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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

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### **RESTRUCTURING PAPER**

#### **SUMMARY**

The proposed change is necessary to remove the limit to maximum lending to non-bank financial institutions (NBFIs), and will increase the borrowing limit from 50% to 70% of their equity. This change will complement the recent reallocation done on March 23, 2011 to allow disbursement of remaining IDA funds to NBFIs.

#### **PROJECT STATUS**

The Project Development Objective (PDO) continues to be attainable, with noteworthy results and positive outcomes already achieved. Project implementation is progressing well, with USD 8.3 million or 83% of the IDA credit already disbursed. 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. Financial management performance is satisfactory with good internal controls and there are no overdue audits. Financial covenants have been complied with.

#### **PROPOSED CHANGES**

In addition to the recent reallocation, the maximum lending to NBFIs has to be revisited. According to paragraph (v), Section II of the Annex to Schedule 4 of the Credit Agreement, each NBFI may currently borrow no more than 50% of their equity. This provision was stipulated in order to reduce the exposure of the government to fairly unregulated institutions at a time when their experience in agriculture was limited, some of the NBFIs were still new and there was some uncertainty as to how they would perform in the long-term. However, the Project experience has demonstrated that the NBFIs have performed particularly well, despite some difficult economic times, and have shown that they were able to serve this market, maintain a healthy portfolio, while remaining sustainable.

The increase of this limit was discussed with the counterparts, and the financial health, disbursement forecasts and interest of the NBFIs have been reviewed. The increase of the

maximum limit to lending will allow disbursement of remaining IDA funds to NBFIs by the closing date. The Credit Agreement will be amended accordingly.