automating other business processes, and establishing branches with fully digital operations, reducing the number of physical branches in the longer, 5-years, term.

12. **New microfinance banking license to better serve clients.** Crystal is expected to receive a microfinance banking license in 2023. While its core business model and market niche will remain the same, Crystal is implementing a business enhancement project to incorporate new

¹⁴ ADB. 2020. [Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 to Georgia for the Fiscal Resilience and Social Protection Support Program](#). Manila.

¹⁵ This figure includes female entrepreneurs and women with steady sources of income, such as salaries. The proceeds of the ADB bond will only fund female entrepreneurs.

¹⁶ JSC MFO Crystal. *Financial and Operational data*. Q4 2021. Management report. Tbilisi.

procedures and products; and strengthening institutional capacity by investing in people, systems, and knowledge. The new license will allow Crystal to widen its social impact by expanding its product range, while also improving profitability through efficiencies from enhanced digital products, larger average loan sizes, faster growth through cross-selling opportunities, and lower fund costs as it will have regular access to the NBS liquidity instruments and cheaper local currency funding through deposits.

C. Ownership, Management, and Governance

13. **Ownership.** Crystal is majority owned by two impact investment firms: Incofin Investment Management (Incofin) through agRIF Cooperatief U.A. (agRIF) (38.8%) and Developing World Markets (12.4%). agRIF is a Dutch impact investment fund managed by Incofin. Developing World Markets is a pioneer impact investor active for more than 2 decades, having invested and arranged \$1.6 billion in financing for more than 200 socially positive companies in 60 emerging and frontier markets. Founders Archil Bakuradze, chair of Crystal's board of directors, owns 14.3%; Davit Bendeliani, Crystal's chief financial officer, has 6.8%; and Malkhaz Dzadzua, Crystal's chief executive officer from 2004 to 2019, holds 11.1%. Other individual investors own the remaining 16.8% stake.

14. **Integrity due diligence.** ADB conducted integrity due diligence on Crystal and on its shareholders, board of directors, and managers.¹⁷ None of the companies or individuals appear to constitute a significant or potentially significant integrity risk to ADB since no unresolved or substantiated adverse media or other relevant information related to them exists. ADB's review of the entities does not give ADB cause to believe they have been established or are being used for money laundering or terrorism financing in the jurisdictions involved in the project. Tax integrity due diligence was not required.

15. Confidential Information Deleted

16. **Governance structure.** Crystal models its corporate governance on the principles of the UK Corporate Governance Code.¹⁸ Its seven-member Supervisory Board (three are independent) annually assesses the corporate strategy and defines strategic targets, which are then delegated to every chief officer and subsequently to business units and translated into action plans. Crystal has board committees on internal audit, assets and liabilities management, risk, strategy and innovation, environmental and social risks, and human resources and remuneration. Crystal reports annually its adherence to its Code of Ethics and implements the "comply or disclose" principle of the UK Corporate Governance Code to ensure open assessment of its corporate governance. It has received the honorary award for large financial institutions, twice in a row, from the Best Annual Report and Transparency Award (BARTA) of the World Bank and the European Union.

D. Confidential Information Deleted

¹⁷ ADB. 2003. [Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism](#). Manila.

¹⁸ Financial Reporting Council. [UK Corporate Governance Code](#).

III. THE ADB ASSISTANCE

A. The Assistance

17. The investment entails a subscription of up to GEL20 million to a 2-year local corporate bond issuance by Crystal amounting to about GEL27 million. The bond will comply with a gender bond framework under the International Capital Market Association's Social Bond Principles,¹⁹ validated by an internationally reputable second-party opinion provider. ADB will also support Crystal's transformation to a microfinance bank, enhancing its digitalization process through existing technical assistance.²⁰

B. Implementation Arrangements

18. **Use of proceeds.** Crystal will use 100% of ADB's proceeds to finance loans to WMSMEs, including to purchase small energy-efficient and renewable energy equipment during the two years of the life of the project from expected disbursement in December 2022 to December 2024.²¹ Crystal will abide by the gender bond framework in the use and management of proceeds, client evaluation and selection, and reporting requirements. Crystal will deploy all bond proceeds within 12 months.

19. **Reporting arrangements and evaluation.** ADB will monitor the project throughout its duration. Crystal will, at predetermined regular intervals, provide ADB with financial reports, including (i) quarterly unaudited financial statements, (ii) annual audited financial statements, (iii) quarterly compliance certificates for financial covenants, (iv) annual reporting on selected development indicators agreed by ADB and Crystal (including design and monitoring framework targets), (v) annual environmental and social management system (ESMS) performance reports, and (vi) annual progress reports on the gender action plan (GAP). Monitoring reports will be prepared and submitted to ADB at least annually, with the first report to be submitted no later than 12 months after the first disbursement.

C. Value Added by ADB Assistance

20. **New debt product.** ADB has been working closely with Crystal to develop and certify the gender bond. ADB's investment will help diversify Crystal's funding sources through the bond issuance under the Social Bond Principles. This will be Crystal's first gender bond and is expected to also be the first in Central and West Asia. ADB's anchor investment is especially relevant as it comes amid market volatility and decreased investor appetite because of COVID-19 and the Russian invasion of Ukraine. ADB's participation is expected to mobilize additional financing from the private sector and raise market awareness of gender bonds while supporting access to finance for WMSMEs. ADB will also host an event to disseminate knowledge about this transaction and gender bonds.

21. **Local currency bond offering and capital market development.** By offering local currency financing, ADB will contribute to bridging the local financing gap in the country. The

¹⁹ International Capital Market Association. [Social Bond Principles](#).

²⁰ ADB. 2020. [Technical Assistance for Promoting Digital Finance Solutions for Inclusive Finance Among Partner Financial Institutions](#). Manila.

²¹ This definition for the use of proceeds excludes loans to women whose main source of repayment for the loan is a formal salary, remittances, or other income sources not related to business. This definition does not stipulate a specific target for rural areas as Crystal prefers to have the flexibility to deploy the proceeds. Nonetheless, Crystal agreed to report on specific development indicators capturing Crystal's overall lending in rural areas.

finance sector remains dollarized, with 58% of total system funding denominated in foreign currency as of December 2021.²² Local currency bond issuance will contribute to Crystal's sound asset–liability management as Crystal mostly issues GEL loans. This project also builds on the work and reputation that ADB has established in Georgia as a pioneer investor in thematic bonds and its work through ADB's sovereign operations.²³ Capital markets remain underdeveloped. The small Georgian Stock Exchange, established in 1999, has only basic infrastructure for trading, custody, and settlement processes. As of September 2022, 18 bonds were listed on the Georgian Stock Exchange, with total volume of just \$0.8 billion.²⁴

22. Improved environmental and social governance. Crystal will implement a GAP developed with ADB assistance to promote better access to finance by WMSMEs and to improve gender equity in its operations. As the first multilateral development bank debt provider, ADB will require Crystal to implement an ESMS to improve its environmental and social governance.

23. Support for digitalization and transformation to a microfinance bank. Crystal's digitalization and transformation into a microfinance bank will enable greater social impact by expanding its product range to better and more efficiently serve its clients and to improve its profitability through greater efficiencies and lower fund costs. ADB will support this transformation with technical assistance.²⁵

D. Confidential Information Deleted

IV. DEVELOPMENT IMPACT AND STRATEGIC ALIGNMENT

A. Development Impact, Outcome, and Outputs

24. Impact. The project impact is long-term, sustainable, and inclusive economic growth by improving access to finance of various types of enterprises in Georgia facilitated. Access to finance for WMSMEs in Georgia, focusing additionally on climate-related financing and borrowers in rural areas, improved.

25. Outcome. The project will improve access to finance for WMSMEs in Georgia, focusing additionally on climate-related financing and borrowers in rural areas.

26. Outputs. The project will have the following outputs: (i) Crystal's capacity to lend to WMSMEs increased, (ii) Crystal's climate-related and rural WMSME portfolio expanded, and (iii) gender equality in Crystal's operations improved.

B. Alignment with ADB Strategy and Operations

27. Consistency with ADB strategy and country strategy. ADB's Strategy 2030 emphasizes support for the finance sector to achieve greater financial inclusion (OP 1) and

²² National Bank of Georgia. *Monetary and Financial Statistics. Financial Soundness indicators. fsi.xlsx. Financial Soundness Indicators for Deposit Takers* (accessed 30 September 2022).

²³ ADB invested in two international green bonds by Georgian issuers: \$50 million subscription in Georgian Railway JSC issued in June 2021 and \$40 million subscription in Georgia Global Utilities JSC issued in July 2020; and two local currency bonds: GEL19.5 million subscription in Evex Hospitals JSC in December 2019, and \$15 million (equivalent in lari) subscription in Georgian Renewable Power Operations JSC (Georgian Green Bond 2 Project) approved on September 21, 2022 and not yet disbursed.

²⁴ Georgian Stock Exchange. [Securities](#) (accessed 5 September 2022).

²⁵ ADB. 2020. [Technical Assistance for Promoting Digital Finance Solutions for Inclusive Finance Among Partner Financial Institutions](#). Manila.

gender equality (OP 2).²⁶ The transaction contributes to finance sector development by supporting the growth of a financial institution that plays a key role in Georgia's microfinance sector, while also contributing to accelerating progress in gender equality and tackling climate change (OP 3) an operational priority of ADB's Strategy 2030. Thereafter, women's opportunities to access affordable finance, including climate-related loans, will be enhanced. The project will also promote gender equality standards in Crystal to enhance female staff participation in the finance sector in Georgia.²⁷

28. **Consistency with sector strategy and relevant ADB operations.** According to ADB's country operations business plan, 2020–2022 for Georgia and ADB's country partnership strategy, 2019–2023 for Georgia, ADB's nonsovereign operations will continuously support the creation of an enabling environment to catalyze access to financial services for MSMEs, including female entrepreneurs; and to deepen Georgia's capital and money markets by focusing on initiating institutional reforms and other interventions to mobilize domestic resources, including private resources for long-term investment, and promoting climate change mitigation and adaptation and stronger environmental sustainability, as well as optimizing domestic value addition and increasing productivity by closing skills gap in productive sectors.²⁸ This project complements the work that ADB is undertaking in its Fiscal Resilience and Social Protection Support Program (please refer to paragraph 7).

29. **Lessons from previous operations.** This project draws upon lessons from ADB's support for MSMEs during times of crisis,²⁹ including (i) the need to provide local currency funding to develop and improve local capital markets in small markets such as Georgia; (ii) the need to mobilize private sector funding to sustain deepening of these capital markets; (iii) the demonstration effect of ADB's presence as an anchor investor in capital market instruments; (iv) the need to support MSMEs and microfinance borrowers through times of crises, such as COVID-19 and the Ukraine conflict; and (v) the need to support small financial institutions through transformation processes, such as digitalization and the increased focus on climate-related business and female borrowers.

V. POLICY COMPLIANCE

A. Safeguards and Social Dimensions

30. ADB has categorized the investment in compliance with ADB's Safeguard Policy Statement (2009).³⁰

31. **Category FI (treated as C).** ADB has assessed the investment's potential environmental and social impacts, the risks associated with the Crystal's existing and likely future portfolio, and Crystal's commitment and capacity for environmental and social management. The investment is expected to result in no or minimal environmental and social impacts and is classified as *category FI treated as category C* for impacts on the environment, involuntary resettlement, and indigenous peoples. During due diligence, ADB identified corrective actions to enhance Crystal's ability to

²⁶ ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

²⁷ ADB. 2019. [Operational Plan for Private Sector Operations, 2019–2024](#). Manila.

²⁸ 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.

²⁹ Independent Evaluation Department. 2020. [Responding to COVID-19: Lessons from Previous Support to Micro, Small, and Medium-Sized Enterprises](#). *Synthesis Note*. No. 3 (COVID Series-1). Manila: ADB.

³⁰ ADB. [Safeguard Categories](#).

manage its portfolio and environmental and social risks, and a corrective action plan (CAP) was developed and agreed with Crystal for implementation following the agreed CAP schedule. Specifically, Crystal will establish and maintain an ESMS commensurate to the impacts of its portfolio and satisfactory to ADB before disbursement that will (i) apply ADB's prohibited investment activities list, (ii) ensure investments using ADB funds comply with ADB's Safeguard Policy Statement and abide by applicable national laws and regulations, and (iii) exclude activities with category A and B environmental and social safeguard impacts from using ADB proceeds. Corrective actions set out requirements for compliance with national labor laws and measures to comply with internationally recognized core labor standards, pursuant to ADB's Social Protection Strategy (2001). The environmental and social enhancements also contain requirements for information disclosure, stakeholder engagement, and grievance management following ADB requirements. In its regular reporting to ADB, Crystal will include information on (i) the nature of subprojects and categorization, (ii) compliance with safeguard and social requirements, (iii) compliance with national and international laws and standards, and (iv) compliance with the CAP. Information disclosure and consultation with affected people will follow ADB requirements.

32. **Gender equity theme.** Following ADB's Policy on Gender and Development (1998), Crystal has incorporated measures to promote gender equality and/or women's empowerment in its business activities. The key features of the GAP are (i) increased lending to WMSMEs, (ii) increased lending of climate-related loans to WMSMEs, (iii) increased lending to WMSMEs in rural areas, (iv) increased annual disbursement to WMSMEs, (v) increased share of loan portfolio to WMSME borrowers in rural areas and for climate-related investments, (vi) training of Crystal's branch managers on how to better serve WMSMEs, (vii) capacity development events targeted at WMSMEs on green technologies or green financial products, and (viii) dissemination of internal communication pieces that promote advancing gender equality at Crystal. Crystal will submit periodic reports on the implementation of gender measures to ADB.³¹

B. Anticorruption Policy

33. Crystal was advised of ADB's policy of implementing best international practice relating to combating corruption, money laundering, and the financing of terrorism. ADB will ensure that the investment documentation includes appropriate provisions prohibiting corruption, money laundering, and the financing of terrorism; and remedies for ADB in the event of noncompliance.

C. Confidential Information Deleted

D. Assurances

34. Consistent with the Agreement Establishing the Asian Development Bank (the Charter),³² ADB will proceed with the assistance upon establishing that the Government of Georgia has no objection to the assistance to Crystal. ADB will enter into suitable finance documentation in form and substance satisfactory to ADB.

VI. THE PRESIDENT'S DECISION

35. The President, acting under the authority delegated by the Board, has approved the investment of up to GEL20,000,000 from the ordinary capital resources of the Asian Development

³¹ ADB. 1998. *Policy on Gender and Development*. Manila.

³² ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila.

Bank in the gender bond to be issued by Joint Stock Company Microfinance Organization Crystal for the Crystal Gender Bond Project in Georgia, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Impact the transaction is aligned with			
Long-term, sustainable, and inclusive economic growth by improving access to finance of various types of enterprises in Georgia facilitated, focusing additionally on climate-related financing and borrowers in rural areas ^a			
Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
<p>Outcome Access to finance for WMSMEs^b in Georgia, focusing additionally on climate-related financing and borrowers in rural areas, improved</p>	<p>By 2025:</p> <p>a. Number of WMSME borrowers increased to 63,017 (2021 baseline: 42,677) (OP 2.1.3)</p> <p>b. Number of WMSME borrowers of climate-related loans^c increased to 7,811 (2021 baseline: 3,571) (OP 2.1.3)</p> <p>c. Number of WMSME borrowers in rural areas^d increased to 46,859 (2021 baseline: 33,726) (OP 2.1.3)</p>	<p>a–c. Crystal's annual development effectiveness monitoring reports</p>	<p>R: Crystal's banking transformation plan hinders expansion plans during the measurement period.</p> <p>R: Economic slowdown because of COVID-19 and geopolitical tensions subdue Crystal's capacity to expand its lending.</p> <p>A: The government continues pursuing the development of Georgia's nonbank finance sector.</p>
<p>Outputs</p> <p>1. Crystal's capacity to lend to WMSMEs increased</p> <p>2. Crystal's climate-related and rural WMSME portfolio expanded</p>	<p>By 2025:</p> <p>1a. Full subscription for about GEL27 million to a gender bond issued by Crystal (2021 baseline: 0) (OP 1.3.3)</p> <p>1b. Annual disbursement to WMSMEs increased to \$78.0 million (2021 baseline: \$38.5 million)</p> <p>1c. At least 80% of Crystal branch managers trained on how to better serve WMSMEs (2021 baseline: 0%)</p> <p>2a. Share of loan portfolio to WMSME borrowers in rural areas increased to 25.0% (2021 baseline: 23.1%)</p>	<p>1–3. Crystal's annual development effectiveness monitoring reports</p>	<p>R: Demand for microfinance loans by WMSMEs and for climate-related financing is less than expected.</p> <p>A: The government continues pursuing the development of Georgia's nonbank finance sector.</p>

Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
3. Gender equality in Crystal's operations improved	<p>2b. Share of climate-related WMSME investments in the loan portfolio increased to 3.3% (2021 baseline: 1.4%)</p> <p>2c. At least 2 capacity development events targeted at WMSMEs on green technologies or green financial products organized by 2025 (2021 baseline: 0) (OP 3.2.2)</p> <p>3a. At least 3 internal communication pieces^e that promote advancing gender equality at Crystal disseminated by 2025 (2021 baseline: 0) (OP 2.3.2)</p>		

Key Activities with Milestones

Outputs

1. Crystal's capacity to lend to WMSMEs increased

- 1.1. Crystal issues the gender bond by Q4 2022.
- 1.2 ADB and private investors subscribe to the bond by Q4 2022.
- 1.3 Bond certified as gender bond by Q4 2022.
- 1.4 Bond subscribed by at least 20% private investors by Q4 2022.
- 1.5 Crystal acquires the microfinance banking license by Q4 2023.

2. Crystal's climate-related and rural WMSME portfolio expanded

- 2.1 Content for training on how to serve women better developed by Q3 2023.
- 2.2 Content for capacity development events on green technologies or green financial products developed by Q4 2025.
- 2.3 WMSMEs that will participate in the capacity development events on green technologies or green financial products identified by Q4 2025.

3. Gender equality in Crystal's operation improved

- 3.1 Internal communication pieces that promote advancing gender equality at Crystal developed by Q4 2025.
- 3.2. External knowledge dissemination event about gender bonds held by Q4 2025.

Inputs

ADB: Up to GEL20 million (ADB subscription to the bond)
GEL100,000 (technical assistance)^f

Co-investors: Up to GEL7 million (co-investors subscription to the bond)

A = assumption; ADB = Asian Development Bank; Crystal = Joint Stock Company Microfinance Organization Crystal; OP = operational priority; Q = quarter; R = risk; WMSME = women-owned, micro, small, and medium-sized enterprises.

^a Government of Georgia. 2014. [Social-economic Development Strategy of Georgia: "Georgia 2020."](#) Tbilisi.

^b WMSMEs are defined as Crystal's clients with loans applied by, disbursed to, and signed by a woman for a business that would be the main source of loan repayment.

- ^c Climate-related loans are loans extended by Crystal mainly for (i) renewable energy such as solar power, (ii) energy-efficient buildings and household improvements with appliances and products that reduce or avoid carbon dioxide emissions, (iii) clean transportation such as hybrid or electric vehicles, and (iv) drip irrigation systems.
- ^d Rural is defined as areas outside the cities of Georgia.
- ^e These include memos shared with all staff, describing gender-friendly workplace behavior that is approved by management as a workplace policy and is for implementation or approval or is suggested by the human resources department.
- ^f ADB will support Crystal's digitalization process through existing technical assistance. ADB. 2020. [Technical Assistance for Promoting Digital Finance Solutions for Inclusive Finance Among Partner Financial Institutions](#). Manila.

Contribution to Strategy 2030 Operational Priorities

Expected values and methodological details for all OP indicators to which this project will contribute results are detailed in Contribution to Strategy 2030 Operational Priorities (accessible from the list of linked documents in Appendix 2).

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/FastReport/?id=56134-001>

1. Sector Overview
2. Ownership, Management, and Governance
3. Details of Implementation Arrangements
4. Contribution to Strategy 2030 Operational Priorities
5. **Confidential Information Deleted**
6. Country Economic Indicators
7. Summary Poverty Reduction and Social Strategy
8. Gender Action Plan