



# Initial Poverty and Social Analysis

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## GEO: Low-Income Housing 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="Low-Income Housing 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 Credo Bank JSC (Credo) 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).<sup>a</sup> It recognizes that limited access to housing finance to low income households is a constraint to inclusive growth. The transaction and technical assistance (TA) contributes to the national poverty reduction and inclusive growth strategy by enabling Credo to expand its services to low-income households, to address their housing needs. Through its promotion of rural residence renovation, the transaction is also aligned with the government's Rural Development Strategy, 2017–2020, which prioritizes diversification of the rural economy by promoting sustainable nonagricultural activities, including income generation via agritourism, based on the unique cultural and physical characteristics of Georgia's rural areas.

#### B. Poverty Targeting:

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

Credo will focus its housing finance on its rural customers, primarily for home renovations. However, it also provides housing finance in semi-urban areas. 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. In rural areas, housing finance will help build and enhance valuable housing assets and thereby improve the living standards of the predominant farming population, which is characterized by low and volatile income, but has some resilience to stress based on strong family and community networks. The housing assistance can facilitate access to low-cost housing for poorer income segments by developing and deepening resilient and affordable housing markets across the country. In this respect, housing finance has the potential to contribute to poverty reduction across the lower and informal income-earning population. With regard to key challenges in Georgia's rural areas, the situational analysis for the Rural Development Strategy, 2017–2020 identified an aging population, population decline, poor economic diversification, low household income, and lack of employment opportunities. Housing finance stimulates construction activity across the country and may play a role in stabilizing and potentially increasing employment opportunities.

#### C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The primary beneficiary of the transaction will be Credo, which will onlend to low-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 low-income borrowers 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 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 and 26.6% of the total rural population were living in poverty.

2. Impact channels and expected systemic changes. Through ADB's loan and technical assistance to Credo, poor and vulnerable groups will directly benefit via access to affordable mortgage and housing finance at Credo branches and service channels, which will be developed under the TA.

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 will assess how the availability and utilization of affordable housing finance can be improved by Credo through its housing finance services for low-income families in rural areas (outside the capital).

### 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 accessing housing and mortgage finance by individuals and households, especially households led by women in rural areas. Credo provides its female and male clients equal access to all loans. In June 2018, 50% of Credo's borrowers were women. Credo's customers are predominantly in rural areas, where more than 50% of Georgia's female labor force is active, mainly in activities related to subsistence agriculture. This mirrors persistent income disparities between men and women in Georgia. The average monthly nominal wage of a Georgian female worker in the first quarter of 2018 was 64% of that of a Georgian male. Credo's village-based business model strongly supports women. Under the

proposed attached TA, Credo will establish branchless banking services to improve outreach to rural women and provide financial and business-related training to women to improve their income-generation opportunities.

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

Credo will promote gender equality in accessing all its retail financing products, including housing finance, by individuals and households. It will also implement a gender action plan and TA. Credo has committed to minimum targets for women borrowers and depositors as well as the establishment of an improved branchless service system targeting service outreach in rural areas, with special support to women. With the support of dedicated TA, Credo will establish a comprehensive women-focused financial literacy marketing program covering all banking services beyond lending, undertake two impact assessments of this program and recalibrate its marketing approach as necessary, and establish a tracking system for gender-segregated data (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 mortgage finance borrowers participated in Credo's extensive market research activity. The TA will enable Credo to undertake a women-focused financial literacy marketing program that will include participatory consultation in design and implementation.

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 has extensive national networks of branches and village councilors 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 Credo 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

Credo 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 Credo 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 Credo 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 and rural labor markets through demand for housing construction and renovation services, as well as the provision of finance to the rural agritourism sector. The transaction presents no negative risk for the local labor market. Credo 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. Credo 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?
- 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 Credo for the proposed loan.

<sup>a</sup> 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](#).