ACCESS TO FINANCE: ASSESSMENT AND STRATEGY

REPORT

Sunday, May 08, 2011

This publication was produced for review by the United States Agency for International Development. It was prepared by Deloitte Consulting LLP.

ACCESS TO FINANCE: ASSESSMENT AND STRATEGY

USAID ECONOMIC PROSPERITY INITIATIVE (EPI)

CONTRACT NUMBER: AID-114-C-10-00004

DELOITTE CONSULTING LLP

USAID/CAUCASUS

SUNDAY, MAY 08, 2011

DATA

Name of Component: *Crosscutting*

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Practice Area*: Access to Finance*

Key Words*: Bank, MFI, Value Chains*

ABSTRACT

The document assesses supply and demand constraints that block a more sustained access to finance for Georgian SMEs, both in agricultural and non-agricultural sectors. Assessment of supply side constraints includes focuses on both commercial banks and micro finance institutions. The document also lays out a comprehensive strategy to mitigate the constraints.

Assessment and development of the strategy were conducted by consultants Jorge L. Daly and Michael McNertney during the period March 7 – April 19, 2011. Irine Salukvadze and Tatia Rogava provided effective support.

ABBREVIATIONS

ABCO	Association of Business Consultants
BAS	Business Advisory Services
CRM	Client Relationship Management
DCA	Development Credit Authority
EBRD	European Bank of Reconstruction and Development
EFSE	European Fund for Southeast Europe
EPI	Economic Prosperity Initiative
FSC	Farm Service Center
GAP	Global Agricultural Practices
IFC	International Finance Corporation
MFIs	Micro Finance Institutions
MIS	Management Information System
MSME	Micro and Small Enterprises
NBG	National Bank of Georgia
SME	Small Enterprises
VC	Value Chain

CONTENTS

EXECUTIVE SUMMARY

This report consists of an assessment of commercial bank capabilities to serve the SME segment and of the capabilities of micro finance institutions to serve micro enterprises, especially those operating in the agricultural sector. It also lays out a comprehensive access to finance strategy that will inform next activities in the EPI Project which is more richly detailed in Annex II of this document.

SME BANKING ASSESSMENT

While Georgian banks have made significant progress and are displaying a serious commitment to SME banking, they are still in a relatively early stage of translating this commitment into a comprehensive SME banking program along the lines of international best practices. To wit:

- Client relationship management is in an early phase of evolution in SME banking in Georgia at present per all indications. While there is acknowledgement in principal of the need to approach clients on a “multi-product” basis and to tailor financial solutions to client needs and characteristics, there is a lack of adequate tools with which to optimally do so it would seem. Management and client information systems seem ad hoc and rudimentary in most commercial banks seen, while SME client managers still appear to focus overwhelmingly on credit versus a broader range of financial products and services.

- The Georgian banks are now utilizing a credit approach that involves appropriate SME risk evaluation, per all indications. This is an enterprise focused approach to credit and is based on borrower business viability/repayment capacity/cash flow analysis and other proper enterprise credit criteria. However, the credit risk approval process could use some major upgrading. While SME client managers are quite correctly assisting financially unsophisticated SME’s to construct financial statements (balance sheets, income statements, cash flows etc.), these client managers largely lack – with some exceptions - adequate toolkits with which to do so. Credit approval is still largely centralized in credit committees at the head office level, and approvals done in a traditional bureaucratic and “paper based” fashion.

- There appears to be a lag in developing an SME tailored menu of products and services in Georgian banks with SME business ambitions, which could be seen as a by-product of a generalized lack of client relationship as well as marketing culture.

- Investments in such things as Corebank and Customer Relationship Management (CRM MIS) and Automated Credit Processing infrastructure and systems is sorely needed, as certain of the banks themselves have admitted.

There is a very pronounced willingness and excellent potential for joint collaboration between a number of SME focused commercial banks as well as financial oriented consulting firms or other institutions with the project. No less than six banks, the Association of Business Consulting Organizations of Georgia, the EBRD BAS Program and Caucasus University (all of whom were seen in the course of this visit by the consultants) are cases in point. All expressed keen interest in formal alliances and joint collaboration with EPI.

MICRO FINANCE ASSESSMENT

NBG regulation of MFIs is self-described as “light touch” which means based on the application of minimalist government intervention principles. There are 54 registered MFIs. However, only 6 of these can be considered as “true” MFIs, that is, entities that operate according to internationally recognized practices of micro finance. These are the following: a) CREDO; b) FINCA; c) Crystal; d) Finagro; e) Lazika Capital; and f) Alliance Group. In addition to this, there are two commercial banks that extend micro loans – Procredit and Bank Constanta. The six MFIs are affiliated to international networks and supported by reputable international partners in the world of micro finance. Some of them have or about to have DCA agreements (Crystal and Alliance Group) and others even have access to lines of credit from a major donor such as the EBRD (Credo, FINCA and Crystal). Therefore, given these facts, it is not unreasonable to surmise that the entities have a grasp of internationally recognized micro finance best practices and that they apply them, some to an acceptable degree, others to a lesser degree.

MFIs operate both in urban and rural areas. An important strength of the sector lies in its vast network in rural localities. It is estimated that 27% of the total MFI loan portfolio is composed of agricultural loans, which compares very favorably with the 3% registered in the total commercial bank portfolio. However, MFIs operate in this critical economic sector under business climate conditions that are not precise optimal. The core of their clienteles is constituted by small farmers who sell part of their output to collectors or in the spot market. In general, the productivity of small farmers is very low. They carry the legacy of Soviet times that privileged quantity over quality. Only a minority of producers are GAP (global agricultural practices) certified. And their associations, when they exist, are generally weak and donor-driven.

A most serious constraint relates to MFI inadequate access to funding for on-lending operations. In the mid to long term, we believe that sustained expansion of credit volumes will be arrested without increased availability of local-currency sources of funding. Fortunately, there are promising developments, the most important being plans hatched by Germany’s KfW to establish, in conjunction with the EBRD, a 20 million euro facility that will target small agricultural producers via MFI channels. Equally important is the intention of that German bank to open an office in Georgia that will manage operations of the recently capitalized Luxembourg-based EFSE, one of the largest regional micro finance funds in the world. EPI will coordinate with KfW to develop focused assessments, feasibility studies and action plans aimed at leveraging these important resources to the benefit of small and medium enterprises of the agricultural value chains.

There are potential engagements of EPI technical assistance to MFIs that are tangible and promising. These include partnerships with Alliance Group to speed up investment projects in the construction of greenhouses, with CREDO to scale up loans to small farmers, and with Crystal to introduce mobile banking.

ACCESS TO FINANCE: ASSESSMENT AND STRATEGY

This report is divided into three sections. The first consists of an assessment of commercial bank capabilities to serve the SME segment. The second section focuses the assessment in the capabilities of micro finance institutions (MFIs) to serve micro enterprises, especially those operating in the agricultural sector. And the third section lays out a comprehensive access to finance strategy that will inform next activities in the EPI Project.

SME BANKING ASSESSMENT

According to the National Bank of Georgia, the total loan portfolio of commercial banks in Georgia rose to GEL 6.3 billion as of the end of FY2010 from GEL 5.2 billion in 2009, representing an increase of 20%. Initial analysis revealed that 77.2% of all loans were for GEL 1,000 or less and 97.8% were for GEL 20,000 or less. This suggests that a large percentage of loans disbursed by commercial banks are in the amounts often utilized by micro and small enterprises (MSME). Furthermore, the largest borrowers (with loans in amounts larger than GEL 100,000) account for only 0.5% of the total number of loans.

While much of the preceding small loan portfolio are nominally individual retail or consumer loans, they are perceived as being disguised MSME credit. This is often the situation in banking systems that are transitioning toward a more SME focused orientation as the Georgian system seems to be doing at present.

SME BANKING IN GEORGIA VERSUS INTERNATIONAL BEST PRACTICES

International best practices (in emerging market settings) require ownership and commitment at the highest levels of bank management to developing an SME banking initiative. A banking institution must perceive SME banking as a high priority *business* (versus social responsibility) initiative. These practices also require a systematic and multi-faceted approach to building an SME organization, one that involves developing a number of mutually reinforcing components that come together to form a comprehensive SME operating platform.

These components include the following:

- Establishing a specialized and formal ***SME Area*** within an institution, assuming one does not already exist: It is important that this area have dedicated leadership, human/budgetary resources, infrastructure, systems, and incentives.
- It is important that the aforementioned area have a functional ***SME Culture***; a culture that is sensitive and responsive to SME client characteristics as they *are*, as opposed to what one might think they ideally ought to be. It is particularly important to have an SME client management contingent that is close to (at the branch level), understanding of and empathetic with their SME clientele.
- Proceeding from the point before, it is important to have a ***Consultative or "Solutions Based" Approach to SME Client Relationship Management*** case by case: an approach that seeks to assess and understand an SME client's financial

condition, as well as their broader business and risk characteristics properly, and one that seeks to apply credit or other (non-credit) products as "financial solutions" to actual SME customer needs. In dealing with this segment, a bank should *not* adopt a "financial product sales" approach that is geared to meeting sales or volume quotas, as is oftentimes the approach with retail and consumer banking. This latter approach is not only inappropriate, but can even be quite dangerous in an SME or "enterprise banking" context. A "financial solutions" approach is truly imperative.

- An *SME Specific Credit Risk Management Methodology* is another key element of a functional SME platform: one that factors qualitative as well as quantitative elements into a comprehensive risk classification for each client. Such a methodology must be able to deal with such common SME characteristics as informality, lack of transparency and financial illiteracy. Despite these limitations, the SME clients concerned may well be viable and creditworthy. The SME risk management methodology should serve to help the bank to make that determination.

- *An SME Specific Menu of Products*, ranging from short-term working capital to trade finance to medium term investment credit, coupled with non-credit services such as cash management, electronic banking/payments, and other such items. It is important that the SME segment represent *multi-product potential* to a financial institution for it to be a high business priority. Fee income (from non-credit products) is every bit as important as net interest income (from credit products) in justifying an SME business platform at a large financial institution.

- *Teamwork between the SME Client Management and Risk Areas*. It is critically important that these two areas coordinate well and understand each other's goals and parameters clearly. SME initiatives have foundered on adversarial and unconstructive relations between these two key areas.

- *Automated Transaction Processing and Management Information Systems* are critical to enable SME client management, product, and risk personnel to handle a large volume of SME clients efficiently and profitably.

While Georgian banks have made significant progress and are displaying a serious commitment to SME banking, they are still in a relatively early stage of translating this commitment into a comprehensive SME banking program along the lines described above.

We will comment briefly on the status of Georgian SME banking using each of the key elements mentioned above for benchmarking purposes.

- SME Area. Many Georgian banks have now established SME areas, notwithstanding the fact that there is a wide variety of SME definitions and parameters institution by institution. SME unit characteristics and market strategies tend to vary bank by bank as a result. While such units are just beginning to take root, at least there seems to be growing recognition of the importance of the SME segment and the need to approach such business on a specialized and focused basis. There seems to be solid recognition of the importance of this segment and commitment to pursuing SME business at the highest management levels of Georgian banks.

- SME Culture. There appears to be a growing recognition of the attributes of the SME segment and the need to tailor SME banking approach to these realities (such as informality, financial illiteracy, family business syndromes and the like) as they *are*. SME unit managers seen in Georgian banks appear to recognize this, though have yet to fully incorporate a client management model that is optimal (see below).

- SME Client Relationship Management and a "Financial Solutions" Based Orientation. Client relationship management is in an early phase of evolution in SME banking in Georgia at present per all indications. While there is acknowledgement in principal of the need to approach clients on a "multi-product" basis and to tailor financial solutions to client needs and characteristics, there is a lack of adequate tools with which to optimally do so it would seem. Management and client information systems seem ad hoc and rudimentary in most commercial banks seen, while SME client managers still appear to focus overwhelmingly on credit versus a broader range of financial products and services. It must be said, in fairness, that the credit approach that most banks now appear to be adopting is predicated on proper SME credit and finance criteria (see risk management section below).

- SME Specific Credit Risk Management Methodology. The Georgian banks are now utilizing a credit approach that involves appropriate SME risk evaluation, per all indications (one that while still requiring collateral, is not primarily predicated on it according to banks that were interviewed). This is an enterprise focused approach to credit and is based on borrower business viability/repayment capacity/cash flow analysis and other proper enterprise credit criteria. However, the credit risk approval process could use some major upgrading. While SME client managers are quite correctly assisting financially unsophisticated SME's to construct financial statements (balance sheets, income statements, cash flows etc.), these client managers largely lack – with some exceptions - adequate toolkits with which to do so. The credit process appears to be a manual and laborious one in most institutions seen, versus an automated and streamlined one as in more advanced emerging market settings (more on this below). Credit approval is still largely centralized in credit committees at the head office level, and approvals done in a traditional bureaucratic and "paper based" fashion. There is additionally a serious lack of data on the Georgian SME segment in the market at large, not to mention a lack of industry specialized knowledge and expertise in Georgian banks as a general rule (again, with some exceptions) - all of which mitigates against the development of an SME credit scoring system, which is what the system should be aiming to develop. This collectively has the effect of keeping transactions costs quite high and credit turnaround times on the lengthy side for SME clients in Georgia. Additionally, all the banks still impose collateral requirements ranging from 80 to 130% of principal amounts at present for credits above the micro level (stemming from NBG provisioning criteria). Notwithstanding all the above, the credit focus and approach is still trending markedly in the right direction – toward enterprise viability and repayment capacity analysis. It should additionally be noted that substantial SME credit training has been provided in recent years to Georgian banks by the likes of Shorebank and the IFC. In the institutions seen by the consulting team, the rate of approval of SME credit proposals stands around 80%, which indicates that client screening and SME credit preparation is functioning reasonably well. Non performing loans are also at reasonable levels (not exceeding 2% according to the banks contacted).

- SME Specific Menu of Products Here again, there appears to be a lag in developing an SME tailored menu of products and services in Georgian banks with SME business ambitions, which could be seen as a by-product of a generalized lack of client relationship as well as marketing culture. Nonetheless, there is a basic set of credit and non-credit services (borrowed from other areas of the banks per all appearances) which is probably adequate to satisfy fundamental SME financing needs at present. There is short-term working capital and trade finance, as well as medium to long-term investment credit (the latter via donor funding as well as DCA guarantee facilities to certain institutions).

- Teamwork between the SME Client Management and Risk Areas This does appear to apply at present in Georgian banks that were seen on this visit. SME client managers do appear to understand the risk criteria the banks are applying currently and to be tailoring their credit proposals accordingly. The high rate of proposal approvals (ranging from 70% to 80% at banks seen) appears to underscore this fact. Under present circumstances of a less than optimal SME credit processing apparatus at most institutions, the risk and client management teams do seem to be coordinating well. Client managers also appear to understand the need to monitor client repayment as well as credit extension properly.

- Automated Credit Processing as well as Client/Management Information Processing Systems. This is a serious deficiency in the Georgian SME and broader banking system at the present time, per all indications. Investment in such things as Corebank and Customer Relationship Management (CRM MIS) and Automated Credit Processing infrastructure and systems is sorely needed, as certain of the banks themselves have admitted. How quickly this investment will be made is a whole other question, as some of the banks also admitted that budgetary resources for such investments were quite limited.

MAJOR GEORGIAN SME BANKS

Basic attributes of Georgian SME oriented banks are described below. While exhaustive analysis has not been undertaken at the individual level, all the banks below were seen and interviewed, and the findings of these meetings are briefly summarized in the following:

1. Bank of Georgia. This is the largest bank in Georgia (total loans: 2.248 GEL) with a strong commitment to SME lending in both the agricultural and non agricultural areas. They claim they wish to overtake Procredit Bank as the leader in SME banking. They currently have an SME lending organization consisting of 45 units spread around their 150 branches (which are in all cities of Georgia). These units have from 2 to 15 persons each, according to SME client concentrations. They define SMEs as those companies using from $150,000 to $500,000 in credit each (below that level are “micro-enterprises” and above that are “corporate”) and having up to 5 million lari turnover per year. They are lending to most economic sectors including agriculture. They have an $11-12 million lari portfolio of loans to small farmers, and are interested in becoming more active in agro-processer financing. They currently have roughly 9,000 MSME clients and a 240 million lari portfolio, with an NPL of 2% or lower for that segment. They provide in house training to their SME unit complement which emphasizes MSME financial advisory (including financial statement construction) for financially illiterate small clients. Their credit risk area

has some industry sector specialization (i.e. manufacturing, agro-processing); though much more work remains to be done there. They enjoy donor SME facility support, including from EBRD and KfW.

2. <u>TBC Bank.</u> This is the second largest bank in Georgia (total loans 1.490 million GEL) and like Bank of Georgia, harbors strong SME lending ambitions (and would also like to emulate and improve upon the experience of ProCredit Bank). It is presently majority owned (65%) by a group of donor organizations (IFC, EBRD, DEG and FMO) from whom they enjoy substantial SME facility support. They currently have SME client managers in all their major branches, which they train internally. They consider SME's to be those firms requiring credit in the $50,000 to $1.5 million range and having annual turnover of up to $6 million (below that being micro and above that large corporate clients). They shy away from the agricultural sector but will consider secondary agricultural (i.e. food) processors. They also stress the financial advisory approach as do their competitors, but do not have industry or activity specializations in their SME risk department.
3. <u>Procredit Bank.</u> This is the third largest bank (total loans: 591 million GEL) and the recognized industry leader in MSME finance at present in Georgia. MSME is indeed their core business. They apply lending methodologies and criteria developed by their German parent organization but adapted to local circumstance in Georgia. They stress MSME personnel training/development and evaluation of financial *and* social aspects of their borrowers, and have been prioritizing the agricultural sector in recent months. They consider $200,000 to be the cutoff point for MSME credit and everything above that to be large corporate. They are currently the leading agricultural bank in Georgia with 35 person complement dispersed around the country, which is augmented by agro/coordinators and crop specialized risk managers to ensure proper adaptation of credit products to individual crop seasonality/cash flow. While the overall ag portfolio is still very small in Georgia, Procredit perceives significant growth opportunities with ag producers and processors both. They are particularly interested in ag sector players with serious growth potential (versus subsistence farmers). They see their major competitors in the ag sector as being Bank of Georgia, Constanta Bank and a select group of MFIs.
4. <u>Republic Bank.</u> This is the fourth largest bank in Georgia (total loans: 427 million GEL), and is majority held by the SocGen organization based in France. EBRD has a 10% shareholding and they work closely with them via SME facility support as well as TA. They define SMEs as those firms requiring up to roughly $US 600,000 in credit and having annual turnover of from 1 to 7 million lari (firms falling below those levels are considered micro-enterprises and above them large corporates). They have six industry specializations (food, energy/oil, retail/wholesale trade, ICT, construction and public sector) and also leverage SG industry specialists in France. They stress financial advisory with their MSME staff but do not appear to be as organized or focused in their SME organizations as their competitors. They claim to be open to agro-processing while having had some bad experiences in this area in years past (in the dairy industry especially). They seem quite attuned to the managerial and technical weaknesses in the MSME segment in Georgia and expressed the view that EPI financial advisory could make a real difference in enabling certain small firms to gain access to credit.

5. BasisBank. A relatively small Georgian bank (total loans: 65 million GEL) with EBRD holding a 15% shareholding (with option to increase to 25%). They enjoy substantial donor facility support (including a DCA facility) and claim that 40% of their portfolio is to the SME segment. They currently have 15 SME staff in 4 of their branches (3 in Tbilisi, 1 in Batumi), whom they train internally. They define SMEs as firms having annual turnover up to $5 million. They are open to lending to segments such as apparel, tourism, transport, packaging and agriculture. They currently lack industry specialization to this point. They seem keen to increase their agricultural activity in particular (we separately met with a dairy processor who is a long standing client of this bank, with a 10 year investment credit at very competitive terms). They currently have 266 SME clients (though some of their SME clients are handled by their corporate areas by virtue of having long standing relationships with the bank). Here again, they appear to use the MSME financial advisory approach with their small clients.
6. Kor Standard Bank. This is another smaller bank (total loans: 170 million GEL) owned by an Abu Dhabi based business organization. They do not have a formal MSME area, but handle such clients via their retail or corporate loan areas (smaller firms in the former, larger ones in the latter). They assist small firms to construct financial statements, with 7 SME client managers based in Tbilisi, who travel to other centers occasionally. They try to compete on interest rate and service, and are seen as a second or third tier bank by large corporate clients.

Other marginal MSME partners might include Kartu Bank, VTB Bank and Liberty Bank.

REGULATORY/ENABLING ENVIRONMENT

The SME bank regulatory and enabling environment has been characterized as generally positive according to banks and other parties seen on this visit. The banking regulatory body, the National Bank of Georgia (NBG), is perceived as being competent, effective and progressive. It has adopted risk based supervision and is guided by the principles of Basel II, and the standards applied are as strict if not stricter than those in more developed settings, as regards such things as capital adequacy and minimum liquidity requirements. No issues of concern were raised by banks seen other than the NBG treatment of collateral (which can be used to influence loan loss provisioning levels), which mitigates in favor of continuing insistence on collateral (despite proper enterprise credit evaluation methodologies). There seem to be no major concerns vis a vis collateral registration (through the property registration bureau) and court rulings; though we gather there are some issues related to forcible repossession of collateral. There is a functioning Credit Bureau (albeit one limited to individuals with up to $100,000 in debt), and a Banking Association which is positively regarded – at least as a focal point for lobbying on issues of common concern to banks. The Association receives technical assistance from the Greek Banking Association, and has a technical cooperation agreement with the Caucasus University.

SME (DEMAND SIDE)

The Georgian SME segment is characterized by many of the same attributes one associates with this segment in other countries around the world. Informality, lack of managerial/technical/financial capacity, the absence of financial statements and a dearth of financial/business planning are but some of these characteristics. Notwithstanding these deficiencies, there appears to be a growing number of entrepreneurial SMEs with successful track records and solid future potential. Financial institutions are increasingly on the lookout for such clients, even while their credit and client management approaches are geared to the typical SME characteristics such as those described above. Basic financial advisory is one of the cornerstones of Georgian SME banking, as has been highlighted in some of the prior sections, precisely in order to deal with the characteristics described herein. Comments from donors, financial institutions, industry and trade associations and other stakeholders – as well as a number of SMEs seen and interviewed directly – were all consistent in this regard. The trend is clearly in the right direction.

FINANCIAL ADVISORY

While there have been a number of (mainly donor funded) initiatives geared to developing SME oriented business advisory/consulting firms in Georgia, this is an area still in need of further expansion and improvement. In the financial advisory area especially, while there have been a number of activities under the auspices of such entities as USAID, the EBRD BAS (Business Advisory Services) Program and the Association of Business Consulting Organizations (ABCO) of Georgia, there is still a limited cadre of seasoned SME focused financial advisors in Georgia. ABCO mentioned knowing of roughly 20 in its network while the EBRD BAS Program has a limited number of financially oriented member firms in its own network. There is a pool of potential financial advisors in local business schools as well, including faculty and fourth year students majoring in business/finance. These candidates are likeliest to be found in certain private universities, such as Caucasus (who expressed an interest in a possible internship program with EPI). There is, however, a lack of regional capacity in this connection, as most business and financial consultants are concentrated in Tbilisi. We were advised that it is common for them to travel around the country to engage in financial consulting nonetheless.

OPPORTUNITIES FOR EPI

There is a very pronounced willingness and excellent potential for joint collaboration between a number of SME focused commercial banks as well as financial oriented consulting firms or other institutions with the project. The six banks cited above as well as the Association of Business Consulting Organizations of Georgia, the EBRD BAS Program and Caucasus University (all of whom were seen in the course of this visit by the consultants) are cases in point. All expressed keen interest in formal alliances and joint collaboration with EPI. EPI project personnel and local consultants have separately documented these organizations' attributes and potential value to project value chain initiatives in greater detail.

The strategy section at the end provides a detailed action plan for harnessing these resources toward project ends on a systematic and win-win basis. Major benefits for the banks would consist of industry focused lending expertise and product development, while for financial advisory providers it would consist of hands on experience in financial technical assistance.

MICRO FINANCE ASSESSMENT

We approach this assessment with focused analysis of three layers: a) the legal and regulatory environment – the macro level; b) infrastructure that support the industry – the meso level; and c) operations of micro finance institutions (MFIs) – the micro level. The section also includes an elementary profile of the clientele they serve; because of the importance of agricultural value chains, the discussion focuses entirely on rural clienteles and the business climate that underpin their activities (the demand side). We close this assessment by highlighting key MFI-specific issues that may be relevant to EPI.

LEGAL AND REGULATORY ENVIRONMENT

NBG regulation of MFIs is self-described as “light touch” which means based on the application of minimalist government intervention principles. As of this writing, there are 54 registered MFIs. However, only 6 of these can be considered as “true” MFIs, that is, entities that operate according to internationally recognized practices of micro finance. These are the following: a) CREDO; b) FINCA; c) Crystal; d) FinAgro; e) Lazika Capital; and f) Alliance Group. In addition to this, there are two commercial banks that extend micro loans – Procredit and Bank Constanta.[1]

Key rules of the legislation include:

- MFIs can register as limited liability companies or joint stock companies by meeting a GEL250 thousand minimum capital requirement.
- MFIs cannot extend loans for amounts that exceed GEL50 thousand.
- There are no ceilings on loan rates.
- Other than credit, MFIs are allowed to extend other financial services, products for insurance companies, money-transfer operations, micro leasing, and currency exchange operations.
- MFIs are barred from taking deposits.
- MFIs are not required to make reserves for non-performing loans.
- Reporting requirements are simple and straightforward (mainly financial statements) and frequency of reporting is quarterly.

The current level of development of the sector justifies the “light touch” approach. One great advantage is that, by not imposing onerous restrictions, MFIs are basically free to experiment with innovations that can lead to enhanced operational sustainability and larger volumes of operations. That said, in the mid to longer term, the industry may suffer from a

[1] It is pertinent to underline that these two entities count with in-house expertise in the analysis and processing of agricultural credit to small farmers and mid –sized processors. As the agricultural sector gains in dynamism, these banks will have a leg up on competitors which will have to devote capital resources to equip themselves with appropriate agriculture-relevant financial technologies.

too-much liberal approach. Put simply, the legislation allows for lumping under the same umbrella "true" MFIs and other outfits, such as pawnshops, which legally can represent themselves before the public as entities engaged in micro finance. To the extent that these and other "untrue" MFIs adopt questionable practices that negatively affect customers, a reputational risk for the true providers is all but impossible to ignore. A modified legislation that does not depart significantly from the "light touch" approach, but with more precise contours and definitions of what constitutes acceptable micro finance practices, and with enactment of additional, simple prudential norms, may be called for. We believe that such a modified approach could indeed nudge the sector into more sustained, healthy growth.

At the request of USAID, the team was asked to inquire how the MFIs viewed the process of transformation into commercial entities, as dictated by the 2006 Law. All the interviewees revealed that the process was, in essence, smooth. To be sure, it was expensive, as some of them had to hire law firms to guide the process and, in one case, not free of protestations from the foundation owners. But the consensus was that the Law was clear enough and enabling to ensure a transparent transformation.

However, the recent government's decision have Constanta Bank forfeit its shares and pay a fine of GEL12 million on grounds that the Foundation of this entity engaged in commercial activities, has rarified the micro finance business climate. Some MFIs have stated that this decision sends the wrong signal, violates principles of rule of law, and saps trust between the government and the private sector.

INFRASTRUCTURE

Georgian micro finance features one trait that could probably be the envy of other countries: a credit bureau is already established and allegedly, it functions well. It provides historical data on all credits below $100 thousand. All the MFIs that were interviewed reported that they regularly and "religiously" make use of the credit bureau when analyzing loans. They state that the credit bureau provides a very useful service. Beyond this however, there are glaring gaps. A micro finance association is virtually non-existent. It has no offices, its director is not paid, and no less than three "true" MFIs are unwilling to become members. Also, a training institute has not been established.

The most serious constraint relates to MFI inadequate access to funding for on-lending operations. Because they do not capture local deposits, MFIs must rely on capital from founders and loans to finance lending operations. To begin with, it is difficult to obtain "easy," reasonably-priced credit because MFIs do not create reserves against bad performing loans. Recourse to credit from local commercial banks is found to be unattractive because terms are far from ideal – rates are high and tenor is short term. As regards external sources of finance, it is to be underlined that MFIs do not seem to have great difficulties in accessing funds from the international organizations that sponsor them, nor from international banks and microfinance investment vehicles that begun populating the industry since the late 1990s. However, these are foreign-exchange denominated loans which usually carry a premium due to increased default risk (related to expectations of local currency depreciation). Unlike the situation in other countries, MFIs can deposit the funds in local commercial bank accounts and draw from them for on-lending operations in local currency. Some MFIs can cover foreign-exchange risk through currency swaps, but the availability of this option seems to be limited in the Georgian financial market.

MFIs pass on the premium to borrowers via higher loan rates, irrespective of the denomination of the loan – in foreign or local currency. One important problem is that many a foreign-currency loan is extended to borrowers who are not engaged in trade-able activities, that is, that they do not generate foreign exchange revenues which, in case of devaluation, would not only make a dent in real incomes of low-income borrowers, but may significantly increase credit risk for MFIs.

In the mid to long term, we believe that sustained expansion of credit volumes will be arrested without increased availability of local-currency sources of funding. Fortunately, there are promising developments, the most important being plans hatched by Germany's KfW to establish, in conjunction with the EBRD, a 20 million euro facility that will target small agricultural producers via MFI channels. Equally important is the intention of that German bank to open an office in Georgia that will manage operations of the recently capitalized Luxembourg-based EFSE, one of the largest regional micro finance funds in the world. EPI will coordinate with KfW to develop focused assessments, feasibility studies, and action plans aimed at leveraging these important resources to the benefit of small and medium enterprises of the agricultural value chains.

MFIS AND INTERNATIONAL BEST PRACTICES

For the sake of simplicity, we make the proposition that internationally recognized best practices are those that meet two basic conditions: a) outreach, that is, the capacity of MFIs to extend large volumes of financial services to significantly large numbers of low-income customers; there is breadth of outreach (numbers of low-income peoples reached) and depth of outreach (relative poverty of those people reached); and b) sustainability, that is, the capacity of MFIs to generate enough revenues to cover operational and financial costs, ideally with no government or donor assistance.

MFIs can meet those two principles when they operate with sound management policies, procedures and control systems according to international best practices, including - but not limited to - the following:

- Business plans that "set road maps leading to the achievement of the MFI's vision, manage expected challenges given the current and future trends of the market, improve the MFI's capacity to structure and allocate resources to achieve set goals, and monitoring the performance of the MFI."[2]
- Board of Directors that guides the MFI to fulfill its mission and provides effective oversight of operations.
- Appropriate human resource policies and procedures, including incentive pay to loan officers based on size and quality of their own portfolios, and the delivery of sustained training programs to loan officers and middle-level managers.
- Risk management specialists.
- Credit manuals with a) clear written policies identifying the controls with respect to the selection of borrowers and the monitoring and collection of loans; b) a description of the client information to be collected and analyzed by the company officers, and c) listing of the documentation required for loan approval and follow-up, and the documentation required to demonstrate the application of appropriate internal control mechanisms.
- Adequate systems to manage the loan portfolio and ensure its high quality.

[2] Micro Save Toolkit

- A reliable and adequate management information system that generates timely and accurate reports.
- Internal audit procedures that assist the management in achieving effective and efficient administration of its fiscal and operating functions.

The 2006 Micro Finance Law forced the six “true” MFIs to adopt a more commercial orientation. This development, in itself, is positive, for it nudges them to become more self-sustainable. Two of them have a sizeable number of customers (CREDO and FINCA) while another two exhibit a very low borrower base (Alliance Group and FinAgro). The remaining two – Crystal and Lazika – are somewhat in between. All operate nationwide except Lazika (Western Georgia) and FinAgro (Eastern Georgia).

The six MFIs are affiliated to international networks and supported by reputable international partners in the world of micro finance. Some of them have or about to have DCA agreements (Crystal and Alliance Group) and others even have access to lines of credit from a major donor such as the EBRD (Credo, FINCA and Crystal). Therefore, given these facts, it is not unreasonable to surmise that the entities have a grasp of internationally recognized micro finance best practices and that they apply them, some to an acceptable degree, others to a lesser degree.

We held approximately 60-minute interviews with each of the six MFIs. Some important highlights of these meetings are presented below:

- Alliance Group is a very promising organization. It has a clear vision and a sound business strategy that commits the entity to focus in small farmers and rural SMEs through micro finance, micro leasing, and capital investments. However, expansion plans are seriously constrained by limited access to external funding.
- Lazika Capital allocates 35% of its loan disbursements to clients that demand credit within a range of GEL5,000 to GEL50,000. Recently, the entity suffered a historic high PAR, above 7% due to loan officer fraud. This MFI reportedly does not have an internal auditor and admits interest in soliciting technical assistance to improve risk management policies and procedures.
- FinAgro concentrates 88% of its portfolio in small agricultural loans. It also lends to small fruit processing companies. However, as noted above, its outreach is very low – 1,600 customers – and is in need of technical assistance in risk management, loan office training, and management information systems.
- Crystal features competent and innovative management, as well as business strategy that will significantly increase operations in the agricultural sector. One interesting feature of the strategy is that it contemplates organizing small farmers into small corporations. Such a plan, which is aligned with the plans revealed by the Ministry of Agriculture, can trigger increased financing to small producers.
- CREDO has mastered financial techniques necessary to reach out to high numbers of small farmers with low levels of default risk. 70% of its portfolio is concentrated in loans below $800 destined to farmers whose holdings are below one Ha. Management of this entity is highly competent and experienced.
- FINCA also caters to very low-income farmers with technologies that are proven and tested worldwide.

In order to assess MFI performance (and, indirectly, application of best practices), we offer below a table that contrasts indicators of three of the best performing Georgian MFIs – Crystal, CREDO and Lazika -- with those of 3 large -sized financial NGOs of Bolivia, a country considered to excel in micro finance. The Bolivian indicators are composite of the 3 entities and are expressed in median values. All data for Georgian and Bolivia's composite financial NGOs are of 2009.

Table 1: Comparison Georgian MFIs and Bolivian Financial NGOs

INDICATOR\MFI	CRYSTAL	CREDO	LAZIKA	BOLIVIA
Balance Sheet				
Assets	$25.6m	$25.3m	$9.9m	$33.7m
Capital/Asset Ratio	24.6%	17.1%	28.7%	45.7%
Debt/Equity Ratio	3.06%	4.86	2.48	1.21
Loan Portfolio/Assets	76.35%	80.8%	56.5%	91.6%
Outreach				
Number of Borrowers	4,534	22,892	8,041	80,600
Gross Loan Portfolio	$4.3m	$20.5m	$5.6m	$31.3m
Average Loan Size	$939	$895	$694	$451
Average Loan Size/GNI per capita	37.6%	33.9%	27.8%	26.7%
Efficiency				
Loans per Loan Officer	137	194	322	422
Cost per Loan	$289	$189	$105	$86
Financial Performance				
PAR > 30 days	2.91%	2.46%	1.68%	1.05%
Risk Coverage	125.2%	52.7%	163%	524%
Return on Assets	4.07%	3.16%	9.1%	3.53%
Return on Equity	15.9%	21.9%	26.8%	9.2%
Operational Self Sufficiency.	117.6%	113.6%	154.8%	111.9%

Source: Mix Market, 2009 Data

Remarkably, the three Georgian MFIs best the Bolivian composite of financial NGOs with respect to return on assets, return on equity and operational self sufficiency indicators. However, they do not compare favorably regarding other very important indicators: outreach is significantly lower, they are not as well capitalized, they are significantly more leveraged, costs per loan are higher and risk coverage on loans of doubtful recovery is lower than that exhibited by the Bolivian outfits.

RURAL CLIENTELE (DEMAND SIDE)

MFIs operate both in urban and rural areas. An important strength of the sector lies in its vast network in rural localities. It is estimated that 27% of the total MFI loan portfolio is composed of agricultural loans, which compares very favorably with the 3% registered in the total commercial bank portfolio. MFIs operate in this critical economic sector under business climate conditions that are not precise optimal. In fact, as documented by so many studies and corroborated by our interviews,

- For many years the government handed agriculture a treatment that can be dubbed, at best, of one of benign neglect. Recently, probably alarmed by increasing food prices worldwide, the government has finally announced its intention to develop a policy for the economic development of agriculture. As of this writing, the process is still in the works.
- Land holdings are fragmented and subsistence farms exist aplenty.
- Rural areas are populated not by the young, but old people. Average age is above 50.
- Rural infrastructure is still weak, in poor state, especially irrigation and roads (though this is slightly improving). Electricity supply however is fine.
- There exist moveable and un-moveable property registries. Banks can legally repossess collateral, but execution and enforcement are problematic.
- The land market is free. Yet, land collateral is not viewed as attractive because appraisal of true market value is not easy.
- There is a dearth of local expertise needed to conduct feasibility studies.

On a more positive note, there are signs of increasing foreign investor interest in acquiring farm holdings. EBRD reports frequent visits of investors from India, South Africa, Israel, Iran and Turkey that conduct due diligence on prospective acquisitions. The Ministry of Agriculture also reports that sales of public and private land have already materialized. This ministry is reportedly intent on creating a guarantee fund that would target medium scale producers (defined as those owning more than 5 Ha of land) as well as small producers (1 Ha), provided they organize themselves in groups. The ministry has requested EPI for technical assistance to define the protocols of the guarantee fund, and to develop incentive mechanisms for small producers to associate.

MFIs can offer loans to finance the building of small greenhouses but the core of their clienteles is constituted by small farmers who sell part of their output to collectors or in the spot market. In general, the productivity of small farmers is very low. They carry the legacy of Soviet times that privileged quantity over quality. Only a minority of producers are GAP (global agricultural practices) certified. Their associations, when they exist, are generally weak and donor-driven. Amazingly however, small farmers are good credit risks. Some MFIs report that PAR in agricultural portfolios is better than non-agriculture loans. Procredit, which holds 50% of total bank loans to the agricultural sector, offers figures: in 2010, PAR in agriculture loans was 0.78%, lower than the 2% posted on non-agricultural portfolio.

Procredit and CREDO have plans to leverage Farm Service Centers (FSCs) to increase their penetration into the small farmer niche. They do so by posting loan offices in the FSCs during peak days of the week. In this way, FSCs can potentially catalyze the joint delivery of financial services and non-financial technical assistance. EPI can further impulse this process by extending technical assistance to the FSCs themselves, say improving their capacities to deliver business development services to small farmers, introduce standards for certification, and broker the development of purchase order finance.

OPPORTUNITIES FOR EPI

Potential engagements of technical assistance to MFIs were identified. These include but are not limited to the following:

- Alliance Group's Agro Capital takes equity investments in the agricultural sector for up to $50 thousand. EPI can develop financial templates for investments and loans that finance construction of greenhouses and thus facilitate a more agile process of investment decisions.
- CREDO has signaled intent to scale up loan sizes provided it receives technical assistance from EPI to train loan officers and risk managers.
- Crystal is planning to introduce mobile banking. EPI, through, a grant, could finance a pilot program.

STRATEGY[3]

Based on our assessment of the actors with whom and the setting in which EPI must operate, as well as the objectives the project must meet, we are proposing the following set of recommended activities. These activities jointly constitute a comprehensive *access to finance strategy* which is:

- Holistic, with Diverse yet Mutually Reinforcing Elements
- EPI Value Chain Focused
- Geared to Enabling an Accelerated Start to EPI Finance Related Activities
- Systematic yet Flexible and Pragmatic

BACKGROUND

This strategy consists of four complementary sets of activities, these being (a) financial advisory, (b) bank/micro-finance institution engagement, (c) financial product development and (d) regulatory/enabling environment improvements.

[3] A step by step action plan of this strategy is spelled out in Annex II of this Report

While all four sets of activities are inter-related and overlap, the financial advisory and Bank/MFI engagement activities are especially intertwined. This is the key nexus of the strategy. Many of the financial advisory events could fit under the bank engagement heading and vice versa. It is critical to the strategy that this nexus between EPI financial advisors and partner banks and MFI's work well.

The strategy involves identifying, developing and deploying a set of dedicated project financial advisors to work in tandem with (to be designated) EPI partner banks and micro-finance institutions toward securing needed financing for agricultural and non agricultural value chain participants involved in diverse EPI initiatives.

In addition to these specific interventions there are a range of supporting actions that involve developing industry and activity based financing expertise, new credit products, heightened awareness of regulatory and legal issues relating to MSME finance and better mutual understanding/engagement among the actors and stakeholders of the current MSME finance ecosystem in Georgia.

Activities and basic time frames are stipulated in the following sections. A more detailed breakdown of activities, dates and personnel concerned is attached in an excel spreadsheet.

ACTIVITIES

Financial Advisory (in support of EPI Agricultural and Non Agricultural Value Chain Initiatives)

1. Definition of Program Content and Job Descriptions for EPI Financial Advisors (May 2011)
2. Publish ads/solicitations for local EPI financial consulting/advisory candidates (senior/junior) through local media/universities/Association of Banks of Georgia/Association of Business Consulting Organizations of Georgia/other mediums as pertinent. (May 2011)
3. Initial Selection of Cadre of Financial Advisors (June 2011)
4. EPI Financial Advisory Methodology Development (to include tools for financial management, business project feasibility analysis and project forecasting/planning, as well as familiarization/cross fertilization with prospective partner MFI/bank credit templates and methodologies). (June 2011)
5. Training Event for EPI financial advisors in EPI approach/methodology. (June 2011).
6. Development of Greenhouse/Cold Storage Financial Templates for use with SMEs and/or Financial Institutions. (August 2011)
7. Implementation of specific financial interventions in support of EPI agricultural and non-agricultural value chain initiatives. (Intermittent/ongoing – September 2011 to April 2012)
8. Preparation and Delivery of “Lessons Learned” event for Partner Banks/MFI's based on experience to date. (March 2012)
9. Focused Training of Banks/MFI's in activity specific (i.e. crop, apparel, etc.) or MSME generic risk analysis, hinging on needs analysis and partner bank/MFI preferences at time. (Intermittent – November 2011 – March 2012)

10. Generic Financial Training of EPI VC affiliated SMEs (quarterly – January to April 2012)
11. Preparation/Holding of Matchmaking Event for SMEs, banks, private equity funds, other pertinent partners. (February 2012)

Bank/Microfinance Institution Engagement

1. Formal introductory event for EPI Project with financial sector of Georgia, to include financial institutions (banks, MFI's, leasing companies, etc.), government regulatory entities, donors, and other stakeholders. Expressions of interest from prospective bank/MFI partners to be solicited. (June 2011)
2. Selection of bank/MFI partners, drafting and signing of MOU's with each of these. (July 2011)
3. Design of agricultural value chain specific finance plan with bank/MFI partners. (July 2011)
4. Design of non-agricultural value chain specific finance plan with bank/MFI partners. (July 2011)
5. Preparation for and conduct of an event for banks/MFIs in best practices in select EPI agricultural and non-agricultural value chain finance. (August 2011)
6. Preparation and delivery of workshops for farm service centers in financial needs/best practices of rural SME clients. (August 2011)
7. Specific interventions in support of diverse EPI initiatives, in close coordination with EPI financial advisors. (Beginning September 2011, see item 7 in section under Financial Advisory, above).
8. Evaluation of action plan. (February 2012)

Financial Product Development

1. Assessment of an event (for banks/MFIs, other stakeholders) focused on World Bank study of agricultural financing needs in Georgia (study currently in process). (November 2011)
2. Assessment of new credit product needs of EPI Agricultural/Non Agricultural value chains; preparation and delivery of training focused on new credit product issues and development requirements (for banks/MFIs). (Intermittent/ongoing – November 2011 through January 2012).
3. Design/introduction of new credit products with partner banks/MFIs (for EPI agricultural and non-agricultural value chain application). A number of possible products ranging from purchase order and/or warehouse receipt financing to agricultural and non-agricultural credit guarantee mechanisms might be considered based on value added/needs assessment. (Intermittent/ongoing January through April 2012)

Regulatory/Enabling Environment

1. Georgian SME and Banking Association capacity building via periodic financial training for SMEs (January and April 2012).
2. SME lending regulatory review based on EPI experience with partner banks to date. (January 2012)

3. Micro-finance law status and regulatory review. (January 2012)
4. Assistance to Ministry of Agriculture on small farmer commercial association and agricultural credit guarantee fund development. (Intermittent/ongoing from August 2011 through March 2012)
5. MFI wholesale finance facility evaluation/design geared to addressing local funding limitations of MFIs. (Intermittent from January through March 2012).
6. Preparation for/delivery of MSME finance event for EPI value chain participants, financial institutions, SME and banking associations, regulatory entities and other project stakeholders – to focus on status and issues of MSME finance in Georgia based on EPI experience to date. (February 2012).

ANNEX I

LIST OF INTERVIEWS

ASSOCIATIONS AND BUSINESS SERVICE PROVIDERS

Luri Lebadnidze, Chief Executive Officer, Association of Development and Support of MFIs

Kakha Kokhreidze, Vice President, Georgian Small & Medium Enterprises Association (GSMEA)

Levan Kalandadze, Executive Director, GSMEA

George Bagrationi, Executive Assistant, Association of Banks of Georgia

Zurab Gvasalia, President, Association of Banks of Georgia

Severian Gvinepadze, National Program Director, Business Advisory Services Program (EBRD affiliated)

Zurab Kakabadze, Chairman of the Board, Association of Business Consulting Organizations of Georgia

Alexander Gogoberidze, Board Member, Association of Business Consulting Organizations of Georgia

Ana Katamidze, Head of the Board, Association of Young Economists of Georgia

George Tsimintia, Development Department Manager, Association of Young Economists of Georgia

Boris Lezhava, Dean of Caucasus University Business School

DONOR ORGANIZATIONS

Giorgi Kiziria, Senior Country Coordination Officer, Asian Development Bank

Irakli Mekvabishvili, Senior Banker, European Bank for Reconstruction and Development

Elisabed Koiava, Associate Banker Agribusiness, European Bank for Reconstruction and Development

Nino Shanidze, Senior Project Coordinator, KFW Development Bank

Carsten Kilian, Director, South Caucasus Regional Bank, KFW Bank

Thea Gigiberia, Country Representative, International Finance Corporation

Guy Elena, Director, International Finance Corporation

Rezo Ormotsadze, Activity Manager, USAID

Aviva Kutnick, Project Development Officer, USAID

Nino KLumsishvili, Project Management Specialist, USAID

Nandini Harihareswara, Investment Officer, USAID

David Shervashidze, Senior Advisor, Georgia Regional Development Fund (MCC/SEAF)

FINANCIAL INSTITUTIONS

Givi Korenteli, Executive Director, First Credit Union

George Chonishvili, Supervisory Board Chairman, FinAgro

Tamar Lebanidze, Chairwoman of the Supervisory Board, Constanta Bank

Levan Lebanidze, General Director, Constanta Bank

Aieti Kukava, Chief Executive Officer, Alliance Group Holding

Archil Bakuradze, Chairman of the Supervisory Board, Crystal Micro Finance Organization

Ljiljana Spasojevic, Chief Executive Officer, CREDO Micro Finance Organization

Irakli Khatiashvili, Deputy Head of SME Department, Bank of Georgia

Beso Jikurauli, Head of Corporate Portfolio Management Department, Bank Republic

Konstantine Chanturia, Team Leader of Portfolio Management Unit, Bank Republic

Rati Gamezardashvili, Credit Manager, Batumi Branch, Procredit Bank

Ketevan Burduli, Head of Small Business Division, Procredit Bank

Shalva Chikawa, Agro Loans Coordinator, Procredit Bank

Ani Skhirtladze, Relationship Manager, Basis Bank

Eka Machaidze, Head of SME Department, Basis Bank

George Jgharkava, Head of Corporate Banking, Kor Standard Bank

Vusal Verdiyev, Chief Executive Officer, FINCA

Giorgi Mirotadze, Chief Financial Officer, FINCA

Besik Shengelia, Lazika Capital, Micro Finance Organization

Thea Lortkipanidze, Deputy General Director, TBC Bank

Natia Vacharadze, SME Credit Products Manager, TBC Bank

PRIVATE SECTOR COMPANIES

Giorgi Mindiashvili, Commercial Director, Agro Georgia G.

Zaur Phutkaradze, Director, Farmer's House Ltd (Adjara)

Anzor Gogitidze, Ango-XX1 Ltd

Paata Gogoladze, Chairman of the Board, BPG

Tengiz Mchedlidze, Export Manager, BPG

Natia Tavartkiladze, Manager, Alta Software

Irakli Tushishvili, Executive Director, Alta Sofware

Nino Zamabkhidze, Georgian Diary Business Zone, LLC

Mr.Mirian Dzvelaia, "Ecopex" LLC-Hazelnut Processing

Edisher Sanikidze, "Laurus" LLC – Bey Leaf

I.E. Giorgi Mindiashvili, Manager, Farm Service Center

PUBLIC SECTOR AGENCIES

Donara Surmanidze, Minister of Agriculture, Autonomous Republic of Adjara

Zviad Archuadze, Head of Agency, Tbilisi City Hall

Manana Tsitisishvili, Non-Bank Institutions Supervision Department, National Bank of Georgia

Otar Gorgodze, Head of Department Supervisory Policy Department, National Bank of Georgia

Konstantine Kobakhidze, Head of the Agricultural Development Department, Ministry of Agriculture

ANNEX II

STRATEGY ACTION PLAN

Action Name	Action Type	Duration	Start Date	End Date	CON or CONe	Name
16600 Access to Finance						
16610 Access to Finance Action Plan Development						
16620 Access to Finance Action Plan Implementation						
16621 General Support						
16622 Financial Leasing (Rafael's work plan)						
16623 Crop Insurance (Edgar's work plan)						
16624 Pension Fund Reform (Edgar's other work plan)						
16625 Access to MFI Credit		Bank and MFI Credit				
16625.1	Financial Advisory -- Ag and Non-Ag VC Initiatives					
Definition Program Content and Job Descriptions	STTA	5	05/02/2011	05/10/2011	CON	
Publish Ads/Solicitations for Fin Adv Candidates	STTA	5	05/10/2011	05/20/2011	CON	
Selection of Cadre of Financial Advisors -- Ag VCs	STTA	5	06/01/2011	06/10/2011	CONe	Jorge Daly
Selection of Cadre of Financial Advisors -- Non Ag VCs	STTA	5	06/01/2011	06/10/2011	CONe	Mike McNertney
Selection of Financial Advisors -- Local Support	STTA	10	05/30/2011	06/10/2011	CON	
Development EPI Financial Methodology Ag VCs	STTA	10	06/01/2011	06/18/2011	CONe	Jorge Daly
Preparation Training Event	STTA	2	06/01/2011	06/18/2011	CONe	Jorge Daly
Development EPI Financial	STTA	10	06/01/2	06/18/	CON	Mike

Action Name	Action Type	Duration	Start Date	End Date	CON or CONe	Name
Methodology Non Ag VCs			011	2011	e	McNer tney
Preparation Training Event	STTA	2	06/01/2 011	06/18/ 2011	CON e	Mike McNer tney
Training EPI Financial Methodology -- Local Support	STTA	5	06/01/2 011	06/18/ 2011	CON	
EPI Financial Methodology -- Event	Event (T)	1	06/16/2 011		CON e	Jorge Daly
EPI Financial Methodology -- Event	Event (T)	1	06/16/2 011		CON e	Mike McNer tney
Financial Interventions -- Ag VCs	STTA	35	09/14/2 011	02/29/ 2012	CON e	Jorge Daly
Financial Interventions (Local Support) -- Ag VCs	STTA	60	09/14/2 011	04/30/ 2012	CON	
Financial Interventions -- Non-Ag VCs	STTA	35	09/14/2 011	02/29/ 2012	CON e	Mike McNer tney
Financial Interventions (Local Support) -- Non-Ag VCs	STTA	65	09/14/2 011	04/30/ 2012	CON	
Preparation Lessons Learned Event	STTA	3	03/05/2 012	03/09/ 2012	CON e	Jorge Daly
Preparation Lessons Learned Event	STTA	3	03/05/2 012	03/09/ 2012	CON e	Mike McNer tney
Lessons Learned Event	Event (NT)	1	03/05/2 012	03/13/ 2012	CON e	Jorge Daly
Lessons Learned Event	Event (NT)	1	03/05/2 012	03/13/ 2012	CON e	Mike McNer tney
Focused Training of MFIs	STTA	20	11/01/2 011	03/13/ 2012	CON e	Jorge Daly
Focused Training of MFIs -- Local Resources	STTA	10	11/01/2 011	04/30/ 2012	CON	
Focused Training of Banks	STTA	20	11/01/2 011	02/29/ 2012	CON e	Mike McNer tney
Focused Training of Banks -- Local Resources	STTA	30	11/01/2 011	04/30/ 2012	CON	
Financial Templates -- Greenhouse Investments	STTA	6	08/01/2 011	08/10/ 2011	CON	

Action Name	Action Type	Duration	Start Date	End Date	CON or CONe	Name
Financial Templates -- Cold Storage Investments	STTA	6	08/01/2011	08/10/2011	CON	
Financial Templates Greenhouse Review	STTA	1	08/10/2011	08/15/2011	CONe	Jorge Daly
Financial Template Cold Storage Review	STTA	1	08/10/2011	08/15/2011	CONe	Mike McNertney
Generic Financial Training VC Members	STTA	10	01/09/2012	04/30/2012	CON	
Preparation Matchmaking -- SME Firms and Banks	STTA	10	02/01/2012	02/25/2012	CONe	Mike McNertney
Preparation Matchmaking -- Local Support	STTA	20	02/01/2012	02/25/2012	CON	
Matchmaking Event	Event (NT)	1	02/26/2012		CONe	Mike McNertney
Matchmaking Event	Event (NT)	1	02/26/2012		CONe	Jorge Daly
Matchmaking Event -- Local Support	Event (NT)	1	02/26/2012		CON	
16625.2	Bank/MFI Engagement					
Prospective Bank and MFI Partners -- Event	Event (NT)	1	06/18/2011		CONe	Jorge Daly
Prospective Bank and MFI Partners -- Event	Event (NT)	1	06/18/2011		CONe	Mike McNertney
Event -- Local Support	STTA	10	06/18/2011		CON	
MOU Cooperation Agreements with MFIs	STTA	10	07/13/2011	07/29/2011	CONe	Jorge Daly
MOU Cooperation Agreements with Banks	STTA	10	07/13/2011	07/29/2011	CONe	Mike McNertney
MOU Cooperation Agreements -- Local Support	STTA	10	07/13/2011	07/29/2011		
Design Ag VC-Specific Finance Plan	STTA	20	07/20/2011	08/19/2011	CONe	Jorge Daly
Design Non Ag VC-Specific Finance Plan	STTA	20	07/20/2011	08/19/2011	CONe	Mike McNertney

Action Name	Action Type	Duration	Start Date	End Date	CON or CONe	Name
Ag and Non Ag Finance Plan Local Support	STTA	30	07/11/2010	08/29/2011	CON	
Preparation Event for Banks/MFIs -- Ag VC Finance	STTA	4	08/10/2011	08/17/2011	CONe	Jorge Daly
Preparation Event for Bank/MFIs -- Non Ag Finance	STTA	4	08/10/2011	08/17/2011	CONe	Mike McNertney
Preparation Event -- Local Support	STTA	5	08/10/2011	08/17/2011	CON	
Event for Banks/MFIs -- Ag VC Finance	Event (NT)	1	08/19/2011		CONe	Jorge Daly
Event for Banks/MFIs -- Non Ag VC Finance	Event (NT)	1	08/19/2011		CONe	Mike McNertney
Ag VC Finance Plan Evaluation	STTA	2	02/01/2012	02/02/2012	CONe	Jorge Daly
Non Ag VC Finance Plan Evaluation	STTA	2	02/01/2012	02/02/2012	CONe	Mike McNertney
Workshops to Farm Service Centers (FSCs)	STTA	12	09/19/2011	10/10/2008	CONe	Jorge Daly
Workshops to FSCs -- Local Resources	STTA	20	09/14/2011	10/19/2011		
16625.3	Financial Product Development					
Assessment World Bank Mkt Survey	STTA	3	11/01/2010	11/04/2011	CONe	Jorge Daly
Assessment World Bank Mkt Survey	STTA	3	11/01/2010	11/04/2011	CONe	Mike McNertney
Assessment -- Local Support	STTA	6	10/24/2011	11/04/2011	CON	
Discussion World Bank Market Survey	Event (NT)	1	11/11/2011		CONe	Jorge Daly
Discussion World Bank Market Survey	Event (NT)	1	11/11/2011		CONe	Mike McNertney
Assessment New Product Needs Ag VCs	STTA	20	11/07/2011	02/29/2012	CONe	Jorge Daly
Assessment New Product Needs Non-Ag VCs	STTA	20	11/07/2011	02/29/2012	CONe	Mike McNertney

Action Name	Action Type	Duration	Start Date	End Date	CON or CONe	Name
Assessment Local Support	STTA	30	11/07/2011	04/30/2011	CON	
Preparation Product Need Training	STTA	3	01/09/2012	01/20/2012	CONe	Jorge Daly
Preparation Product Need Training	STTA	3	01/09/2012	01/20/2012	CONe	Mike McNertney
Product Need Training Local Support	STTA	5	01/07/2012	01/20/2012	CON	
Training on Product Needs	Event (T)	1	01/21/2012		CONe	Jorge Daly
Training on Product Needs	Event (T)	1	01/21/2012		CONe	Mike McNertney
Design/Introduction New Ag Products	STTA	20	01/09/2012	02/29/2012	CONe	Jorge Daly
Design/Introduction New Non-Ag Products	STTA	20	01/09/2012	02/29/2012	CONe	Mike McNertney
Design/Introduction -- Local Support	STTA	40	01/09/2012	04/30/2012	CON	
16625.4	Regulatory/Enabling Environment					
SME Bkg Assoc Capacity Building	STTA	10	01/09/2012	04/30/2012	CON	
SME Lending Regulatory Review	STTA	5	01/09/2012	01/13/2012	CONe	Mike McNertney
Micro Finance Regulatory Review	STTA	5	01/09/2012	01/13/2012	CONe	Jorge Daly
Small Farmer Commercial Assoc (with Ministry of Agric)	STTA	36	08/14/2011	03/30/2012	CONe	Jorge Daly
Ag Guarantee Mechanisms (with Ministry of Agric)	STTA	36	08/14/2011	03/30/2012	CONe	Mike McNertney
Local Support to Ministry of Agric Initiative	STTA	36	08/14/2011	03/30/2012	CON	
MFI Wholesale Facility -- (In Coordination with KfW)	STTA	20	01/16/2012	03/30/2012	CONe	Jorge Daly
Preparation MSME Finance Event	STTA	5	02/13/2012	02/17/2012	CONe	Mike McNertney

Action Name	Action Type	Duration	Start Date	End Date	CON or CONe	Name
Preparation MSME Finance Event -- Local Support	STTA	5	02/06/2012	02/17/2012	CON	
SME Finance Event	Event (NT)	1	02/24/2012		CONe	Mike McNertney
SME Finance Event	Event (NT)	1	02/24/2012		CONe	Jorge Daly
SME Finance Event -- Local Support	Event (NT)	1	02/24/2012		CON	

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