



Initial Poverty and Social Analysis

Project Number: 56134-001
August 2022

Georgia: Crystal Gender Bond Project

This document is being disclosed to the public in accordance with ADB's Access to Information Policy.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 09 August 2022)

Currency unit	–	lari (GEL)
GEL1.00	=	\$0.3691
\$1.00	=	GEL2.7093

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
MSME	–	micro, small, and medium-sized enterprise
NBFI	–	non-bank financial institution
WMSME	–	women-owned micro, small, and medium sized-enterprise

NOTES

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

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Georgia	Project Title:	Crystal Gender Bond Project
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</p> <p>The proposed project will involve ADB's subscription of a local currency gender bond issued by Joint Stock Company Microfinance Organization or Crystal to finance loans for micro, small, and medium-sized enterprises owned by women (WMSMEs), including climate-change loans to purchase small energy efficient and renewable energy equipment. Crystal is a leading financial inclusion organization and the largest non-banking financial institution (NBF) in Georgia. The project will contribute to achieving the strategic priority of ADB's country partnership strategy, 2019-2023, to help create more jobs and reduce poverty and inequality through the development of economic corridors.^a</p>
<p>B. Poverty Targeting</p> <p><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.)</p> <p>The proposed project will strengthen Crystal's provision of financial services to MSMEs. Crystal will support the sustainability of MSMEs, mostly from the vulnerable sectors, while recovering from the challenges brought by the coronavirus disease (COVID-19) pandemic and the Russian invasion of Ukraine.</p>
<p>C. Poverty and Social Analysis</p> <p>1 Key issues and potential beneficiaries. Crystal will primarily benefit from the proposed project. The intended use of ADB proceeds will ultimately benefit women enterprises and female entrepreneurs with limited access to financial services from banks and experiencing greater barriers in securing start-up capital and loans. MSMEs play a vital role in the economy and employment in Georgia. In 2017, MSMEs comprised 99.7% of private firms in the country and generated 62% of total employment.^b However, the COVID-19-related lockdown, quarantine, and restriction to mobility imposed by the government affected the overall business environment, which impacted the MSMEs significantly. MSMEs, particularly in rural areas, struggled to keep their operations, negatively affecting the livelihoods of entrepreneurs and the employees. Supply disruptions at the height of the pandemic increased the cost of energy-efficient products and equipment that greatly affected MSMEs engaged in businesses that use and deliver such products.^c</p> <p>2. Impact channels and expected systemic changes. Through the proposed project, Crystal will continue to serve the poor and financially excluded segment of the population. The proposed project will help address the constraints of MSMEs to access much-needed capital to recover, sustain, and grow their businesses amidst the pandemic and global economic downturn.</p> <p>3. Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will focus on reviewing Crystal's portfolio on loans to MSMEs, looking into the typical ticket size and business activities of borrowers. ADB will also evaluate the loan approval process and the procedure to determine the environmental and social (E&S) impacts and check the compliance of prospective borrowers with applicable national laws, including the labor code. Due diligence will also assess the capacity of Crystal to manage and monitor the post-approval E&S impacts and required compliances of each transaction, including adherence to core labor standards, particularly the avoidance of child and forced labor. The review will also encompass the assessment of Crystal's existing human resources policies and performance on labor compliance.</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? Georgian women exhibit lower levels of economic and business activity compared to men. Key barriers to women becoming entrepreneurs or consolidating businesses include lack of relevant skills and knowledge, poor access to start-up capital and bank loans, and a lower level of property and asset ownership.^d While women are highly involved in rural based activities throughout Georgia, their economic participation is limited. Women represent about 59% of non-paid workers engaged in subsistence or small-scale activities in agricultural holdings,^e are disproportionately affected by poverty and the lack of access to basic supplies (water, gas) and services (information, innovation, knowledge, new technologies, machinery, wholesale markets), and experience gaps in access to finance.^f</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 access to and use of opportunities, services, resources, assets, and participation in decision-making? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>The project has strong potential to enhance gender equality results by addressing women's poor access to affordable finance and promoting gender inclusive practices with Crystal's workforce. Gender due diligence will look into gender design features that would support the refinement of Crystal's approach to cater to women as a distinct segment to serve (e.g., through gender sensitive marketing or service delivery) with emphasis on green finance products, and its further promotion of gender equality at Crystal.</p> <p>3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. Indicate the intended gender mainstreaming category:</p> <p><input checked="" type="checkbox"/> GEN (gender equity) <input type="checkbox"/> EGM (effective gender mainstreaming) <input type="checkbox"/> SGE (some gender elements) <input type="checkbox"/> NGE (no gender elements)</p>
III. PARTICIPATION AND EMPOWERING THE POOR
<p>1. Who are the main stakeholders of the project, including beneficiaries and affected people? Explain how they will each participate in the project's design. The main stakeholders of the proposed project are Crystal's management team, its employees, contractors/suppliers, and WMSME borrowers. During due diligence, there will be virtual interactions with Crystal's credit, risk management, and E&S teams. Information that Crystal will share will be the basis for recommending E&S aspects in the project design.</p> <p>2. Who are the key, active, and relevant CSOs in the project area? Due diligence will confirm Crystal's engagement with CSOs. However, considering the nature of Crystal's operation and planned ADB's use of proceeds, it is unlikely for CSOs will play a huge role in the proposed project.</p> <p>3. Are there issues during project design for which participation of the poor and vulnerable is important? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. How will the project ensure the participation of beneficiaries and affected people, particularly the poor and vulnerable and/or CSOs, during project design to address these issues? Due diligence will determine the need for Crystal's borrowers and CSOs' participation during project design.</p> <p>5. What level of CSO participation is planned during the project design? <u> L </u> Information generation and sharing <u> NA </u> Consultation <u> NA </u> Collaboration <u> NA </u> Partnership</p>
IV. SOCIAL SAFEGUARDS
<p>A. Involuntary Resettlement Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI (treated as C)</p> <p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Due diligence will further confirm if Crystal's on-lending operations and business activities of MSME borrowers do not entail involuntary resettlement impacts. ADB will review the existing systems and processes of Crystal to screen and review potential involuntary resettlement impacts of the borrower's business activities.</p> <p>2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?</p> <p><input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<p>B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI (treated as C)</p> <p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Crystal is not expected to fund MSMEs that entail impacts on Indigenous Peoples and involve commercial development of indigenous knowledge and cultural resources, and acquisition of traditionally owned lands.</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Not applicable.</p>

<p>4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
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 checked="" type="checkbox"/> Adhering to core labor standards (L) <input type="checkbox"/> Labor retrenchment</p> <p><input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability</p> <p><input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability</p> <p><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? Due diligence will review Crystal's performance to comply with local labor laws and core labor standards and the procedure for Crystal to assess the borrower's labor compliance.</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 the participation plan during the transaction TA or due diligence? ADB staff will conduct due diligence on social safeguards and other social dimensions.</p>

Source: Asian Development Bank.

^a ADB. 2019. [Country Partnership Strategy: Georgia, 2019-2013—Developing Caucasus's Gateway to the World](#). Manila.

^b Organization for Economic Co-operation and Development. 2018. [Mid-term Evaluation—Georgia's SME Development Strategy 2016-2020](#). Paris.

^c United Nations Economic Commission for Europe. 2021. [Guidelines and Best Practices for Micro, Small, and Medium Enterprises in Georgia Delivering Energy-efficient Products and in Providing Renewable Energy Equipment](#). Tbilisi.

^d World Bank. 2019. [Enterprise Survey - Gender Indicators for Georgia](#). Washington D.C.

^e Food and Agriculture Organization. 2019. Georgia Agricultural Census 2014 – Metadata Review. In: Main results and metadata by country (2006-2015). World Programme for the Census of Agriculture 2010. FAO Statistical Development Series No.17. Rome.

^f UN Women. 2020. [Country gender equality profile of Georgia](#). Tbilisi.