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Report No: 60411-GE

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING
OF
RURAL DEVELOPMENT PROJECT (P078544)

IDA CREDIT 4062-GE

BOARD APPROVAL DATE: MAY 17, 2005

TO GEORGIA

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*GEORGIA — RURAL DEVELOPMENT PROJECT
P078544*

CREDIT 4062-GE
Restructuring Paper

1. Proceeds for *Georgia, Rural Development Project, IDA Credit No. 4062-GE, P078544* will be reallocated as follow:

Category of Expenditure	Allocation (SDR)		% of Financing
	Current	Revised	
(1) Works	100,000	100,000	80%
(2) Goods	900,000	760,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(3) PCB Sub-loans	4,530,000	2,920,000	90% of loan disbursed by PCBs in year 1 and 80% thereafter
(4) NBFi Sub-loans	600,000	2,350,000	100%
(5) Operating Expenses	470,000	470,000	80%
Total	6,600,000	6,600,000	

2. The Project Development Objective (PDO) continues to be attainable, with noteworthy results and positive outcomes already achieved. However, due to implementation delays and lack of disbursements under the credit line, the Project has been rated Moderately Satisfactory for progress towards PDO and implementation progress. Project implementation is progressing well, with USD 8.07 million or 80% of the IDA credit already disbursed. Financial management performance is satisfactory with good internal controls and there are no overdue audits. Financial covenants have been complied with.

3. The proposed reallocation is necessary to allow disbursement of remaining IDA funds to the microfinance institutions (MFIs). The commercial banks no longer meet the eligibility criteria for withdrawing further funds from the credit lines and have expressed very little interest in lending to agriculture. Following a slowdown in lending activities in late 2008- early 2009, lending by microfinance institutions has fully resumed, and the MFIs have taken a series of appropriate measures to safeguard the health of the institutions. The current allocation of funds to MFIs has been fully disbursed. MFIs have all expressed a strong interest in drawing more funds from the Project, particularly in local currency for which supply remains difficult.