



Initial Poverty and Social Analysis

August 2018

GEO: Affordable Mortgage Finance

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Asian Development Bank

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	<input type="text" value="Georgia"/>	Project Title:	<input type="text" value="Affordable Mortgage Finance"/>
Lending/Financing Modality:	<input type="text" value="Loan"/>	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 transaction with TBC Bank JSC (TBC) is aligned with the Asian Development Bank's (ADB) country partnership strategy for Georgia, 2014–2018 and the government's Social-economic Development Strategy of Georgia (Georgia 2020).^a It recognizes that limited access to affordable mortgage financing is a constraint to inclusive growth. The transaction contributes to the national poverty reduction and inclusive growth strategy by enabling TBC to expand its services to low- to medium-income households, focusing on an income group that earns up to GEL50,000 per annum, especially for young families and women borrowers, to address their housing needs.

B. Poverty Targeting:

General intervention Individual or household (TI-H) Geographic (TI-G) Non-income MDGs (TI-M1, M2, etc.)

TBC will focus its provision of affordable mortgage finance on its urban customers funding home acquisition and renovation. Affordable housing finance in urban areas can contribute to strengthening a stable middle- and lower middle-income class that is relatively resilient to external shocks through asset building, which reduces financial burdens in retirement.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The primary beneficiaries of the project will be TBC, which will onlend to middle- and lower-income home buyers and renovators. The project aims to alleviate the key constraints associated with foreign currency risk and short-term high interest rate loans faced by some of these direct beneficiaries in accessing mortgage finance. Although housing began to be privatized in 1992, much of the Soviet-era housing stock still requires renewal and renovation. At the same time, demand for low-cost, new housing in urban areas is increasing. According to government statistics, at the start of 2018 58.3% of the population lived in urban settlements. At the same time, almost one third of the total population lived in the capital, Tbilisi. Government statistics also reported that 21.9% of the total population lived below the national poverty line in 2017 of which 18.6% of the total urban population were living in poverty.

2. Impact channels and expected systemic changes. Through ADB's long-term loan to TBC, middle- to lower-income families will directly benefit through access to affordable mortgages via TBC bank branches and service channels.

3. Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will focus on how the transaction can improve access to finance and affordable housing and the development of mortgage-based instruments. The team assess how the availability and utilization of affordable mortgage finance can be improved and expanded to low- and middle-income families seeking finance from TBC.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? The key gender issue relevant to the transaction is the promotion of gender equality in obtaining mortgage finance by individuals and households, especially households led by women in low-income segments up to GEL50,000 annual income. TBC's business approach promotes equal treatment of male and female customers in assessing applications for mortgage finance, but higher value mortgages are often co-signed by couples (i.e., wives and husbands) in a household or other family household members that have excess cash income as collateral. This likely reflects persistent income disparities between men and women in Georgia.

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? Yes No

The average monthly nominal wage of a Georgian female worker in the first quarter of 2018 was 64% of that of a Georgian male. However, 75% of TBC's mortgage borrowers and 60% of its mortgage volume are concentrated in the low-income brackets up to GEL50,000 per annum, indicating a more favorable gender balance in June 2018. A gender action plan will be produced during due diligence that will enable TBC to promote gender equality in accessing its retail financing products, including mortgage finance. The team will work with TBC to set minimum targets for women borrowers, especially female mortgage borrowers with an annual income of up to GEL50,000. The team expects TBC can more than double the amount of mortgage loans outstanding to female borrowers by 2022 and will seek a commitment to a tracking system for gender-segregated and family status (borrowers and disbursement).

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

Yes No

Georgia's constitution upholds the principle of equal rights for men and women. The country has ratified the Convention on the Elimination of All Forms of Discrimination Against Women and its optional protocol and the Law on Gender Equality was passed in 2010. Article 10 of the law ensures that spouses have equal rights to own, acquire, manage, and administer property. Further protections against discrimination were established in the country in 2014 with the passing of the Law on the Elimination of all Forms of Discrimination.

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. Potential housing and mortgage finance borrowers will participate through extensive market research activity already undertaken by TBC in determining the most appropriate lending products.

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? TBC has extensive national networks of branches and fintech service channels through which to engage and empower beneficiaries.

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? There are no relevant CSOs identified that can be engaged to actively participate in the project, however TBC will ensure participation of interested CSOs through information sharing and consultation.

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

TBC maintains a strong public profile through its branch presence and marketing, which allow it to participate actively with civil society.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI-C

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No The sub-borrowers through ADB's loan to TBC will be unincorporated individuals borrowing funds to purchase or renovate residential property. Mortgage loan finance cannot fund compulsory acquisition of land by government expropriation in Georgia. Involuntary resettlement impacts through the use of facility funds are therefore not anticipated. Residential property construction and renovation is not a prohibited investment activity. All facility sub-loan applications will be assessed for compliance with national laws and regulations through the credit appraisal process. No additional measures are required.

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-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 sub-borrowers from ADB's loan to TBC will be unincorporated individuals borrowing funds to purchase or renovate residential property.

3. Will the project require broad community support of affected indigenous communities? Yes No Sub-loan activity is not expected to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of any ethnic minority or indigenous people's groups in Georgia.

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 (L) Adhering to core labor standards Labor retrenchment
 Spread of communicable diseases, including HIV/AIDS Increase in human trafficking Affordability (L)
 Increase in unplanned migration Increase in vulnerability to natural disasters Creating political instability
 Creating internal social conflicts Others, please specify _____

2. How are these additional social issues and risks going to be addressed in the project design? The transaction will contribute positively to the urban labor markets primarily, and the rural market to a lesser scale, through demand for housing construction and renovation services. The transaction presents no negative risk for the local labor market. TBC carefully estimates the available monthly net household income as the principal information to determine the credit size. With this information, borrowers may be able to renovate part or all of their house. The debt service capacity of the mortgage borrowers and the tenor of the mortgage loan are key to ensuring affordability. TBC ensures, in its underwriting process, that the net income is properly estimated and that the debt service is affordable by the customers.

VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT

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? Transaction TA will be required in accordance with ADB policy requirements for transactions with financial intermediaries, the transaction team will conduct the necessary poverty and social due diligence with TBC for the proposed loan.

- Yes No

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 TBC for the proposed loan.

^a Government of Georgia. 2016. *Freedom, Rapid Development, Prosperity: Government Platform, 2016–2020*. Tbilisi.

Sources: ADB. 2014. *Country Partnership Strategy: Georgia, 2014–2018*. Manila; Government of Georgia. 2014. *Social-Economic Development Strategy of Georgia: "Georgia 2020"*. Tbilisi; Government of Georgia. 2016. *Rural Development Strategy 2017–2020*. Tbilisi; National Statistics Office of Georgia. [Geostat](#).