2022:37 | Sida Decentralised Evaluation

FCG Sweden

# Mid-term Evaluation of Portfolio Guarantee Georgia between Sida and TBC Bank

Final Report

Sida

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**Final Report**
**October 2022**

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**Sida Decentralised Evaluation 2022:37**
**Sida**

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# Abbreviations and Acronyms

| | |
|---|---|
| CSO | Civil Society Organisation |
| DCFTA | Deep and Comprehensive Free Trade Agreement |
| EU | European Union |
| EUR | Euro |
| GEL | Georgian Lari |
| GFA | Georgian Farmer's Association |
| KII | Key Informant Interview |
| MFI | Micro Finance Institution |
| MSME | Micro, Small and Medium Enterprises |
| MTE | Mid Term Evaluation |
| NBG | National Bank of Georgia |
| OECD-DAC | Organisation for Economic Co-operation and Development - Development Assistance Committee |
| RECP | Resource-efficient and cleaner production |
| SEK | Swedish Krona |
| SME | Small and Medium-sized Enterprises |
| TBC | Joint Stock Company JSC– TBC Bank Georgia |
| USD | United States Dollar |

# Preface

This evaluation was commissioned by the Embassy of Sweden in Tbilisi through the Sida Framework Agreement for Evaluation Services and conducted by FCG Sweden.

The Evaluation Team consisted of Sarah Gray, Knud-Erik Rosenkrantz and Natia Ninikelashvili.

The Draft Final Report was quality assured by Ingela Ternström whose work was independent of the evaluation team. Evelina Eriksson provided project management support.

Acknowledgement: The team wishes to express their sincere thanks to all those who generously gave their time and expertise to assist with this evaluation.

Note: Annex 6 and 8 are not part of this publication due to confidentiality reasons.

# Executive Summary

This mid-term evaluation was conducted to assess the effectiveness of a loan portfolio guarantee facility established in 2018 by agreement between Sida and TBC Bank Georgia. The purpose of the guarantee is to facilitate increased lending by TBC Bank to microenterprises and SMEs in Georgia, with the expectation that improved access to financing will help those enterprises increase sales, profits and employment over time. The facility is revolving and provides for risk sharing during a 7-year period, with a maximum liability of Sida of USD 20 million. The scope of the evaluation is the first three years of the facility, through December 2021.

The facility offers a general 50 percent reimbursement rate to TBC Bank for any losses on qualifying MSME loans, and a higher 60 percent reimbursement rate for losses on loans to three categories of borrowers: start-ups, MSMEs owned by women, and MSMEs that introduce resource-efficient and cleaner production.

### Relevance and coherence in the Georgian context

The guarantee continues to be relevant for supporting Swedish priorities for reform cooperation in Eastern Europe, and for supporting Georgian government priorities regarding economic development and job creation. It aims at mobilising additional private sector funds for MSMEs by offering a Georgian bank a partial portfolio guarantee as a substitute for borrower collateral. Having insufficient collateral remains a key obstacle for many viable Georgian MSMEs to obtain bank loans, and this difficulty is especially common among start-ups and women-owned enterprises.

The Georgian government and international financial institutions sponsor other programs that aim at supporting SMEs in Georgia with grants, loans and technical assistance, and some are focused on narrower sectoral or geographic target groups. The Sida guarantee complements those programs, as it offers the partner bank a simple facility, of a size that is meaningful for the bank, for making unsecured and partly secured loans to MSME borrowers in most sectors and all geographic regions. The revolving nature of the Sida guarantee makes it especially useful to the bank.

### Effectiveness

During the three years 2019-2021, TBC Bank disbursed 1719 guaranteed MSME loans for a total amount of close to USD 72 million. By December 2021, the outstanding balance of guaranteed loans was USD 34.2 million, and the Sida facility was used to 93 percent of its maximum liability limit. These guaranteed loans contributed to the overall growth of MSME lending by TBC Bank, but only by a modest amount. During the guarantee period, the bank's total MSME portfolio increased by 66 percent from 2018 to the end of 2021, at which time the outstanding Sida-guaranteed loans of USD

34.2 million amounted to about 2.5 percent of the total portfolio. Most of the growth in the bank's overall MSME portfolio can be attributed to its general strategy and efforts to grow its MSME lending, independent of the Sida guarantee.

The high utilisation of the guarantee facility reflects in part its fit with the bank's existing strategy to support start-ups and MSMEs. TBC also had good prior experience with other guarantee facilities, and decided early on to embed the facility in its regular operations and staff training.

TBC achieved the agreed target of disbursing 25 percent of the guaranteed loans to start-ups. There was no target for loans to women-owned enterprises, but 21 percent of the borrowers were women. None of the borrowers were enterprises identified specifically as introducing resource-efficient and cleaner production.

At least 24 percent of the disbursed amounts went to "new" borrowers who had not previously borrowed from TBC, and more than half of the loan amounts for new borrowers went to start-ups. This pattern suggests that the guarantee did help to provide start-ups with easier access to finance, a finding that was supported by interviews with a sample of borrowers.

The agreement's targets for loans to start-ups and the priority given to women-owned enterprises may have influenced TBC's outreach and general encouragement to front-line staff regarding those categories of potential borrowers. It is less clear that the higher guarantee percentage for loans to those categories worked as an extra incentive to make those loans.

**Reach:** The majority of borrowers were microenterprises, as two thirds of the guaranteed loans were small, of sizes equivalent to less than USD 50,000. Borrowers were distributed among all major sectors of the private economy, with the trade sector (including retail) receiving 39 percent of the guaranteed loan amounts and agricultural borrowers receiving 21 percent. Most geographic regions were well represented; about one third of all loan amounts were disbursed to borrowers in the capital Tbilisi.

The average tenor of the guaranteed loans was more than 4 years, consistent with about one-half being used to finance capital investments (fixed assets). Two thirds of the loan amounts were denominated in the local currency, with the remaining balance divided among USD and EUR. The lower interest rates applicable on foreign currency loans was their main attraction.

**Additionality and outcomes for TBC and the borrowers:** TBC used the guarantee appropriately as a substitute for traditional collateral. This suggests that there was a high degree of additionality. Interviews with TBC branch and head office staff confirmed that few of these loans would have been approved without the Sida guarantee, and a majority of a sample of borrowers confirmed that their recent loans were substantially larger than any prior loans.

The facility has allowed TBC to expand its lending to microenterprises and small enterprises with limited available collateral beyond what the bank could safely have

done without any guarantee. Since the Georgian bank supervisors accept the Sida guarantee as a valid substitute for hard collateral, the guarantee has allowed TBC to operate within the central bank guidelines regarding unsecured loans while expanding its lending to such borrowers that would otherwise have been rejected. In this way, the guarantee has helped TBC achieve a competitive advantage in the microenterprise market, and to capture new clients from other Georgian banks which operate under the same central bank guidelines.

There is not yet any evidence that the facility has caused TBC to change its general credit policy or practices. Once the guarantee facility is fully used, the bank will presumably request normal levels of collateral from its MSME borrowers; a track record from repaying a guaranteed loan will help, but probably be insufficient to ensure continued access to credit in the absence of collateral. Any credit policy changes will require more time, allowing the bank to document repayments and losses, and possibly persuade bank supervisors to relax certain guidelines. There is a sign that such a process may have begun, as the central bank recently permitted TBC to offer larger loans that are only partially secured, in specified circumstances.

Interviews with a sample of MSME recipients of guaranteed loans suggested very positive early business results for most borrowers, as three quarters of them reported increases in sales, profits and employment as a result of the investments they financed with their loans. These positive reports from the borrowers may in part reflect the fact that most of their loans were disbursed during 2021, a year of substantial economic growth in Georgia and a favourable environment for many MSMEs. It should also be noted that the interviewees were not a random sample, as TBC branch staff played a role in making the interview appointments, so the interviewees are probably among the better-known clients of the branches. For these reasons, it is not possible to estimate the overall impact on all borrower businesses from the first three years of lending under the Sida guarantee. Still, the early signs do suggest very positive results for most of the borrowers.

### Sustainability

It is too early to determine the long-term sustainability of the guarantee benefits, but the default rate on the guaranteed loans has so far been low, suggesting a portfolio of good quality, with likely financial sustainability for borrowers as well as for the bank. Some losses can be expected, but TBC has not yet submitted any claims for reimbursement to Sida. The favourable performance can partly be attributed to the fact that a majority of the guaranteed loans were disbursed during 2021, a year in which most economic sectors of Georgia experienced very good growth.

### Conclusions and Recommendations

The facility is serving as an efficient tool for mobilising private sector funds for Georgian MSMEs. Under the existing limit of the revolving facility, the amount of additional new loans will be constrained to the repayments on previous loans. There is a substantial demand for additional loans to similar viable borrowers, and any possible

increase in the facility limit (the maximum Sida liability) would help provide bank financing for their investments and growth.

The main recommendation is that Sida increase the facility limit, if possible. The Evaluation Team's full recommendations are as follows:

**Existing guarantee agreement with TBC Bank:**

- The guarantee facility has been effective in mobilising private sector funding for the targeted MSMEs, and Sida should consider accommodating TBC's main request for an increase in the maximum authorised loan portfolio amount of USD 40 million and the equivalent guarantee limit of USD 20 million.
- Other TBC requests which Sida should consider favourably include raising the current limit for guaranteed loans per borrower, as well as raising the limit for refinancing of borrowers' existing obligations.

**Future guarantee facilities:**

- Explore whether other Georgian banks might now be interested in a guarantee facility with similar terms.
- Explore with TBC possible technical assistance that would allow the bank to become more effective in reaching the agreed target segments. This could involve assistance to digitisation or to develop products and capacity for RECP lending, including possible targeted efforts at MSMEs in specific subsectors (without waiting for any official definitions of green lending).

# 1 Introduction

## 1.1 BACKGROUND, PURPOSE AND OBJECTIVES

In 2018, Sida entered into a portfolio guarantee agreement with TBC Bank in Georgia. The guarantee was set-up as a loan portfolio guarantee. The total guarantee cover is 50% of the principal amount of each loan, which is increased to 60% for women entrepreneurs, start-ups and environmentally sustainable investments. The maximum authorised portfolio is set at USD 40 million, with the guarantee limit of USD 20 million, and the guarantee has a duration of seven years, from December 2018 to December 2025 (Agreement between Sida and TBC).

A guarantee by Sida is a sovereign guarantee, backed by the Swedish Government[1] and can cover different types of risk, including credit, political, environmental, etc. The guarantee is intended to serve as a catalyst for development purposes; by incentivising the financing institution to lend to clients that are often regarded as higher risk. Sida charges a guarantee fee to TBC Bank which is paid into the Swedish state guarantee service account. The accumulated funds from this service account are then made available for pay-outs to the financing institution in the case of legitimate loan defaults.

### Objective and Purpose

The key objective of this mid-term evaluation was to assess the effectiveness of the portfolio guarantee facility. This assessment was done against the key objectives of the facility: to achieve sustainable micro, small and medium enterprises (MSME) growth that benefits start-ups and women-owned businesses, as well as agricultural enterprises along with agro-businesses, manufacturing, and service sectors and that it promotes employment creation.

The aims of the guarantee are to facilitate increased lending by TBC Bank to existing MSMEs and start-ups in Georgia, improving both the conditions of and increasing the quantity of these loans, thereby stimulating economic growth. The purpose of this mid-term evaluation was to assess whether the portfolio guarantee is achieving its aims and whether Sida should increase the size of the guarantee in line with a request from TBC's management.

## 1.2 EVALUATION OBJECT AND SCOPE

As set out in the ToR for this assignment (see Annex 1) the evaluation encompassed one portfolio guarantee facility provided to TBC bank with specific characteristics and

[1] Sida (2017). Guarantees. Unlocking capital for development efforts

several target sectors. The target sectors were pre-defined in the guarantee agreement between Sida and TBC.

The evaluation object is the portfolio guarantee agreed between Sida and TBC signed in 2018. Therefore, the scope covers a timeframe of 3 years. Considering the timing of this midterm evaluation, activities and results that were achieved until the end of 2021 can be included.

The theory of change for this contribution is based on market catalysing effects which are difficult to isolate due to a large number of influencing factors in the wider economy. It should also be expected that the COVID-19 lockdown will have had a significant impact. The overall desired impact is an increased share of MSMEs contributing to the Georgian economy and a long-term change in the Bank's perception of risk when assessing MSME lending.

The expected output of this intervention is increased lending to the target sectors by TBC Bank and increased profitability and job creation at the level of individual businesses. Changes at the outcome levels are related to increased lending to MSMEs, and in particular to start-ups, women-owned businesses, and those introducing resource-efficient and cleaner production (RECP). The expected economic outcome is improved profitability of MSMEs as a result of increased access to finance and resultant productivity related investments.

The guarantee structure is pari passu; i.e. the risk is shared equally by Sida and TBC Bank, and it is sector-neutral, so borrower enterprises in agriculture, manufacturing, services and trade may all qualify. However, Sida agreed to share 60 % of the risk for loans to women entrepreneurs, start-up enterprises and any loan intended to promote RECP (although none of this latter type have been disbursed to date). According to the agreement, at least 25% of the guarantee should target start-up enterprises (owned by women or men).

TBC and Sida agreed to develop a revolving facility since many loans are of 4-5 years' duration and without this revolving capability the average exposure would be quite low. As a revolving facility, repaid credit is immediately available to be re-loaned using the same guarantee limit of USD 20 million and subject to the maximum authorised Loan portfolio amount of USD 40 million.

## 1.3 EVALUATION CRITERIA AND QUESTIONS

The ToR for this mid-term evaluation contained a number of evaluation questions relating only to the evaluation criteria of effectiveness. In organising the questions within the Evaluation Matrix (see Annex 2) the original evaluation questions from the ToR were retained and some additional questions were added as set out below:

- The evaluation team added the evaluation criteria of relevance, coherence and sustainability in line with the latest guidance from the OECD/DAC[2]. These criteria are covered to a limited extent.
- Relevance discusses whether support to TBC Bank remains relevant to Sida's future strategy in Georgia and whether there are alternative means of achieving the desired outcome.
- Under coherence, the team questions whether the intervention is compatible with government policies in Georgia and whether the intervention is consistent with other actors' interventions.
- Under sustainability, different aspects were included to avoid a narrow perspective on merely financial sustainability. Sustainability was considered at different levels: of the guarantee facility, the financial institution and the end-users as well as sustainability at the level of the finance system in Georgia.
- Under all evaluation criteria, the evaluation team included the experiences of the direct user (the Bank) and ultimate users (MSME owners) of the guarantee facility. These experiences were gathered during KIIs with selected individuals.

The more extensive list of questions relating to effectiveness were as follows:

1. To what extent has the intervention achieved, or is expected to achieve, its objectives, and its results? What mechanisms explains the achievement?
2. Has the intervention led to unintended positive or negative results? If so how and why?
3. Has the M&E system delivered robust and useful information that could be used to assess progress towards outcomes and contribute to learning on financial and development additionality? How could the M&E system be improved?
4. To what extent has the project or programme generated, or is expected to generate, significant positive or negative, intended, or unintended, high-level effects?
5. Will it be value added to increase the guarantee limit?
6. To what extent is the guarantee achieving improvements in lending terms and how does that compare to financial institutions that are not using the guarantee?
7. To what extent is the guarantee value added and filing a gap in terms of access to financial services and the various interventions of commercial banks?
8. To what extent has this facility been articulated and integrated into existing financial sector arrangements? (additional question)
9. How do users assess effectiveness of loan access and use compared to other available alternatives? (additional question)
10. What have been key effects/outcomes that can be directly and indirectly attributed to the facility? (additional question)
11. What intended effects/outcomes have not been achieved and what are the causes for this? (additional question)

[2] The Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC): Better Criteria for Better Evaluation - Revised Evaluation Criteria Definitions and Principles for Use

## 1.4 STRUCTURE OF THE REPORT

Following the executive summary and this introduction (Chapter 1), the report describes the evaluation methodology (Chapter 2) and the evaluation object (Chapter 3). Chapter 4 is the main part of the report. This chapter presents data, analysis and findings related to each evaluation criteria, with a focus on the evaluation questions as set out above and sub-questions. Findings on effectiveness, which are covered extensively, are summarised at the beginning of the relevant sub-section with detailed analysis of many of those findings set out subsequently. Findings on relevance, coherence and sustainability are set out under each respective sub-section. The report ends with a concluding chapter (Chapter 5) and a set of key recommendations (Chapter 6) to the Embassy and Sida. The original Terms of Reference for the assignment and the evaluation matrix are in Annexes 1 and 2. The Evaluation tools and documentation are available in Annexes 3 and 4. Annex 5 lists the persons interviewed and Annex 6 provides some additional tables which analyse TBC's guaranteed borrowers. Annex 7 provides a summary of loan uses from the 40 borrowers interviewed. Finally, Annex 8 sets out the alternative guarantee facilities currently available to some financial institutions in Georgia.

# 2 Methodology

## 2.1 OVERALL APPROACH

The evaluation approach and methods were guided by the ToR and were further elaborated upon in the Inception Report, which was approved by the Embassy in May 2022.

A utilisation-focused approach was pursued whereby the evaluation team has engaged closely with the Embassy throughout the evaluation process. During the inception phase, the Embassy and TBC's senior management were consulted on issues related to the approach and method, including the prioritisation of evaluation questions and the sampling of borrowers for in-depth assessment. During the main data collection phase, TBC staff were interviewed in the capacity of key informants. At the end of the data collection phase, a debriefing was organised, providing an opportunity for the Embassy and TBC's management to provide feedback on (and validate) the key observations and the tentative findings of the evaluation team.

A theory-based approach was adopted which is rooted in the "Theory of Change" (ToC) underlying the programme strategy and design. The theory of change for this contribution is based on market catalysing effects which are difficult to isolate due to a large number of influencing factors in the wider economy. However, the overall desired impact is an increased share of Micro, Small and Medium Enterprises (MSMEs) contributing to the Georgian economy and a long-term change in the Bank's perception of risk when assessing MSME lending. The outcome levels are related to increased lending to MSMEs, women-owned business, resource-efficient and cleaner production (RECP), an improved lending environment and the expansion of borrowing towards MSMEs.

## 2.2 METHODOLOGY

As set out in the Inception Report, the methodology was designed around the evaluation questions, set out in Section 1.3 above and other key issues raised in the ToR. The evaluation team's methodology consisted of the following:

1. **Use of mixed methods**: Through the use of mixed methods more insight can be obtained into process and management aspects and the contribution of the intervention to effects at the level of ultimate target groups. The mixed methods available to the team were primarily a detailed interrogation of quantitative data provided by TBC's loan ledger, key informant and borrower interviews, along with a review of published documentation (see Annex 4);
2. **Participatory approach**: Participation of the implementing partner and direct stakeholders was important at all stages of the process. To ensure that the evaluation

minimised the burden on the stakeholders involved a list of stakeholders to be interviewed was developed and this included branch staff and senior management at TBC Bank, as well as key organisations within Georgia's financial landscape. The final report was the subject of a virtual workshop prior to completion. A step-by-step participation serves multiple purposes: to have a shared understanding of the evaluation approaches and methods, to verify the accuracy of collected data, to understand criteria and logic order/coherence of key findings and conclusions, and usefulness of concrete recommendations;

3. **Balancing accountability and learning**: This evaluation applied a backward-looking perspective to ensure that it could assess the performance of the loan portfolio guarantee and at the same time generate lessons and insights that were relevant to Sida's and the Swedish Embassy in Tbilisi's future strategy;
4. **Multi-disciplinary teamwork**: The evaluation combined specific expertise on finance and loan management with expertise on social and economic development and on institutional arrangements and with expertise in agricultural development (shared among the three core team members);
5. **Gender sensitive**: the team was gender balanced and searched for specific answers from different target-groups and genders in the guarantee facilities.

The evaluation team applied the agreed DAC evaluation criteria to assess the TBC portfolio guarantee in the following ways:

**Relevance** - The evaluation considered whether the guarantee was the correct intervention given the problems that needed to be addressed. In particular, the extent to which the intervention's purpose and design responded to the needs of its beneficiaries, along with the broader institutional need and the country's needs. And whether it is likely to continue to do so.

**Coherence** - The evaluation considered whether the intervention was compatible with other interventions in the financial sector.

**Effectiveness** - The evaluation considered the extent to which the intervention has achieved, or is expected to achieve, its objective of increasing lending to the target groups and sectors as specified in the agreement between TBC and Sida.

**Sustainability -** The evaluation assessed sustainability of the results and impact of the intervention at both the institutional level and that of the borrowers. In both cases, the results are projections that are vulnerable to changing circumstances.

## 2.3 METHODS AND TOOLS FOR DATA COLLECTION

Data collection was carried out through the following mix of methods and tools, allowing for validation, and, where possible, triangulation:

- Desk review of documents, mainly those collected from open sources;
- Key informant interviews with TBC staff members and other stakeholders within the donor and financial services industry in Georgia;

- Borrower interviews with selected recipients of loans provided under the portfolio guarantee.

(An electronic survey of borrowers had been proposed but it was agreed that it would be impractical to implement due to the level of staff involvement from TBC; which would be essential in order to elicit an acceptable level of response.)

Based on the borrower data analysed during the inception phase, the evaluators agreed to sample respondents for the borrower interviews according to a stratified and clustered method, such that agro-lending, women-owned businesses and start-ups are all well represented, whilst ensuring that interviewees are clustered geographically in order to reduce travel time. These groups represent a specific target of the Sida guarantee and therefore needed to be well represented in the final sample. The sample considered loan takers in three most voluminous regions, by guaranteed loans disbursed by TCB, these being: Tbilisi, Kakheti and Imereti. In each of these three regions, the evaluators reached out to loan takers with the assistance of TBC's branch staff.

The clients to be interviewed were not sampled ad-randomly. The identification of specific persons or groups to be interviewed was discussed with each of the branches based on the following criteria which represented the specific target groups for this Sida guarantee:

- Good representation of women borrowers and start-up enterprises, spread over different sectors, being, agricultural, agro-processing, manufacturing, services and trade. No RECP loans were identified.

A review of the data indicated that TBC borrowers could be disaggregated by gender and care was taken to include both male and female respondents in key informant interviews.

### The interviewed sample of borrowers

The evaluation team interviewed 40 borrowers: 19 from Tbilisi (customers of the Gldani, Didube, Saburtalo and Tsereteli branches), 11 from Imereti Region (customers of the Kutaisi, Samtredia and Zestaponi branches) and 10 from Kakheti Region (customers of Telavi and Gurjaani branches). Appointments for the interviews were made by TBC employees who contacted borrowers using prioritised lists prepared by the evaluation team. Most interviews took place at the respective bank branches. This approach did not produce a random sample of guaranteed loan takers, but provided a sample with good representation of major regions, categories (start-ups and women-owned enterprises) and sectors:

**Table 1. Breakdown of Borrowers interviewed**

| | | |
|---|---|---|
| **Category:** | Start-ups (< 3 years) | 10 |
| | Women-owned (including 3 start-ups) | 7 |
| | Male-owned, not a start-up | 26 |
| **Sector:** | Agriculture | 5 |
| | Manufacturing | 5 |
| | Service | 8 |
| | Trade | 22 |
| **New/Old Borrowers:** | New Borrowers at TBC | 8 |
| | Old Borrowers at TBC | 32 |
| **Loan currency and status:** | Loan in GEL | 29 |
| | Loan in USD or EUR | 11 |
| | Loan already repaid | 2 |
| | Loan still being serviced | 38 |

6 of the 40 interviewees were women, and 3 of the 10 start-ups were owned by women. 28 of the interviewees had TBC loans or credit lines disbursed during the year 2021, so they had used the funds less than 18 months by the time of the interviews.

Additionally, in each branch location, a maximum of three interviews with branch staff were conducted.

In an evaluation designed to inform Sida's future strategy, it is important to determine the contribution of this intervention towards the ultimate goal. This requires careful and objective assessment of the qualitative responses collected by the evaluation team. Interviews were semi-structured with open-ended questions allowing room for follow-up in accordance with the answers. Interview guides were developed before the interviews in order to facilitate overview, comparison and quality assurance. All responses were recorded. Annex 3 has the interview guides used.

## 2.4 ETHICS AND PARTICIPATION

The evaluation adopted the widely recognised and tested OECD/DAC quality standards for development evaluation and was planned and implemented in a transparent and participatory manner respecting stakeholders' views while ensuring the independence of the evaluation consultants. Accordingly, the evaluation team adhered to the principles of impartiality, independence, and credibility. The rights of confidentiality and anonymity were explained in the beginning of all interviews. Informed consent was sought from key informants by explaining the purpose of the evaluation and the interview, clarifying how information will be reported, and asking them to confirm that they are willing to participate.

Standard ethical research criteria were applied, (honesty, objectivity, informed consent, respect for anonymity/ confidentiality, non-discrimination), combined with the do-no-harm guidelines.

## 2.5 LIMITATIONS

Within the three selected regions (Tbilisi, Kakheti and Imereti), field visits covered a broad spectrum of borrowers (see Annex 7) but, these were not selected at random. A random selection of interviewees would almost certainly have resulted in a significant proportion of "no-shows." Actual sampling of borrowers was conducted by the evaluation team, but when a borrower was reported to be unavailable another borrower was selected. The arrangement of appointments was done by the branch staff which will inevitably have introduced some positive bias as staff members are more likely to engage with those clients with whom they have a more positive relationship. The consequence being that the borrower interviewees may favour successful entrepreneurs.

The available time meant that quantitative data collection was not possible. This review has relied largely upon KII interviews and borrower interviews, along with secondary data drawn from other documents listed in Annex 4. The review team spent proportionately more time interacting and observing at the central/Tbilisi level rather than the regional level, but this is where the majority of loans were disbursed and where the strategic decision making was undertaken.

# 3 Evaluation Object

## 3.1 CONTEXT

As set out in the Terms of Reference for this mid-term evaluation, in 2018, Sida entered into a portfolio guarantee agreement with TBC Bank in Georgia. The guarantee was set-up as a loan portfolio guarantee. (A portfolio guarantee is a guarantee that covers several loans extended by the financing institution which is TBC Bank.) The total guarantee cover is 50% of the principal amount of each loan, which is increased to 60% for women entrepreneurs, start-ups and environmentally sustainable investments. The maximum guarantee liability of Sida at any point in time is set at USD 20 million (equivalent to a total guaranteed portfolio of up to USD 40 million) and the guarantee has a duration of seven years, from December 2018 to December 2025.

The contribution is well in line with Swedish priorities outlined in the Results Strategy[3] for Sweden's reform cooperation in the region with the aim of increasing growth among small and medium sized companies that could contribute to expand the economy and employment generation in the country. Further, the contribution supports Sida's priorities to promote groups that have more difficulty to get access to finance, including women entrepreneurs and start-ups. Companies that plan an investment which promotes resource-efficient and cleaner production purposes were also given an extra priority, although none have been identified to date.

The contribution is aligned with Sida's ambition to promote innovative approaches where TBC Bank and Sida share a risk with the aim to secure mobilisation of institutional capital. The target group of the guarantee is limited to micro, small and medium sized enterprises (MSMEs) within the sectors of trade, services, manufacturing, and agriculture. Over time it is anticipated that these sectors will reap the benefits of the Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU: as per the Terms of Reference (ToR) for this assignment.

Sida's particular focus on MSMEs and higher risk sharing for women entrepreneurs, start-ups and environmentally sustainable investments is intended to increase the rate of inclusion and sustainability in the growth process. In Georgia there are linkages between labour market employment and the ability to help the "moderate poor" and "vulnerable" to rise out of poverty. In the longer term, the contribution could support the process of poverty reduction and improve the status of the poor while increasing profit margins within local value chains across Georgia.

[3] Results strategy for Sweden´s reform cooperation with Eastern Europe, the Western Balkans and Turkey for the period 2014-2020

TBC Bank, founded in 1992, was licensed by the National Bank of Georgia (NBG) in 1993. The Bank's principal business activity is universal banking operations that include corporate, small and medium enterprises ("SME"), retail and micro operations within Georgia. The TBC Bank Group PLC is a public limited liability company, incorporated in England and Wales and holding 99.88% of the share capital of JSC TBC Bank as at 31 December 2021, thus representing the Bank's ultimate parent company. Its main subsidiary is JSC TBC Bank (TBC), which represents the bulk of the Group's assets and profits. Other much smaller subsidiaries provide leasing, insurance, payments and other services in Georgia. Recently the Group established a new all-digital bank in Uzbekistan. Today TBC has about 7,300 employees and 150 branches in ten regions of Georgia and in the capital city (all figures relate to end of 2021). TBC has grown organically and through acquisitions to become the largest financial institution in Georgia.

### 3.1.1 The Financial Sector in Georgia

Georgia's financial sector is regulated and supervised by the National Bank of Georgia (NBG), its central bank. The supervision is conducted for the purpose of facilitating financial stability and transparency, and protecting the rights of consumers and investors. In the supervision of the country's banks, NBG follows the "Basel III" prudential principles and standards that are applied in many other countries. As of May 2022, there were 14 commercial banks operating in Georgia. There are no state-owned banks.

**Table 2. Eight largest commercial banks ranked by value of assets as of April 2022[4].**

| Rank | Name | Branches | Apr 2022 Assets GEL million | Apr 2022 Assets USD million |
|---|---|---|---|---|
| 1 | TBC Bank | 159 | 23,862 | 7,862 |
| 2 | Bank of Georgia | 276 | 22,870 | 7,535 |
| 3 | Liberty Bank | 403 | 3,250 | 1,071 |
| 4 | Basis Bank | 24 | 2,819 | 929 |
| 5 | ProCredit Bank | 9 | 1,846 | 608 |
| 6 | Credo Bank | 70 | 1,787 | 589 |
| 7 | Tera Bank | 26 | 1,372 | 452 |
| 8 | Cartu Bank | 10 | 1,370 | 452 |

The sector is highly concentrated, with the two largest commercial banks (TBC and Bank of Georgia) controlling close to 80 percent of all bank assets. Measured by assets, Liberty Bank is much smaller, but remains important because of its reach through its large network of branches. These top three banks are all well capitalised, with total equity in the range of 11 to 15 percent of consolidated assets. They were profitable in each of the past three years, with only a reduction in their profits during 2020, the year

[4] NBG data as of April 2022, cited in Wikipedia.

when the COVID-19 pandemic caused a downturn in many sectors of the economy and a drop of 6.8 percent in GDP.

The sector also includes approximately 40 microfinance organisations and a number of non-deposit lending institutions. The combined assets of all microfinance organisations in March 2022 were GEL 1,641 million[5].

**Table 3. The eight largest microfinance organisations, ranked by number of employees as of March 2022**

| Rank | Name | Employees | Branches or service centres |
|---|---|---|---|
| 1 | JSC MFI "Crystal" | 1007 | 50 |
| 2 | LLC MFI "Rico Express" | 563 | 50 |
| 3 | JSC MFI "Swiss Capital" | 374 | 24 |
| 4 | JSC MFI "Creditservice+" | 338 | 46 |
| 5 | LLC MFI "Lider Credit" | 265 | 28 |
| 6 | JSC MFI "Lazika Capital" | 256 | 19 |
| 7 | JSC MFI "Micro Business Capital" | 237 | 17 |
| 8 | JSC MFI "Intel Exspress" | 197 | 22 |

*(Source: NBG consolidated report on MFIs, March 2022)*

### 3.1.2 Georgia's MSME Sector

In the opinion of the World Bank[6], the Georgian authorities have acted swiftly and decisively to mitigate the economic impact of the COVID-19 pandemic and stability risks to the financial sector. Support measures included interest rate subsidies on lending to SMEs and households and credit guarantees for financial institutions lending to corporates and SMEs, voluntary loan service moratoria (during Quarters 1-3 in 2020) and loan restructurings by banks, and provision of GEL liquidity by the NBG using swap lines with banks.

The World Bank also states[7] that although Georgia has a well-developed banking sector, progress on financial access masks a lack of diversity in financial products and services and disparities in financial inclusion. Traditionally, underserved low-income and rural clients face continued constraints in accessing financial services, despite the overall account ownership metrics being on par with regional averages. Access to finance continues to be one of the major challenges to MSME growth. Significant gender gaps remain in terms of both female participation in entrepreneurship and access to finance for female-owned/led firms. Higher costs of financing are also driven by a perception of high credit risk due to information asymmetry, as well as demand-side constraints such as informality and weak financial management and business skills. Despite well-developed bank credit products, a lack of diversity of other financial

[5] NBG consolidated report on MFIs, March 2022.

[6] World Bank and IMF: Georgia Financial Sector Assessment, December 2021.

[7] World Bank. 2022. "Agriculture, Water, and Land Policies to Scale Up Sustainable Agri-Food Systems in Georgia: Synthesis Report and Way Forward."

products and services (such as leasing, factoring, equity financing) limits the ability of the financial sector to meet the diverse needs of firms throughout their lifecycle.

Small and medium-sized enterprises are contributing to Georgia's economic progress and the World Bank Group's report Doing Business 2020 ranks the country's economy highest in the region for Ease of Doing Business.

Georgia's free trade agreement with the European Union (EU) acts as an economic engine, with 23 percent of the country's total trade in 2020 going to the EU. Sweden supports the adoption by Georgian companies[8] of EU food safety regulations via a collaboration with the International Finance Corporation.

The Georgian agricultural sector is in need of modernisation. The voice of the country's farmers is strengthened by the Georgian Farmer's Association (GFA), which has around 4,000 members and promotes cooperation to increase production, efficiency, and turnover (GFA website[9]).

[8] Sida (March 2022). Sida's Work in Georgia (web-page April 2022)

[9] GFA website (April 2022) https://gfa.org.ge/en/

# 4 Findings

Each sub-section below begins with a table listing the specific evaluation questions and providing a summary of the respective findings. This is then followed by a more detailed analysis of the findings.

## 4.1 RELEVANCE

| Questions | Summary Finding |
|---|---|
| Is support to TBC Bank still relevant to Sida's future strategy in Georgia?<br><br>Are there alternative means of achieving the desired outcome? | The guarantee continues to be relevant for supporting Swedish priorities in the Results Strategy for reform cooperation in Eastern Europe. While other types of inventions may also help stimulate economic development and job creation in Georgia, the guarantee appears to be very cost-effective. |

**Detailed Finding**:

The guarantee is designed to address specific market failures that make it difficult for many viable MSMEs, including start-ups and women-owned enterprises, to obtain bank financing because they do not have sufficient collateral. The guarantee aims at mobilising additional private sector funds for those MSMEs by offering a Georgian bank a partial portfolio guarantee as a substitute for borrower collateral. The guarantee is provided with only a limited subsidy, as the bank is required to pay Sida facility fees in proportion to the size of the guaranteed portfolio, and so it encourages an approach to guaranteed lending that may be sustainable in the long run, with only limited use of public sector resources. Interviews with bank staff, borrowers and other key informants confirmed that availability of traditional collateral is a serious constraint for many Georgian MSMEs in getting access to financing.

## 4.2 COHERENCE

| Questions | Summary Finding |
|---|---|
| Is the intervention compatible with government policies in Georgia?<br><br>Is the intervention consistent with other actors' interventions in the same context? | The guarantee provides an efficient mechanism for mobilising additional private sector funds for microenterprises and small enterprises in most sectors and regions of Georgia, while complementing other government and donor interventions that have similar objectives. |

**Detailed Finding:**

The guarantee is only one of many interventions in the market for MSME finance by Georgian government entities, foreign donors, and international financial institutions. Most other interventions have similar goals of encouraging growth of enterprises and employment, and their approaches vary widely. Some are limited to specific sectors of the economy, or to geographic regions with low incomes and employment, and with qualification criteria that banks find cumbersome. The Sida guarantee stands out by offering the beneficiary bank a facility with qualification criteria that include microenterprises and small enterprises in a broad range of sectors in all regions, and which are easy to communicate and apply; and a simple process for placing qualifying loans under the guarantee. As a revolving guarantee facility of a size that meets the scale of the beneficiary bank's lending operations, it offers an efficient way to mobilise private sector capital for the targeted MSME segments, and likely more efficient than most of the other, more narrowly targeted interventions[10]. Since there is only one participating bank, if effectively used the facility may help that bank to develop a competitive advantage in the targeted MSME segments.

## 4.3 EFFECTIVENESS

### 4.3.1 Summary findings

| Questions | Summary Finding |
|---|---|
| To what extent has the intervention achieved, or is expected to achieve, its objectives, and its results?<br><br>What mechanisms explain the achievement? | The guarantee has achieved a high volume of guaranteed loans to qualifying borrowers. By the end of 2021, TBC had disbursed a cumulative amount of USD 72 million of guaranteed MSME loans. At the time, the facility maximum guarantee liability of Sida (USD 20 million) was 93 percent used to guarantee USD 34 million of loans still outstanding. These guaranteed loans amounted to about 2.5 percent of TBC's total MSME portfolio at that time.<br><br>The majority of beneficiaries of the project were microenterprises, as two thirds of the guaranteed loans were small, of sizes equivalent to less than USD 50,000.<br><br>TBC achieved the project target of disbursing 25 percent of the guaranteed |

[10] TBC executives stated that they continue to use other available guarantee and support facilities for MSMEs, even though they are more difficult to use than the Sida facility because of their narrower qualification criteria and more cumbersome paperwork.

| | |
|---|---|
| | loans to start-ups. There was no target for loans to women-owned enterprises, but 21 percent of the borrowers were women.<br><br>Borrowers were distributed among all major sectors, and agricultural enterprises received 21 percent of the loan amounts.<br><br>Borrowers were distributed among most regions of the country, with about one third located in Tbilisi.<br><br>32 percent of the guaranteed loan amounts were denominated in USD or EUR, chosen by the borrowers because of their lower interest rates. The foreign currency risk had been explained to those borrowers, and they reported being comfortable with it.<br><br>The average tenor of the guaranteed loans was more than 4 years, consistent with one-half being used to finance capital investments (fixed assets).<br><br>The high utilisation of the guarantee facility can be explained by several factors:bIt fits into TBC's existing strategy for supporting growth and development of MSMEs; TBC had good experience using guarantees before this one and requested terms that made it easy to use; and the facility was embedded in TBC's operations and periodic staff training.<br><br>TBC has extensive outreach throughout Georgia and was already well known as a lender to smaller enterprises. The bank's staff are motivated and clearly incentivised for MSME lending, and the management system is set up to support their efforts. |

| | |
|---|---|
| | The agreed targets may have influenced TBC's decisions about outreach to start-ups and women, and the bank's marketing strategy and encouragement to front-line staff appear to be the main reasons for achieving these results. The higher guarantee percentages for loans to start-ups and women appear to have contributed only modestly. |

### 4.3.2 Detailed findings

During the first two years of the guarantee agreement, relatively modest amounts of loans were placed under the guarantee, reflecting the development and communication of internal bank guidelines for the use of this new facility. Loan disbursements in 2020 were affected by the COVID-19 pandemic, during which most banks in Georgia slowed their overall booking of new loans. Table 4 shows that USD 36.7 million equivalent of loans, or close to one-half of all guaranteed loan disbursements, were disbursed during 2021, a year of renewed economic growth. By the end of 2021, borrowers had repaid about USD 38 million, this includes full repayment of 819 guaranteed loans and partial repayments on other loans. Chart 1, based on portfolio data shared by TBC and tabulated by the evaluators, shows annual and cumulative disbursements of loans under the guarantee during 2019-2021. Since about USD 38 million of loans have been repaid, the total outstanding balance of loans as of December 31, 2021 was approximately USD 34.2 million. The maximum potential liability of Sida in case of losses on those guaranteed loans (applying a 50% or 60% guarantee cover, depending on the category of borrowers) was approximately USD 18.6 million. So, at the end of 2021, the USD 20 million guarantee limit was used to a level of 93%. The outstanding Sida-guaranteed loans of USD 34.2 million amounted to about 2.5 percent of the bank's total outstanding MSME portfolio worth USD 1,346 million at the time[11].

[11] TBC Bank Group PLC Annual Report 2021 reported an MSME portfolio of GEL 4,141 million.

**Chart 1. Annual and Cumulative Disbursements of Guaranteed Loans, and Oustandings at Dec. 2021 (USD Equiv.)**

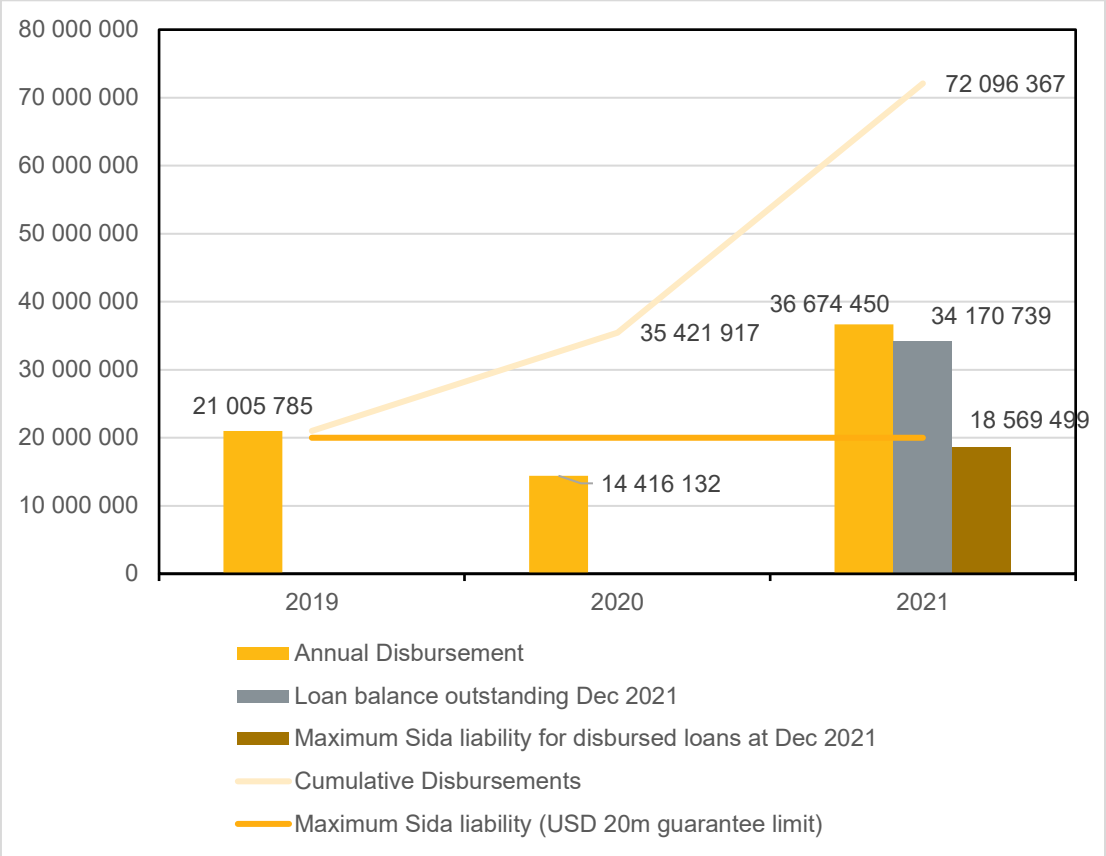


Table 4 above and Chart 1 are based on a dataset provided by TBC that includes all 1719 guaranteed loans disbursed during 2019-2021. For the analysis of the characteristics of loans and borrower enterprises in the sections that follow, the evaluators used a different dataset from TBC, which included additional details such as sectors, ownership, enterprise and branch locations, for a subset of 828 loans that had not yet been fully repaid as of December 2021. The subset included 828 loans with USD 41 million disbursed during 2019-2021 and USD 34 million still outstanding at December 2021. It appears to be extremely similar in composition to the full set of 1719 loans, except that the average size of loans in the subset was somewhat larger.

### *Demographic Distribution*

The guarantee agreement between Sida and TBC indicates that while loans to MSMEs in most industries qualify for the 50% guarantee, loans to women-owned enterprises and to start-ups will be targeted and offered a higher 60% risk sharing by Sida. In the agreement start-ups were defined as enterprises up to 36 months old. The agreement stipulated that at least 25% of the guaranteed loans should be for start-ups. There was no similar target for women-owned enterprises. At the time of the agreement in 2018, TBC defined micro-enterprises as those with annual revenues up to GEL 1 million (then equivalent to USD 380,000). It is the understanding of the evaluators that the definition

has since been expanded to include those with revenues up to GEL 2 million (now equivalent to about USD 670,000).

| Category of borrower | # Loans | % of Loans | Total Disbursed | % of Disb. | Avg. Size | Avg. Guaranty |
|---|---|---|---|---|---|---|
| Women-owned, not start-up | 127 | 15% | 6,403,662 | 15% | 50,423 | 60% |
| Start-ups, not women-owned | 155 | 19% | 9,157,369 | 22% | 59,080 | 60% |
| Women-owned start-ups | 50 | 6% | 2,376,810 | 6% | 47,536 | 60% |
| All other | 496 | 60% | 23,541,399 | 57% | 47,462 | 50% |
| **Total** | **828** | **100%** | **41,479,240** | **100%** | **50,096** | **54%** |
| *Source: Data on subset of guaranteed loans provided by TBC and tabulated by the evaluators*[12] | | | | | | |

Table 5 shows that 25 percent of the borrowers were start-ups (which received 28 percent of the loan amounts). So the agreed target of the program for start-ups has been met. Women-owned enterprises, whether start-ups or not, received 21 percent of all loans and of all loan amounts. The table also shows that for all categories of borrowers, the agreed maximum guaranty percentages were applied. In interviews with a sample of borrowers, the evaluators were able to verify information about the age and ownership of each enterprise, and the categorisations provided by TBC were found to be accurate.

In interviews with TBC executives and branch employees, the evaluators explored how the bank achieved the above sited loan volumes for start-ups and women. In its nationwide marketing and promotional efforts, TBC has emphasised support for start-ups for a number of years, and introduced non-financial support programs for start-ups, including some during the COVID-19 pandemic (from staff and borrower interviews). The bank has also engaged in a smaller Women in Business program with support from EBRD[13].

The bank staff in general appeared interested and open to help financing start-ups and women-owned businesses, though they had no special incentives to do so. The main element in the incentive program for branch managers and credit officers is based on increasing the size of their outstanding loan portfolio, without regard to sectors or categories of borrowers, and they did not report any particular outreach efforts towards start-ups or women. Instead, the mix of loans they made appeared to mainly reflect the mix of inquiries they received from potential borrowers, who then qualified for the bank's credit criteria. But since many start-ups and women-owned enterprises hold only limited collateral, the bank's ability to apply the Sida guarantee helped many of them to qualify[14].

[12] In this and all subsequent tables, loans denominated in GEL or EUR are converted to USD equivalents, using the wholesale exchange rate published by OANDA.com on the last date of the calendar quarter of the disbursement.

[13] Information provided by TBC executives in interviews.

[14] Information provided by TBC branch managers and credit officers in interviews.

Most branch employees did not seem aware that the portfolio guarantee offers a higher degree of risk sharing (60%) for start-ups and women. On the other hand, the TBC risk managers at the head office confirmed that they definitely take into account the 60 percent risk sharing when they make final decisions on loan requests from start-ups and women-owned enterprises. So the higher percentage presumably did help some of those borrowers to qualify.

### *TBC's recent growth and strategy in MSME market*

TBC's utilisation of the guarantee facility should be understood in the context of its strategy in the MSME market, the general guidelines of the NBG supervisors regarding commercial banks' lending operations, and TBC's experience with other guarantee facilities during the past few years.

While TBC is very active in consumer, mortgage and corporate banking, its strategy in the MSME market is somewhat unique among Georgian banks[15]. The offer of business loans with lower collateral requirements is in line with the Bank's strategy to increase its presence among microenterprises and SMEs. Other elements in the strategy include increasing digitalisation of interactions with business clients, and providing non-financial services to businesses. Some services, such as the "StartUperi" program launched in 2017, offer full-scale support to new entrepreneurs. Other services include business education programmes, providing free training and lectures on various relevant topics, such as technology, taxation, digital marketing, human resources, etc. During the pandemic those activities were shifted to online delivery. Other services include Business Club, a subscription model that combines a bundle of financial products and services with extensive non-financial offerings designated to business customers. During the pandemic, TBC and Visa created 200 online shops free of charge to help small businesses make online sales.

Reflecting this strategy, TBC's total portfolio of loans to MSMEs increased by 66 percent since the guarantee agreement was signed with Sida in 2018, see Table 6 below. The loans guaranteed by Sida constitute only about 2.5 percent of all MSME loans outstanding at the end of 2021. Not shown in the table is that even during the pandemic-triggered recession year of 2020, TBC's MSME portfolio increased by about 20 percent.

**Table 6. TBC Bank Group Financial Data 2018 and 2021 by Customer Segment**

| | Dec 2021 (GEL millions) | % | Dec 2018 (GEL millions) | Pct |
|---|---|---|---|---|
| **Loans and advances to customers (gross):** | | | | |
| Consumer & Mortgage /Retail | 6,358 | 37% | 4,699 | 45% |
| Corporate | 6,548 | 38% | 3,177 | 31% |
| MSME | 4,141 | 24% | 2,497 | 24% |

[15] TBC Bank Group PLC Annual Report 2021

| | | | | |
|---|---|---|---|---|
| **Total loans and advances** | **17,047** | **100%** | **10,373** | **100%** |
| | | | | **Customer accounts (deposits):** |
| Consumer & Mortgage /Retail | 5,837 | 40% | 5,104 | 55% |
| Corporate | 7,331 | 50% | 3,231 | 35% |
| MSME | 1,559 | 11% | 1,018 | 11% |
| **Total deposits*** | **14,727** | **100%** | **9,353** | **100%** |

** Excl. Ministry of Finance deposits - 511 million in 2021.*
*Sources: TBC Bank Group PLC Annual Report 2021. TBC Bank Group PLC FY 2018 and Q4 Financial Results*
*Corporate segment: generally enterprises w annual revenues greater than GEL 12 million or credit facilities greater than GEL 5 million*

***Program reach by loan size, sector, and region***

**Table 7. Guaranteed Loans by Size, in USD equivalents**

| Size | # Loans | % of Loans | Total Disbursed | % of Disb. | Avg. Size |
|---|---|---|---|---|---|
| 3,000 - 15,000 | 113 | 14% | 1,182,501 | 3% | 10,465 |
| 15,001 - 50,000 | 442 | 53% | 12,369,479 | 30% | 27,985 |
| 50001 - 100,000 | 173 | 21% | 12,280,501 | 30% | 70,986 |
| 100,001 - 250,000 | 95 | 11% | 14,303,486 | 34% | 150,563 |
| 250,001 or more | 5 | 1% | 1,343,274 | 3% | 268,655 |
| **Total** | **828** | **100%** | **41,479,240** | **100%** | **50,096** |

*Source: Data on subset of guaranteed loans provided by TBC and tabulated by the evaluators*

Table 7 shows that while the guarantee agreement permitted loans up to the equivalent of USD 250,000, a large majority of loans were less than USD 50,000, and the average loan size was close to USD 50,000. This is consistent with most borrowers being fairly small enterprises. TBC classified about 85 percent of these borrowers as "micro-enterprises" with annual sales of less than GEL 2 million (USD 670,000). The small number of loans reported in the table with a size of more than USD 250,000 is likely caused by exchange rate variations.

**Table 8. Guaranteed Loans by Sector, in USD equivalents**

| Sector | # Loans | Total Disbursed | % of Disb. | Avg. Size |
|---|---|---|---|---|
| Agriculture | 212 | 8,517,697 | 21% | 40,178 |
| Manufacturing /Production | 70 | 4,193,086 | 10% | 59,901 |
| Service | 230 | 12,526,033 | 30% | 54,461 |
| Trade | 316 | 16,242,424 | 39% | 51,400 |
| **Total** | **828** | **41,479,240** | **100%** | **50,096** |

*Source: Data on subset of guaranteed loans provided by TBC and tabulated by the evaluators*

The guarantee agreement aimed at a wide range of sectors of economy. Table 8 shows that the trade sector, which includes retailers, received the largest share of the

guaranteed loans – 39 percent of the total amount disbursed. Agricultural enterprises, which are often underrepresented in MSME programs in other countries, received a noteworthy 21 percent of the loan amounts.

**Table 9. Guaranteed Loans by Purpose, in USD equivalents**

| Purpose | # Loans | Total Disbursed | % of Disb. | Avg. Size |
|---|---|---|---|---|
| Fixed assets financing | 407 | 19,127,522 | 46% | 46,996 |
| Working capital financing | 357 | 17,967,271 | 43% | 50,328 |
| Fixed asset and working capital | 64 | 4,384,448 | 11% | 68,507 |
| **Total** | **828** | **41,479,240** | **100%** | **50,096** |
| *Source: Data on subset of guaranteed loans provided by TBC and tabulated by the evaluators* | | | | |

Table 9 shows that close to half of the disbursed loan amounts were for fixed asset financing, and the other half for working capital financing. A few enterprises obtained financing for both purposes. The borrowers that were interviewed for the evaluation reported investing in fixed assets such as urban or agricultural land, purchase, construction or renovation of buildings for production or trading, motor vehicles, production equipment and furnishings. The majority of borrowers who obtained working capital financing reported using it to purchase inventory for processing or resale to customers.

Table 10 shows the distribution of loans by region. The loans are broadly distributed across regions. This is a reflection of the bank's large network of branches. The regional classification is based on the location of the branch servicing each client, and the high volume of loans shown in Tbilisi is slightly misleading. An estimated one-third of the loans shown in Tbilisi are loans to small or medium-sized borrowers that are located in other regions, but serviced from Tbilisi. In Annex 6, Table 3 shows loan disbursements by sector within each region.

**Table 10. Guaranteed Loans by Region, in USD equivalents**

| Region | # Loans | Total Disbursed | % of Disb. | Avg. Size |
|---|---|---|---|---|
| Kakheti | 89 | 4,020,328 | 10% | 45,172 |
| Tbilisi | 384 | 21,420,676 | 52% | 55,783 |
| Mcxeta-Mtianeti | 6 | 216,285 | 1% | 36,048 |
| Kvemo Kartli | 44 | 2,449,504 | 6% | 55,671 |
| Shida Kartli | 86 | 3,862,880 | 9% | 44,917 |
| Samtskhe-Javakheti | 49 | 1,880,626 | 5% | 38,380 |
| Imereti | 66 | 3,141,848 | 8% | 47,604 |
| Racha-L & Kvemo Kartli | 1 | 32,113 | 0% | 32,113 |
| Samegrelo-Z Svaneti | 55 | 2,479,422 | 6% | 45,080 |
| Guria | 22 | 875,282 | 2% | 39,786 |
| Adjara AR | 26 | 1,100,276 | 3% | 42,318 |
| **Total** | **828** | **41,479,240** | **100%** | **50,096** |

*Source: Data on subset of guaranteed loans provided by TBC and tabulated by the evaluators*

### *Characteristics of the Guaranteed Loans*

**Table 11. Guaranteed Loans and Amounts by Currency of Denomination**

| Currency | # Loans | Total Disbursed in Currency | Total Disbursed USD Equiv. | % of Disb. | Avg. size USD Equiv. |
|---|---|---|---|---|---|
| GEL | 695 | 89,570,194 | 28,412,432 | 68% | 40,881 |
| EUR | 42 | 3,310,700 | 3,874,608 | 9% | 92,253 |
| USD | 91 | 9,192,200 | 9,192,200 | 22% | 101,013 |
| **Total** | **828** | | **41,479,240** | **100%** | |

*Source: Dataset on guaranteed loans provided by TBC and tabulated by the evaluators. Note: Amounts in GEL and EUR converted to USD at the wholesale exchange rate reported by OANDA.com at the end of the calendar quarter of the disbursement*

The Georgian economy has in the past been highly "dollarised", with strong preferences among businesses and households for holding savings and taking loans denominated in foreign currencies. It is the policy of the NBG to stimulate greater trust and use of the Georgian Lari (GEL) in most financial transactions. It is nudging the Georgian banks to pursue such a path, and gradually reduce their borrowers' exposure to debt in foreign currencies. Knowing that most small enterprises have no foreign currency revenues or assets that can be used to hedge any foreign currency obligations, the central bank recently raised the minimum size of foreign currency bank loans to the equivalent of GEL 200,000 (about USD 65,000).

The guarantee agreement between Sida and TBC initially envisaged only loans in GEL or USD. Later, as a result of demand from TBC customers, it was amended to also cover loans in EUR.

It is comforting to see in Table 11 that 68 percent of the disbursed guaranteed loans were denominated in GEL. That percentage is much higher than the 50 percent of GEL loans in TBC's total portfolio of loans and advances to MSMEs at the end of 2021[16].

In interviews with TBC branch employees and borrowers, it was clear that the loans taken in EUR or USD were attractive to borrowers because their interest rates were substantially lower. All branch employees stated that when borrowers request a loan denominated in a foreign currency, they explain the additional currency risk to the borrowers. All the interviewed borrowers who had taken a foreign currency loan also confirmed to the evaluators that a bank employee had explained that risk, and that they as borrowers were comfortable assuming that risk. In a conversation at TBC's head office, the risk managers stated that when appraising loan requests, they do take into account the additional risk a foreign currency loan poses for both the borrower and the lender. These matters do leave a question as to whether small business borrowers truly

[16] TBC Bank Group PLC Annual Report 2021, p. 98

appreciate the currency risk they have assumed; at least one local TBC manager expressed his personal doubt about this.

**Table 12. Guaranteed Loans by Tenor in Months, in USD equivalents**

| Tenor in months | # Loans | % of Loans | Total Disbursed | % of Disb. | Avg. Size |
|---|---|---|---|---|---|
| 6-24 | 163 | 20% | 8,834,174 | 21% | 54,197 |
| 25-48 | 276 | 33% | 10,865,959 | 26% | 39,369 |
| 49-72 | 257 | 31% | 11,185,850 | 27% | 43,525 |
| 73-120 | 122 | 15% | 9,420,460 | 23% | 77,217 |
| 121+ | 10 | 1% | 1,172,797 | 3% | 117,280 |
| **Total** | **828** | **100%** | **41,479,240** | **100%** | **50,096** |

*Average tenor (months): 51*
*Source: Data on subset of guaranteed loans provided by TBC and tabulated by the evaluators*

The guarantee agreement limited qualifying loans to tenors from 3 months to 120 months. Table 12 shows the distribution of loan tenors within that range. The average tenor was 51 months, i.e. just over 4 years. This is consistent with the finding that about one-half of the loans financed fixed assets, which normally require long tenors. TBC executives explained that this average tenor is similar to the tenors for the majority of the bank's MSME loans that are not covered by Sida's guarantee.

A small number of large loans were reported with apparent tenors longer than 120 months; this might reflect simple data errors, or the modification of repayment schedules that happened in 2020 for some borrowers that were adversely affected by the COVID-19 pandemic.

### *TBC's utilisation/management of the Sida portfolio guarantee*

To guide the branch staff, a manual for the Sida guarantee program was prepared, with explanation of qualification criteria, and made available to all on the bank's intranet. The guarantee facility was embedded in the bank's computerised operations. Training and retraining for front office staff on proper use of the facility is conducted periodically, with tests of retained knowledge[17].

TBC has had experience with a number of other partial credit guarantees. None were revolving, and so they were frequently used up within a short period. The guarantee agreement signed with Sida was more flexible than other guarantee schemes TBC had been involved with, and reflected the bank's suggestions regarding the most useful features of such a scheme. Unique among the guarantee schemes used in Georgia, the Sida scheme is revolving. Because of its attractive features, it is very popular in the branches. The bank's branch credit officers often knew clients who did not previously qualify for certain bank loans due to a lack of collateral, and contacted them. Word also got around from other customers who obtained loans from TBC with limited collateral. From interviews with -branch employees, it is clear that the guarantee facility provided

[17] Information provided by senior TBC managers in interview with the evaluators

them with a competitive advantage and helped them achieve their targets for growing their MSME loan portfolios, particularly during the year 2021.

TBC's underwriting department, which is centralised, reviews all loan proposals before they are placed under the Sida guarantee, in part to ensure that the guarantee, being a scarce resource, is only used when needed.

The loan applications and agreements are all standard bank documents and do not refer to any guarantee. The general guidance to bank employees has been to avoid disclosing the existence of the Sida guarantee to clients (though some branch employees in Tbilisi explained that they did mention the guarantee in dialogues with otherwise well-informed business clients).

The Sida guarantee's higher degree of risk sharing for women-owned business and start-ups (60 percent vs 50 percent for other types of borrowers) is taken into account when the bank's underwriting department reviews and approves loan proposals, and in this way probably facilitates some additional lending to those target segments. It is not clear that the higher percentage stimulates front-line employees to any special efforts toward women or start-ups. Front-line employees may not be aware of the different percentage for those groups, and they do not have any special incentives to meet their credit needs. The substantial proportion of loans to start-ups among the guaranteed loans is probably mainly a result of messages from TBC management to front-line employees in 2021 about the importance of attracting and financing start-ups.

During the COVID pandemic in 2020-21, many borrowers benefited from a 3-month moratorium on payment of interest and principal, and a number of guaranteed loans were restructured, extending their tenors. Refinancing was common, as some other banks tightened their collateral requirements and increased their interest rates on loans. In this situation, it helped TBC that Sida had agreed that up to 40% of guaranteed new loans could be used to refinance other debt.

The bank's handling of guaranteed loans that are in default is the same as for all other business loans. When borrowers fall behind in their payments, branch staff work with the clients to find solutions for 60 or 90 days. After that, the department for problem loan management takes over and explores renegotiation, restructuring or foreclosure as applicable.

At this time, a few loans are in default and handled by the bank's department for problem loan management. The bank is waiting for possible recoveries before submitting their first claim for reimbursement to Sida.

***Financing resource-efficient and cleaner production***

| Questions | Summary Finding |
|---|---|
| What intended effects/outcomes have not been achieved and what are the causes for this? | The intended financing for resource-efficient and cleaner production has not materialised, in part because of a lack of clear definitions. Therefore, no effect or |

| | |
|---|---|
| | outcome has been achieved to date regarding resource efficiency and/or green energy production. |

**Detailed findings:**

The guarantee agreement with Sida encouraged TBC to include financing for investments in resource-efficient and cleaner production (RECP), but so far no guaranteed loans have been disbursed to enterprises identified as making RECP investments. TBC's senior staff explained that until recently there were no clearly defined criteria within the Bank for identification of projects of this kind. In addition, there were no regulatory guidelines from the National Bank of Georgia to identify and classify such loans until 2022; consequently, it was difficult to make properly targeted lending. With the help of one of its partners, IFIs, TBC conducted local market research to determine green criteria, adapted to the Georgian reality, and developed Green Lending Procedures, which were introduced within the organisation by the end of 2021. TBC's staff expressed a strong interest in developing products for RECP lending, but emphasised that RECP projects are typically proposed by companies that are larger than would qualify for MSME lending.

***Improvements in lending terms***

| Questions | Summary Finding |
|---|---|
| To what extent is the guarantee achieving improvements in lending terms and how does that compare to financial institutions that are not using the guarantee? | The guarantee caused TBC to offer loans with lower collateral cover to qualifying MSME borrowers. The central bank guidelines, which Georgian banks must follow, generally require 120 percent collateral cover for commercial loans. TBC used the guarantee appropriately as a substitute for traditional collateral. 25 percent of all guaranteed loans were offered with no collateral, and virtually all loans had less collateral than the bank normally requires for MSME loans.<br><br>At least 24 percent of the total amount disbursed went to "new" borrowers who had not previously borrowed from TBC, and more than half of the loan amounts for new borrowers went to start-ups. This pattern suggests that the guarantee helped provide start-ups with easier access to finance.<br><br>The majority of borrowers interviewed selected TBC as they understood that its lending terms were more beneficial to their enterprise. |

| | |
|---|---|
| To what extent is the guarantee value added and filing a gap in terms of access to financial services and the various interventions of commercial banks? | The facility provides a high degree of additionality. In the absence of this facility, many borrowers, including start-ups and women-owned enterprises, would have been unable to obtain financing from any lender, and others would have obtained smaller amounts at a higher cost or on more difficult terms.<br><br>Given the central bank's guidelines about securing commercial bank loans, the availability of the Sida guarantee to TBC helps this bank achieve a competitive advantage over other Georgian banks in the microenterprise segment. |
| To what extent has this facility been articulated and integrated into existing financial sector arrangements? | The National Bank of Georgia, which regulates the banking system in Georgia, is well aware of this guarantee arrangement and has recognised the prudential value that the guarantee offers. To this extent the facility has been integrated into the financial sector. The arrangement with Sida is time limited, and as such it should not become a crutch upon which TBC becomes institutionally dependent, as this will compromise the long-term sustainability of lending to this high risk sector. |

**Detailed findings:**

***NBG guidelines and normal collateral requirements***

TBC's normal requirements for loans to new business clients include collateral with liquidation ("forced sale") value of at least 120% of the loan amount; for long tenors the collateral requirements are higher. Subsequent loans to the same borrowers must satisfy the same requirements, but those approvals are much quicker. The requirements are the same for agricultural borrowers as for all other sectors. Both business assets and the business owners' personal assets, including personal real estate, are used as collateral for the business loans. The collateral requirements of competitor banks are very similar, and reflect NBG guidelines that apply to all banks.

TBC also benefits from a capital release, since the Sida guarantee reduces the risk of covered loans, and consequently requires less capital to support its risky assets (though capital availability is hardly a binding constraint at this time, where TBC's capitalisation is well above the required level).

The guarantee has been particularly useful for TBC's lending in the regions where estimated liquidation or "forced sale" values of real estate are very low. Among the

common beneficiaries of guaranteed loans are start-ups and women entrepreneurs, who often have little or no available collateral. In rural areas farmers do not always have registered titles to their land, in spite of some recent improvements in electronic registration of property ownership.

The bank may use a variety of types of collateral as security for loans, but most often asks for real property or liens on major pieces of equipment. When evaluating the collateral, the bank attempts to estimate its liquidation value, which is normally lower than an estimated ordinary market value. The collateral cover measures illustrated in the table are based on the bank's estimated liquidation values as of December 2021. Bank executives explained that TBC's normal requirements for MSME loans include a collateral cover of 120% or more, with higher requirements for loans with long tenors, as they are generally considered riskier.

As mentioned above, the central bank has permitted Georgian banks to make unsecured business loans up to GEL 50,000 (approximately USD 16,000), but leaves it up to each bank to determine when it is prudent.

A small number of loans (about 9 percent of all guaranteed loans) had reported collateral cover greater than 120 percent as of December 2021. Most were unusual situations where the collateral value had been less than the required 120 percent at the time the loan was disbursed, and the relationship between the value of available collateral and the loan amount changed later – either because the borrower repaid other collateralised TBC loans, or because the value of the collateral increased over time, for example as a result of completing a building construction or renovation project. During a branch visit, the evaluators and the branch manager examined a couple of such cases; both involved subsequent construction activity. The degree of collateral cover also varied with loan tenor. For example, loans with tenors of 3 years or less had an average collateral cover of 58 percent, while loans with tenors of more than 5 years had average cover of 88 percent. For details, see Annex 6, Table 2.

### *Loans to "new" borrowers*

TBC's loan records classify each borrower as a "New" borrower (i.e. a borrower that had not previously obtained business loans or credit from that bank) or an "Old" borrower. Table 14 below shows that USD 9.9 million or approximately 24 percent of the guaranteed lending was disbursed to "New" borrowers. This percentage suggest increased access to finance, but some "New" borrowers had previously borrowed from other banks. More meaningfully, Table 14 shows that 54 percent of the loans received by "New" borrowers were for start-ups (mostly owned by males). This is consistent with an interpretation that the guarantee, serving as a partial substitute for collateral, has increased new enterprises' access to financing. Among the "Old" borrowers, the percentage of start-ups is much lower, as would be expected.

The classification of borrowers as "New" or "Old" was not always consistent with the borrowers' perceptions; among the interviewed borrowers that were classified as "Old", several could not recall having received any loan from TBC previously. TBC

has later explained that personal credit cards used by business owners might have caused the bank to classify some as "Old" borrowers.

**Table 14. Amounts Disbursed by Category and History of Borrower, in USD Equivalents**

| | All Loans | | New Borrowers | | Old Borrowers | |
|---|---|---|---|---|---|---|
| **Category of borrower** | **Total Disbursed** | **% of Disb.** | **Total Disbursed** | **% of Disb.** | **Total Disbursed** | **% of Disb.** |
| Women-owned, not start-up | 6,403,662 | 15% | 765,895 | 8% | 5,637,768 | 18% |
| Start-ups, not women-owned | 9,157,369 | 22% | 4,076,130 | 41% | 5,081,238 | 16% |
| Women-owned start-ups | 2,376,810 | 6% | 1,271,679 | 13% | 1,105,131 | 3% |
| All other | 23,541,399 | 57% | 3,765,905 | 38% | 19,775,495 | 63% |
| **Total** | **41,479,240** | **100%** | **9,879,608** | **100%** | **31,599,632** | **100%** |

### *Assessing additionality due to the guarantee facility*

The evaluation team concurs with the bank respondents who consistently opined that if the Sida guarantee had not been available, few of these borrowers would have been able to obtain such loan amounts from other Georgian banks, as their requirements for collateral and other conditions tend to be the same as those of TBC. Several bank executives estimated that perhaps one-half of the borrowers could have obtained smaller loans from other banks (depending on their available collateral), or from microfinance organisations, at substantially higher interest rates. This estimate is supported by the high proportion of guaranteed loans that were disbursed with no collateral or limited collateral. Microfinance organisations in Georgia generally offer loans up to GEL 50,000 (about USD 16,000) at interest rates that are percentage points higher than the banks'.

### *Possible higher-level effects*

| Questions | Summary Finding |
|---|---|
| To what extent has the project or programme generated, or is expected to generate, significant positive or negative, intended or unintended, high-level effects? | This portfolio guarantee facility helps TBC gain additional experience from lending to start-ups and microenterprises, but once the Sida facility is fully used, TBC is unlikely to continue making similar loans to borrowers with limited collateral. Any general changes in lending terms will require more time, allowing the bank to document repayments and losses, and possibly persuade bank supervisors to relax certain guidelines. At this time, there is a sign that such a process may have begun, as the central bank recently permitted TBC to offer larger loans that are only partially secured, in specified circumstances. |

**Detailed findings:**

The availability of the Sida guarantee has clearly allowed TBC to make a significant number of new loans to enterprises that would not have received such financing otherwise. TBC management and all the branch staff the evaluators interviewed reported there is a continued demand for such loans among similar viable enterprises, including start-ups, with little available collateral. Once the guarantee facility is fully used, TBC is unlikely to make additional loans to such borrowers, as long as the central bank's current guidelines regarding unsecured loans still apply. But over time, as TBC gains experience with lending to start-ups and other MSMEs with little collateral, there is a possibility that the bank may be allowed to adjust its credit policy to accommodate more of the borrowers that are considered risky today. Such changes usually require convincing experience regarding loan repayments, default and losses from a market segment over a good number of years.

There is a sign that this process has begun in a modest way. In the future, NBG may permit banks like TBC to incrementally improve their credit offers to MSMEs, based on their actual experience with loan repayments and losses.

***User assessments of loan access and results***

| Questions | Summary Finding |
|---|---|
| How do users assess effectiveness of loan access and use?<br><br>How does this compare to other available alternatives?<br><br>(How do users compare effects and outcomes of this facility with other available sources and mechanisms of finance available to them? | More than three quarters of the interviewed borrowers stated that their TBC loan had contributed to increases in sales and profits.<br><br>Three quarters of the interviewees also reported hiring additional employees in connection with the investments financed by their TBC loan, in many cases increasing their total employment significantly. This finding should be understood in the context of the very favourable rate of growth in the Georgian economy since 2020. From the limited sample of interviewed borrowers and the short time that has passed, it is not possible to estimate the size of the eventual impact of the guarantee on employment, but so far the result appears to be very positive for the borrowers.<br><br>Borrowers that invested in construction, agricultural land and crops did not yet see |

| | |
|---|---|
| | similar impacts, as the gestation period of their investments was longer.<br><br>Most interviewees found the application process easy and some reported that TBC terms and conditions were easier than those of competitor institutions.<br><br>Improved access to finance was also suggested by the fact that among interviewees that had previously borrowed from TBC, most said their most recent loan was much larger than any prior loans. This finding may well reflect the impact of the guarantee as a substitute for traditional collateral. |

**Detailed findings:**

***Borrower comments on the application process***

A large majority (32 of the 40 respondents) considered the process of applying for and obtaining their loans easy. They mentioned straightforward documentation and acceptable bank terms and conditions. Some said the terms and conditions of TBC were easier than those of competitor institutions. Most of the loans apparently were approved within a week. Two respondents considered the process difficult; their difficulties were related to the collateral requested by the bank.

***Purposes and outcomes for borrowers***

A majority of these borrowers needed a loan to acquire fixed assets. The particular assets were purchase of land or buildings for a business expansion, construction or renovation of buildings, purchase of production equipment and furnishings, and motor vehicles. Some borrowers needed a loan or line of credit for working capital purposes; they used the financing to purchase inventory for processing or resale, or for land preparation and crop planting. When asked whether the loan did in fact help them to achieve their objectives for their business, the answers were classified as follows:

| | |
|---|---|
| Achieved all I wanted | 34 |
| Achieved much of what I wanted | 3 |
| Achieved a little | 1 |
| Did not in fact achieve anything | 2 |

Examples of comments from the few respondents who said they did not achieve all they had wanted:

- "Had cost overrun of 20-30%. Project not yet completed. Expects sales will increase eventually and hopes to add 4 employees then.

- "Negative to date as still work-in-progress. Family got sick from COVID - could not work. Inputs became more expensive and late finishing - 80% complete to date."

When asked about outcomes relating to business sales, revenues and employment, a large majority of borrowers reported positive results:

| | | |
|---|---|---|
| **Sales and profits:** | Contributed to an increase in sales or profits | 31 |
| | Helped maintain sales or profits | 8 |
| | Contributed to a reduction in sales or profits | 0 |
| **Employment:** | Contributed to an increase in employment | 32 |
| | Helped maintain the level of employment | 5 |
| | Contributed to a reduction of employment | 1 |
| **Other:** | Other results or no impact | 3 |

A large majority of interviewees said the loan had contributed to increases in both sales and profits. Similarly, most interviewees reported significant increases in employment. One reported a reduction in employment, as the investment allowed the workforce to become more productive. The borrowers who invested in agricultural land and crops (mostly vines for grape and wine production), aquaculture, or construction of new buildings did not report changes in sales or profits, as their investments had longer gestation periods.

Examples of borrower descriptions of the impact of the loans:

- (Importer of liquefied petroleum gas): "Used the loan to purchase a tanker truck imported from Turkey costing USD 75,000. Increased tanker truck fleet from 3 to current size of 4. Increased imports from 60 to 80 tons a week and sales by 30%. Profits also increased."
- (Supplier of ice for bars and restaurants): "Bought freezers and a freezing aggregate to produce new ice. Production capacity was increased 3 times. Sales and profits also increased substantially. Employment increased from 5 to 16."
- (Factory processing local hazelnuts for retail sales and exports): "Purchased more raw hazelnuts for processing. Sales and profits increased 30-40% over previous year. Also increased employees from 36 to 65. Plans to build a new additional factory for exports."
- (Producer of fruit/cattle/pigs/sheep/wheat/corn/sunflower): "Used loan for repairs and pigs' purchase. Also, a 2nd loan to buy pesticides... 25 pigs increased to 100. Pesticides purchased. Sales and profits increased."

### *Size of the guaranteed loans*

According to TBC records, 32 of the 40 interviewees had previously borrowed from the bank, or possibly a bank predecessor. In the interviews, only 22 of them reported having had a prior loan from TBC. This is how they compared the size of their most recent loan from TBC with prior loans from TBC:

| | | |
|---|---|---|
| **Size of most recent loan** | Much larger than prior loan | 15 |
| | Somewhat larger | 5 |
| | Smaller | 2 |

### *Overall trend in profitability*

When asked to consider their business results in relation to their bank relationship, 35 of the 40 interviewees indicated that their profits had increased since they began borrowing from TBC.

### *Unintended results*

| Questions | Summary Finding |
|---|---|
| Has the intervention led to unintended positive or negative results? If so how and why? | There is a potential for this intervention, provided to just one major financial service provider, to create some competitive distortion in the market for lending to MSMEs. |

**Detailed findings:**

The Sida guarantee appears to be the easiest to use among available facilities to support bank lending to MSMEs in Georgia. As it is only available to TBC, it may contribute to a competitive advantage for that bank, and so contribute to some distortion of the market. While the Georgian government makes certain facilities available to all banks, the evaluators do not know whether any of TBC's major competitors have access to a facility that is comparable to the Sida guarantee. In Sida's initial exploration of possible Georgian partners for such a facility, TBC was reportedly the bank with the greatest focus on MSMEs, an extensive branch infrastructure, and the strongest interest in the guarantee[18].

### *Monitoring and evaluation system*

| Questions | Summary Finding |
|---|---|
| Has the M&E system delivered robust and useful information that could be used to assess progress towards outcomes and contribute to learning on financial and development additionality?<br><br>How could the M&E system be improved? | TBC's portfolio guarantee loan ledger provides detailed and accurate information on each loan covered by the guarantee, sufficient to monitor and analyse the uses and basic outcomes at the bank level. Additional data on borrower revenues, profits and employment would be desirable, but gathering such data in a systematic and reliable fashion would be challenging. |

**Detailed findings:**

The portfolio data provided by TBC can be used to analyse a range of issues regarding the guaranteed loans. The tables presented in this report are based on raw loan ledger data shared by TBC and tabulated by the evaluators. TBC's classification of loans and borrowers by category (start-up, woman-owned, sector, amount, etc.) was verified in interviews with a sample of borrowers and found accurate. It is not therefore necessary for TBC to invest in further development of its data gathering system for the purpose

[18] As explained to the evaluators by a member of Sida's appraisal mission.

of monitoring this particular agreement. Outcome data is not included at the borrower level, except for repayments/defaults. Data on changes in borrower revenues, profits and employment, resulting from the guarantee arrangement, while not demanded, would be useful. But designing a cost-effective means of gathering such information may be impractical.

***Value of increasing the guarantee limit***

| Questions | Summary Finding |
|---|---|
| Will it be value added to increase the guarantee limit? | Increased MSME lending, for the purpose of increasing employment and productivity, remains a priority for Sida and the Government of Georgia. TBC is motivated and ready to continue its lending to qualifying enterprises, and reports that there are many additional, viable MSMEs that could make productive use of low-collateral loans. So it is considered that there is value added to increase the maximum authorised loan portfolio and the total guarantee limit beyond the current amounts of USD 40 million and 20 million respectively. |

**Detailed findings:**

Under the existing USD 40 million maximum authorised loan portfolio limit of the revolving facility, TBC can only make new guaranteed loans to the extent that previous loan are repaid, and consequently the annual volumes of new guaranteed loans would decrease substantially. TBC is motivated and ready to continue its lending to the target enterprises covered by this portfolio guarantee, and it reports that there are many additional, viable MSMEs that could make productive use of low-collateral loans. The portfolio guarantee does provide TBC with a competitive advantage, which in a free market would not ideally be recommended for a donor supported intervention. But, within this high risk sector of lending, there may not be alternative financial institutions with similar geographic reach and specialist MSME knowledge, experience and strategic focus. Therefore, it is considered that there is value added to increase the maximum authorised loan portfolio and the equivalent total guarantee limit available to TBC beyond the current limit of USD 40 million and 20 million respectively.

## 4.4 SUSTAINABILITY

| Questions | Summary Finding |
|---|---|
| How sustainable are the results at the level of the individual enterprise? | It is too early to conclude about sustainability, but the default rate for the guaranteed portfolio is low so far, suggesting that financially both borrowers and the bank will continue |

| | |
|---|---|
| | benefitting from the facility. Reports from interviewed borrowers about early increases in sales, profits and employment support this view. |
| If the facility improved access to financing for the ultimate users, will they have continued access in the absence of any guarantee? | Without any guarantee, their access will still be limited and dependent on any available collateral. Borrowers who establish a history of profitability and repaying guaranteed loans will have somewhat easier access, but may not be exempt from normal requirements for collateral. |
| If the facility contributed to positive changes at the financial institution, how likely are those changes to be sustainable after the facility is fully used or expires? | The guarantee allowed TBC staff to gain additional experience from lending to start-ups and enterprises with limited collateral. Some of that experience can still be applied in future lending to MSMEs in the absence of a guarantee. There is also a sign that the experience could over time result in changes to the bank's credit policy or practices. |
| How likely are external shocks to threaten the continued viability of borrowers and of the financial institution? | Any external shock, such as a serious economic downturn or a devaluation of the national currency, will affect the viability of many borrowers. As local currency loans predominate, the currency-related risks to borrowers and the lender are limited. The guaranteed portfolio is a very small fraction of TBC's total loans, and any losses on the portfolio would only have minimal impact on the bank overall. TBC is currently well capitalised and has ably survived prior shocks, including the pandemic-triggered recession in 2020. |

### 4.4.1 Detailed findings about loan defaults

**Table 15. Guaranteed Loans by Payment Status as of December 2021, in USD equivalents**

| Status of Disbursed Loans | # Loans | % of Loans | Total Disbursed | % of Disbursed. | Avg. Size |
|---|---|---|---|---|---|
| Not overdue | 800 | 96.6% | 40,448,725 | 97.5% | 50,561 |
| Overdue 1-30 days | 7 | 0.8% | 293,738 | 0.7% | 41,963 |
| Overdue 31-90 days | 7 | 0.8% | 392,425 | 0.9% | 56,061 |

| | | | | | |
|---|---|---|---|---|---|
| Overdue 91+ days (PAR 90) | 14 | 1.7% | 344,351 | 0.8% | 24,597 |
| **Total** | **828** | **100.0%** | **41,479,240** | **100.0%** | **50,096** |
| *Source: Data on subset of guaranteed loans provided by TBC and tabulated by the evaluators.* | | | | | |

By December 2021, 819 guaranteed loans with total contract values of USD 31 million had already been fully repaid. Table 15 shows the payment status of the remainder subset of loans that had not yet been fully repaid at that time. Partial repayments of the loans in the table amounted to approximately USD 7 million, so the balance of guaranteed loans outstanding at the end of 2021 was USD 34.2 million. The default rates shown are quite low, and somewhat lower than average reported for the bank's total MSME portfolio at the end of 2021[19]. This suggests that the guaranteed portfolio is of a good quality. TBC has not yet claimed reimbursement for any losses on guaranteed loans, though it seems certain that there will eventually be some losses. It should be noted that about USD 30.5 million of all the loans were disbursed during 2021, and those loans had been outstanding for less than a year as of the date shown. Since the average tenor is more than 4 years, some additional defaults can certainly be expected among those loans. The low default rates can also be interpreted on the background of the good growth that most sectors of Georgia's economy have experienced since its pandemic-induced recession in 2020. During 2021, the real GDP of Georgia was reported to increase by 10.4 percent. Default rates are usually low during such periods of significant growth.

The interviews with a sample of borrowers also help explain these results. A large majority of the borrowers reported that the investments they made with borrowed funds contributed to substantial increases in their sales and profits, as described in sections above, thus helping them make their loan payments on time, and in some cases their profits even allowed them to make substantial additional investments. Most of them also reported hiring additional employees during the past year.

#### *Finding about the question about continued access to credit*

The conclusion above reflects comments received in interviews with TBC executives. See also the section above regarding NBG guidelines about loan collateral.

#### *Finding about the question about continued benefits to the financial institution*

The conclusion above reflects comments received in interviews with TBC executives, and the evaluators' judgement. See also the section above regarding NBG guidelines.

#### *Finding about vulnerability to external shocks*

Without predicting the ability of any institution to withstand severe external shocks, the evaluators note that TBC is currently on a secure financial footing and has demonstrated an ability to survive shocks in the past; for example, the bank remained profitable during the pandemic-triggered recession of 2020[20]. Its guaranteed MSME

[19] The bank reported 4.0 percent of its total MSME loans as non-performing (PAR +90) at the end of 2021. TBC Bank Group PLC Annual Report 2021, p. 99.

[20] See TBC Bank Group PLC Annual Report 2021

portfolio is very small in comparison to the total assets of the bank. MSME borrowing for investment in capital assets and increased productivity may enhance the resilience of the individual businesses. The fact that local currency loans predominate in the guaranteed portfolio (see Table 11 in the section above about characteristics of the guaranteed loans) means that currency-related risks to borrowers and to the lender are moderate.

# 5 Conclusions

## 5.1 USE AND RESULTS OF THE PORTFOLIO GUARANTEE

The Sida guarantee has contributed to the mobilisation of substantial amounts of additional private sector funds to Georgian micro and small enterprises, including start-ups and women-owned enterprises, that have insufficient collateral to obtain bank loans.

The short-term results have been mostly very positive for the borrowers, with reported increases in sales, profits and employment. The very favourable conditions in most sectors of the Georgian economy since early 2021 have probably contributed to these positive results, and to the low default rate so far on the guaranteed portfolio.

TBC has used the guarantee appropriately and effectively as a substitute for hard collateral, while treating it as a scarce resource, in the process gaining additional MSME clients, including start-ups. The facility is almost fully used, and additional similar lending will only happen as existing guaranteed loans are paid off, unless Sida decides to increase the maximum guarantee limit.

There have not yet been any observable changes in the credit policy or practices of TBC, which are constrained by guidelines from banking supervisors at the central bank, however there is an early sign that, once actual repayment patterns from low-collateral loans are documented, some of those guidelines may be eased.

## 5.2 FUTURE PROSPECTS AND POSSIBILITIES

TBC reports a continuing demand for new loans from similar MSMEs with little available collateral, and an increase in the maximum guarantee limit of the facility would permit the bank to make such additional loans without waiting for the existing guaranteed loans to be repaid. TBC is also interested in an increase in the allowed maximum amount per borrower.

Note: A further suggestion from TBC is increasing the maximum proportion of a new guaranteed loan that can be used to repay and close previous loans. The 2018 agreement limited that proportion to a maximum of 30 percent. Subsequently, Sida agreed to raise it to 40 percent. TBC is now interested in using up to 50 percent of new loans to repay and close borrowers' existing obligations to TBC. This will allow the bank to consolidate loans for particular borrowers and simplify the administration for both borrowers and the bank. TBC suggests that this higher limit could apply only to borrowers with an excellent payment record on all their debt to TBC.

If Sida is able to provide any technical assistance, TBC might be interested in assistance to both clients and to the bank regarding digitalisation and the introduction of products for RECP lending.

Looking beyond the term of the existing guarantee agreement, it is possible that other Georgian banks would now be interested in a similar facility. Offering guarantees on similar terms to several banks may help stimulate healthy competition, to the benefit of the potential MSME borrowers.

# 6 Recommendations

**Existing guarantee agreement with TBC Bank:**

- The guarantee facility has been effective in mobilising private sector funding for the targeted MSMEs, and Sida should consider accommodating TBC's main request for an increase in the maximum authorised loan portfolio amount of USD 40 million and in the equivalent guarantee limit of USD 20 million.
- Other TBC requests which Sida should consider favourably include raising the current limit for guaranteed loans per borrower, as well as raising the limit for refinancing of borrowers' existing obligations.

**Future guarantee facilities:**

- Explore whether other Georgian banks might now be interested in a guarantee facility with similar terms.
- Explore with TBC possible technical assistance that would allow the bank to become more effective in reaching the agreed target segments. This could involve assistance to digitisation or to develop products and capacity for RECP lending, including possible targeted efforts at MSMEs in specific subsectors.

***NOTE: Sida should conduct all necessary due diligence procedures before increasing its guarantee provision.***

# Annexes

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# Annex 1 – Terms of Reference

**Terms of Reference for the Mid Term Evaluation of Portfolio Guarantee in Georgia between Sida and TBC Bank**

Date: 2022-03-08

## 1. General information

### 1.1 Introduction

The Embassy of Sweden in Tbilisi, on behalf of Swedish International Development Cooperation Agency (Sida) has signed the portfolio guarantee agreement with the TBC Bank, with a guarantee period of 7 years (2018-12-18 to 2025-12-31). Sida Guarantee ceiling is 20 MUSD (220 000 00 SEK).

The contribution is well in line with Swedish priorities outlined in the Results Strategy for Sweden's reform cooperation with Eastern Europe, the Western Balkans and Turkey, the aim of increasing growth among small and medium sized companies that could contribute to expand the economy and employment generation in the country. Further, the contribution supports Sida's priorities to promote groups that have more difficulty to get access to finance, including women entrepreneurs and start-ups. Companies that plan to do an investment which promotes resource efficient and cleaner production purposes are also given an extra priority. The contribution is also aligned with Sida's ambition to promote innovative approaches where TBC Bank and Sida share a risk with the aim to secure mobilization of institutional capital. The target group of the guarantee is delimited to micro, small and medium sized enterprises (MSME: s) within the sectors of services, manufacturing and agriculture. Over time these sectors are estimated to be able to reap the benefits of the Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU; and Sida's particular focus on MSME:s and higher risk sharing for women entrepreneurs, start-ups and environmentally sustainable investments is intended to an increased rate of inclusion and sustainability in the growth process.

In Georgia there are linkages in-between labour market employment and the ability to help "moderate poor" and "vulnerable" to rise out of poverty. In the longer term, the contribution could support the process of poverty reduction and improve the status of the poor while increasing margins in local value chains across Georgia. The guarantee also focuses on the business sectors of the Georgian economy which over time are believed to be able to reap the benefits of the DCFTA agreement with the EU. These sectors include agriculture and agro-processing, manufacturing and services.

At the outcome level the partner bank will ideally have modified its lending behaviour by reducing collateral demands and lower interest rates post expiration of the guarantee facility. At the impact level, the guarantee instrument aims to prove there is a direct causality between guarantee availability and improved access for target beneficiary MSMEs.

## 1.2 Evaluation object: Intervention to be evaluated

The evaluation object is the portfolio guarantee eorgia, loan Portfolio guarantee between the Sida the TBC Bank.

The purpose of the Guarantee is to facilitate increased lending by the TBC Bank to MSMEs and Start-ups in Georgia, improving both the conditions of and increasing the quantity of these loans, thereby stimulating economic growth in Georgia.

TBC was founded in 1992. The bank was licensed by the National Bank of Georgia in January 1993 and was granted another license to conduct international transactions in May 1993. In 2014 the bank listed its shares through Global Depository Receipts on the London Stock Exchange and in 2016 upgraded its listing to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange. Today TBC has an annual turnover (total operational income) of GEL 1,397.8 million, a net profit of GEL 842.9 million, has about 7,300 employees and 150 branches in ten regions of Georgia and in the capital city (all figures relate to end of 2021). It is supervised and regulated by the National Bank of Georgia.

The theory of change for this contribution is based on market catalyzing effect, which is difficult to isolate due to a large number of influencing factors. However, the overall desired impact is an increased share of Micro, Small and Medium Enterprises (MSMEs) contributing to the Georgian economy. The Outcome levels are related to increased lending to MSMEs, women owned business, resource efficient and cleaner production (RECP), an improved lending environment and the business expansion of borrowing towards MSMEs.

The guarantee structure is pari passu; i.e. the risk will be shared equally by Sida and TBC Bank However, Sida is willing to share 60 % of the risk if borrowers are women entrepreneurs, Start-ups or if a loan is related to investment that promotes resource efficient and cleaner production purposes. At least 25 % of the guarantee should target Start-ups (owned by either women or men) in the sectors of Agriculture and Agro-business, Manufacturing and Services sectors with a risk sharing solution amounting to 60%. TBC and Sida have decided to develop a revolving facility since the underlying loans are 4-5 years. Without the revolving capability, the average exposure will be quite low.

Sida is the sole donor to this intervention. And the mid term evaluation report will be the first evaluation for this intervention, to be followed up by the final evaluation report due in 2026.

For further information the Agreement with the TBC Bank is attached as Annex D and the Results Framework is also attached as Annex E.

The intervention logic or theory of change of the intervention should be reconstructed in the inception report with clear assumptions that can be tested by the evaluator.

### 1.3 Evaluation rationale

Based on the agreement signed between the Sida and the TBC Bank, Sida, in collaboration with the TBC Bank, shall make a mid-term review (normally after three 3 years after the entering into force of this Agreement) of the progress towards the achievement of the expected results under the Guarantee.
Thus, as this point of time in 2022 the evaluation is thus is due to be commissioned and carried out. Also, the TBC Bank already utilized the full amount of the guarantee, thus the MTR will also serve as part of decision making on whether to add to the guarantee amount from Sida, as TBC Bank has signalled the interest to increase the guarantee volume.

## 2. The assignment

### 2.1 Evaluation purpose: Intended use and intended users

The purpose of the mid-term evaluation is to assess progress of the TBC loan portfolio guarantee(the
"guarantee") , including its financial and development additionality (Refer to OECD Best practice Blended Finance Guidance) to inform decisions on the value added of increasing the guarantee amount.
The evaluation is to be designed, conducted and reported to meet the needs of the intended users and tenderers shall elaborate in the tender how this will be ensured during the evaluation process. Other stakeholders that should be kept informed about the evaluation might be further added.
The primary intended users of the evaluation are:
• The guaranteed party: TBC Bank
• Embassy of Sweden in Tbilisi/Sida (Sida's loans and guarantee unit)
During the inception phase, the evaluator and the users will agree on who will be responsible for keeping the various stakeholders informed about the evaluation.

### 2.2 Evaluation scope

The time frame to be covered by the evaluation is from 18 December 2018 - 2021. Geographical coverage of the evaluation is across Georgia, where loans have been issued under the Guarantee. The target groups to be included are the MSMEs contributing from the Guarantee.

If needed, the scope of the evaluation may be further elaborated by the evaluator in the inception report.

### 2.3 Evaluation objective: Criteria and questions

The objective/objectives of this evaluation is to assess the effectiveness (i.e. progress towards the achievement of the expected results under the guarantee as per the agreed results framework), including any unintended results.

**Effectiveness: Is the intervention achieving its objectives?**

- To what extent has the intervention achieved, or is expected to achieve, its objectives, and its results? What mechanisms explains the achievement?
- Has the intervention led to unintended positive or negative results? If so how and why?
- Have the M&E system delivered robust and useful information that could be used to assess progress towards outcomes and contribute to learning on financial and development additionality? How could the M&E system be approved?
- To what extent has the project or programme generated, or is expected to generate, significant positive or negative, intended or unintended, high-level effects?
- Will it be value added to increase the volume of the guarantee?
- To what extent is the guarantee achieving improvements in lending terms and how does that compare to financial institutions that are not under the guarantee?
- To what extent is the guarantee value added and filing a gap in terms of access to financial services and the various interventions of commercial banks?

Questions are expected to be developed in the tender by the tenderer and further refined during the inception phase of the evaluation.

## 2.4 Evaluation approach and methods

It is expected that the evaluator describes and justifies an appropriate evaluation approach/methodology and methods for data collection in the tender. The evaluation design, methodology and methods for data collection and analysis are expected to be fully developed and presented in the inception report. Given the situation with COVID-19, innovative and flexible approaches/methodologies and methods for remote data collection should be suggested when appropriate and the risk of doing harm managed.

The evaluator is to suggest an approach/methodology that provides credible answers (evidence) to the evaluation questions and handles financial and development additionality[21]. Limitations to the chosen approach/methodology and methods shall be made explicit by the evaluator and the consequences of these limitations discussed in the tender. The evaluator shall to the extent possible, present mitigation measures to address them. A clear distinction is to be made between evaluation approach/methodology and methods.

A *gender-responsive* approach/methodology, methods, tools and data analysis techniques should be used[22].

[21] See OECD/DAC Best Practice Series - Blended Finance Guidance

[22] See for example UNEG United Nations Evaluation Group (2014) Integrating Human Rights and Gender Equality in Evaluations http://uneval.org/document/detail/1616

Sida's approach to evaluation is *utilization-focused*, which means the evaluator should facilitate the *entire evaluation process* with careful consideration of how everything that is done will affect the use of the evaluation. It is therefore expected that the evaluators, in their tender, present i) how intended users are to participate in and contribute to the evaluation process and ii) methodology and methods for data collection that create space for reflection, discussion and learning between the intended users of the evaluation.

In cases where sensitive or confidential issues are to be addressed in the evaluation, evaluators should ensure an evaluation design that do not put informants and stakeholders at risk during the data collection phase or the dissemination phase. Confidentiality agreement should be formed between parties before the process/data collection starts.

## 2.5 Organisation of evaluation management

This evaluation is commissioned by the Embassy of Sweden in Tbilisi. The intended user(s) is/are TBC Bank, Embassy of Sweden in Tbilisi and Sida. The intended users of the evaluation form a steering group, which has contributed to and agreed on the ToR for this evaluation. The steering group is a decision-making body. It will approve the inception report and the final report of the evaluation. The steering group will participate in the start-up meeting of the evaluation, as well as in the debriefing/validation workshop where preliminary findings and conclusions are discussed.

## 2.6 Evaluation quality

All Sida's evaluations shall conform to OECD/DAC's Quality Standards for Development Evaluation[23]. The evaluators shall use the Sida OECD/DAC Glossary of Key Terms in Evaluation[24] and the OECD/DAC Better Criteria for Better Evaluation[25]. The evaluators shall specify how quality assurance will be handled by them during the evaluation process.

## 2.7 Time schedule and deliverables

It is expected that a time and work plan is presented in the tender and further detailed in the inception report. Given the situation with Covid-19, the time and work plan must allow flexibility in implementation. The evaluation shall be carried out April 2022 to November 2022. The timing of any field visits, surveys and interviews need to be settled by the evaluator in dialogue with the main stakeholders during the inception phase.

[23] OECD/DAC (2010) Quality Standards for Development Evaluation.

[24] Sida OECD/DAC (2014) Glossary of Key Terms in Evaluation and Results Based Management.

[25] OECD/DAC (2019) Better Criteria for Better Evaluation: Revised Evaluation Criteria Definitions and Principles for Use.

The table below lists key deliverables for the evaluation process. Alternative deadlines for deliverables may be suggested by the consultant and negotiated during the inception phase.

| Deliverables | Participants | Deadlines |
|---|---|---|
| 1. Start-up meeting/s Online or in person depending on the pandemic situation (Tbilisi, Georgia) | Embassy of Sweden in Tbilisi<br>Sida Loans and Guarantee Unit<br>TBC Bank | Tentatively beginning of April 2022 |
| 2. Draft inception report | | Beginning of May 2022 |
| 3. Inception meeting Online or in person depending on the pandemic situation (Tbilisi, Georgia) | Embassy of Sweden in Tbilisi<br>Sida Loans and Guarantee Unit<br>TBC Bank | Beginning of May 2022 |
| 4. Comments from intended users to evaluators (alternatively these may be sent to evaluators ahead of the inception meeting) | | Tentative beginning of June 2022 |
| 5. Data collection, analysis, report writing and quality assurance | Evaluators | Beginning of July 2022 |
| 6. Debriefing/validation workshop (meeting) | Embassy of Sweden in Tbilisi<br>Sida Loans and Guarantee Unit<br>TBC Bank | Tentative end July 2022 |
| 7. Draft evaluation report | | Tentative beginning of September 2022 |
| 8. Comments from intended users to evaluators | | Tentative end September 2022 |
| 9. Final evaluation report | | Mid October2022 |
| 10. Seminar Preferably in person (Tbilisi, Georgia) | Embassy of Sweden in Tbilisi<br>Sida Loans and Guarantee Unit<br>TBC Bank | Tentative beginning of November 2022 |

**The inception report** will form the basis for the continued evaluation process and shall be approved by Sida before the evaluation proceeds to implementation. The inception report should be written in English and cover evaluability issues and interpretations of evaluation questions, present the evaluation approach/methodology *including how a*

*utilization-focused and gender-responsive approach will be ensured*, methods for data collection and analysis as well as the full evaluation design, including an *evaluation matrix* and a *stakeholder mapping/analysis*. A clear distinction between the evaluation approach/methodology and methods for data collection shall be made. All limitations to the methodology and methods shall be made explicit and the consequences of these limitations discussed.

A specific time and work plan, including number of hours/working days for each team member, for the remainder of the evaluation should be presented. The time plan shall allow space for reflection and learning between the intended users of the evaluation.

**The final report** shall be written in English and be professionally proof read. The final report should have clear structure and follow the layout format of Sida's template för decentralised evaluations (see Annex C). The executive summary should be maximum 3 pages.

The report shall clearly and in detail describe the evaluation approach/methodology and methods for data collection and analysis and make a clear distinction between the two. The report shall describe how the utilization-focused approach has been implemented i.e. how intended users have participated in and contributed to the evaluation process and how methodology and methods for data collection have created space for reflection, discussion and learning between the intended users. Furthermore, the gender-responsive approach shall be described and reflected in the findings, conclusions and recommendations along with other identified and relevant cross-cutting issues. Limitations to the methodology and methods and the consequences of these limitations for findings and conclusions shall be described.

Evaluation findings shall flow logically from the data, showing a clear line of evidence to support the conclusions. Conclusions should be substantiated by findings and analysis. Evaluation questions shall be clearly stated and answered in the executive summary and in the conclusions. Recommendations and lessons learned should flow logically from conclusions and be specific, directed to relevant intended users and categorised as a short-term, medium-term and long-term.

The report should be no more than 35 pages, excluding annexes. If the methods section is extensive, it could be placed in an annex to the report. Annexes shall always include the Terms of Reference, the Inception Report, the stakeholder mapping/analysis and the Evaluation Matrix. Lists of key informants/interviewees shall only include personal data if deemed relevant (i.e. when it is contributing to the credibility of the evaluation) based on a case based assessment by the evaluator and the commissioning unit/embassy. The inclusion of personal data in the report must always be based on a written consent.

The evaluator shall adhere to the Sida OECD/DAC Glossary of Key Terms in Evaluation[26].

The evaluator shall, upon approval by Sida/Embassy of the final report, insert the report into Sida's template för decentralised evaluations (see Annex C) and submit it to Nordic Morning (in pdf-format) for publication and release in the Sida publication database.

[26] Sida OECD/DAC (2014) Glossary of Key Terms in Evaluation and Results Based Management.

The order is placed by sending the approved report to Nordic Morning (sida@atta45.se), with a copy to the responsible Sida Programme Officer as well as Sida's Evaluation Unit (evaluation@sida.se). Write "Sida decentralised evaluations" in the email subject field. The following information must always be included in the order to Nordic Morning:

1. The name of the consulting company.
2. The full evaluation title.
3. The invoice reference "ZZ980601".
4. Type of allocation: "sakanslag".
5. Type of order: "digital publicering/publikationsdatabas.

## 2.8 Evaluation team qualification

In addition to the qualifications already stated in the framework agreement for evaluation services, the evaluation team shall include the following competencies

- Experience of evaluating guarantee instruments
- Expertise in guarantees and financial products

A CV for each team member shall be included in the call-off response. It should contain a full description of relevant qualifications and professional work experience.
It is important that the competencies of the individual team members are complimentary. It is highly recommended that local evaluation consultants are included in the team, as they often have contextual knowledge that is of great value to the evaluation. In addition, and in a situation with Covid-19, the inclusion of local evaluators may also enhance the understanding of feasible ways to conduct the evaluation
The evaluators must be independent from the evaluation object and evaluated activities, and have no stake in the outcome of the evaluation.
Please note that in the tender, the tenderers must propose a team leader that takes part in the evaluation by at least 30% of the total evaluation team time including core team members, specialists and all support functions, but excluding time for the quality assurance expert.

## 2.9 Financial and human resources

The maximum budget amount available for the evaluation is 800 000 SEK.

Invoicing and payment shall be managed according to the following: The Consultant may invoice a maximum of 30 % of the total amount after approval by Sida/Embassy of the Inception Report and a maximum of 70 % after approval by Sida/Embassy of the Final Report and when the assignment is completed.

The contact person at Sida/Swedish Embassy is Tinatin Genebashvili, National Program Officer, Embassy of Sweden in Tbilisi. The contact person should be consulted if any problems arise during the evaluation process.

Relevant Sida documentation will be provided by Tinatin Genebashvili, National Program Officer, Embassy of Sweden in Tbilisi.

Contact details to intended users (cooperation partner, other donors etc.) will be provided by Tinatin Genebashvili, National Program Officer, Embassy of Sweden in Tbilisi.

The evaluator will be required to arrange the logistics, such as booking interviews, preparing visits if applicable, etc. including any necessary security arrangements.

# 3. Annexes

## Annex A: List of key documentation

- Annual Financial and Narrative reports of the guarantee from the TBC Bank, including the results framework (Internal documents)

## Annex B: Data sheet on the evaluation object

| **Information on the evaluation object (i.e. intervention)** | |
|---|---|
| Title of the evaluation object | Portfolio guarantee Georgia |
| ID no. in PLANIt | 10121 |
| Dox no./Archive case no. | 16/001328 |
| Activity period (if applicable) | 2018-12-18 - 2025-12-31 |
| Agreed budget (if applicable) | Agreed Subsidy Amount 19 974 145 SEK<br>Mobilized amount 440 000 000 SEK (as it is a revolving guarantee) |
| Main sector[27] | 32130 |
| Name and type of implementing organisation[28] | 5012 |
| Aid type[29] | C01 Project type interventions |
| Swedish strategy | Results Strategy for Sweden's reform cooperation with Eastern Europe, the Western Balkans and Turkey |

| **Information on the evaluation assignment** | |
|---|---|
| Commissioning unit/Swedish Embassy | Embassy of Sweden in Tbilisi |
| Contact person at unit/Swedish Embassy | Tinatin Genebashvili |
| Timing of evaluation (mid-term, end-of-programme, ex-post, or other) | Mid-term |
| ID no. in PLANIt (if other than above). | |

## Annex C: Decentralised evaluation report template

## Annex D: Guarantee Agreement (Internal document)

[27] Choose from Sida's twelve main sectors: education; research; democracy, human rights and gender equality; health; conflict, peace and security; humanitarian aid; sustainable infrastructure and services; market development; environment; agriculture and forestry; budget support; or other (e.g. multi-sector).

[28] Choose from the five OECD/DAC-categories: public sector institutions; NGO or civil society; public-private partnerships and networks; multilateral organisations; and other (e.g. universities, consultancy firms).

[29] Choose from the eight OECD/DAC-categories: budget/sector support; core contributions/pooled funds; project type; experts/technical assistance; scholarships/student costs in donor countries; debt relief; admin costs not included elsewhere; and other in-donor expenditures.]

# Annex E : Results Framework

# Annex 2 – Evaluation Matrix (from Inception Report)

| Evaluation Criteria | Evaluation Questions | Possible sub-questions | Sources of Verification/Information | Research Methods |
|---|---|---|---|---|
| **Relevance**<br>Is the intervention doing the right thing? | - Is support to TBC Bank still relevant to the Sida's future strategy in Georgia?<br>- Are there alternative means of achieving the desired outcome? | - To what extent are the guarantees still relevant given Sweden's future development assistance strategy in Georgia? | - Sida<br>- Other stakeholders | - Document review<br>- Key informant interviews (KII) |
| **Coherence**<br>How well does the intervention fit? | - Is the intervention compatible with government policies in Georgia?<br>- Is the intervention consistent with other actors' interventions in the same context? | - What other credit guarantees are used in Georgia at the moment?<br>- Are there any guarantee schemes in Georgia that provide support for enterprises that are energy/climate change/waste related that could be relevant for this Evaluation Team to engage with? | - NBG<br>- MESD | - Document review<br>- KII |

| | | | | |
|---|---|---|---|---|
| **Effectiveness**<br>To which extent did the project contribute to intended outcomes? If so, why? If not, why not? | - To what extent has the intervention achieved, or is expected to achieve, its objectives, and its results? What mechanisms explains the achievement? | - How many loans were provided in rural/urban areas?<br>- Has the guarantee contributed to improved access to finance for under-served/unserved segments, and in this case how? Are there specific examples?<br>- Does the experience create a track record which now opens up more lending to a previously under-served segment? Why/Why not?<br>- What additional knowledge/competencies would be needed for TBC to better serve currently unserved/under-served segments?<br>- what opportunities/barriers does TBC see in reaching poorer and more rural demographics? | Portfolio data:<br>- Mix of borrowers<br>- First time and other incremental loans<br>- Use of collateral | - Portfolio analysis<br>- KII<br>- Borrower interviews |
| | - Has the intervention led to unintended positive or negative results? If so how and why? | | - TBC staff<br>- Other stakeholders | - Borrower interviews<br>- KII |

| | | | | |
|---|---|---|---|---|
| | - Has the M&E system delivered robust and useful information that could be used to assess progress towards outcomes and contribute to learning on financial and development additionality? How could the M&E system be improved? | | - TBC's excel records<br>- Reports to Sida | - Portfolio analysis<br>- KII |
| | - To what extent has the project or programme generated, or is expected to generate, significant positive or negative, intended or unintended, high-level effects? | - Gender: What is the proportion of female/male borrowers?<br>- Are there any gender-specific results? How has gender sensitive implementation been taken into consideration?<br>- Which sectors had high proportions of women-owned enterprises, e.g producer, supplier, distributor, retailer, etc. Are there systemic constraints on women's access to finance in these sectors. | - NBG<br>- MESD | - KII |

| | | | | |
|---|---|---|---|---|
| | - Will it be value added to increase the guarantee limit? | - What is MSME demand for credit?<br>- What is TBC's strategy, risk appetite and liquidity? | - NBG<br>- MESD<br>- TBC Staff | - KII |
| | - To what extent is the guarantee achieving improvements in lending terms and how does that compare to financial institutions that are not using the guarantee? | - What levels of collateral cover were required for the guaranteed loans?<br>- Does the guarantee affect the amount of regulatory capital that TBC needs to commit for the loans? | - NBG<br>- TBC Staff<br>- MESD | - KII |
| | - To what extent is the guarantee value added and filing a gap in terms of access to financial services and the various interventions of commercial banks? | | - NBG<br>- MESD<br>- Other stakeholders | - KII |
| | - To what extent has this facility been articulated and integrated into existing financial sector arrangements? (additional question) | | - Borrowers interviews<br>- Documentation<br>- Bank Staff<br>- Other Stakeholders | - Borrower interviews<br>- KII<br>- Documents |

| | | | | |
|---|---|---|---|---|
| | - How do users assess effectiveness of loan access and use compared to other available alternatives? (additional question) | - Were there aspects of digital finance tools and services (any variety of applications, processes and business models that have transformed the traditional way of providing banking and financial services) which enabled potential borrowers easier access to loans. Which, and how did they influence the beneficiaries, especially women? | | |
| | - What have been key effects/outcomes that can be directly and indirectly attributed to the facility? (additional question) | - To which extent have the guarantees contributed to improved access to finance for SMEs in the agricultural sector? Are there any specific examples?<br>- To which extent have the guarantees contributed to employment/created new work opportunities? | | |
| | - What intended effects/outcomes have no been achieved and what are the causes for this? (additional question) | - Did different sectors see differing levels of utilization, what factors led to these differences in guarantee effectiveness? | | |

| | | | | |
|---|---|---|---|---|
| | | - How fast was the guarantee utilised (graph)? | | |
| **Sustainability**<br>Is it likely that the benefits of the facility are sustainable? | - Sustainability of results at the ultimate user level (business-financial, developmental, environmental)<br>- If the facility improved access to financing for the ultimate users, will they have continued access in the absence of any guarantee?<br>- How likely are external shocks to threaten the continued viability of borrowers and of the financial institution?<br>- If the facility contributed to positive changes at the financial institution, how likely are those changes to be sustainable after the facility is fully used or expires? | - What are the current levels of arrears and defaults?<br>- What are the key takeaways from this guarantee to be aware off in future guarantee projects in Georgia?<br>- How has TBC altered its lending to the target sectors due to the guarantee? Are they likely to continue to lend at similar volumes/terms without the guarantee? | - Portfolio data<br>- NBG<br>- MESD<br>- TBC staff<br>- Other stakeholders | - Portfolio analysis<br>- TBC staff<br>- KII |

# Annex 3 – Data Collection Tools

### Questions for TBC Bank's Senior Management

1. When TBC signed the guarantee agreement with Sida in 2018, what were the bank's objectives?
2. To what extent do you think the bank's objectives have been met?
3. Have there been any unexpected positive or negative impacts from the guarantee?
4. How centralised is your lending to microenterprises and SMEs? To what extent are credit decisions made in the branches, vs. the head office?
5. Who makes the decision to place a particular new loan under the Sida guarantee facility? Why do you use this approach?
6. Does the Sida guarantee make it easier for TBC to comply with regulatory requirements regarding collateral for loans or allocation of capital based on the risk of the bank's assets? If so, how?
7. Does the mix of loans you placed under the Sida guarantee differ significantly from other loans TBC has made recently to microenterprises and SMEs? For example, the proportion of women-owned enterprises, start-ups, agricultural enterprises, the degree of collateral cover, or the tenor of the loans? If so, how is it different from the mix of loans outside the guarantee?
8. Are the tenors of the guaranteed loans – many 4-5 years or longer, typical for your other loans to small enterprises?
9. In order to make these long-term guaranteed loans in Lari, Euros and Dollars, is TBC using any special long-term funding sources?
10. Does TBC have access to other credit guarantee facilities, from other institutions, that you can use to mitigate risks in your lending to microenterprises or SMEs? If so, what are the facilities, how do they differ and how do you use them?
11. How were the individual borrowers identified throughout the country?
12. Did you use any particular methods to encourage branches to identify women-owned enterprises or start-ups that could benefit from loans under the Sida guarantee?
13. Did you use any advertising, marketing efforts or partnerships with intermediary organizations to increase your outreach and attract potential borrowers that would qualify for the guarantee? If so, what were those efforts?
14. Did the higher guarantee percentage – 60 per cent – for loans to start-ups and women-owned enterprise cause you to make additional loans to those groups under the guarantee? Apart from the loans placed under the Sida guarantee, has there been any recent increase in your lending to other start-ups or other women-owned enterprises? If so, what caused the change and how substantial was it?
15. What are your normal requirements for collateral cover when lending to a new client – a microenterprise or SME?
16. Are the collateral requirements any different for new borrowers in agriculture?

17. Do the requirements change for any subsequent loans?
18. For the loans under the Sida guarantee, did you reduce your collateral requirements?
19. Has TBC introduced any changes in normal loan requirements for start-ups, microenterprises or SMEs as a result of your experience so far with the Sida guarantee?
20. What is the status of loan collateral on loans that are declared to be in default? How is this collateral secured? Who is responsible for collecting collateral and how are the amounts collected divided between the parties?
21. Do you have suggestions for any improvements in the design of this and other future guarantees – other than a possible increase in the total guarantee limit?
22. Do you have a strategy to support the local economy around your individual branches, and if so, do you have targets for this?
23. If the Sida guarantee facility is not increased or extended, what will be the consequences for TBCs future lending?
24. What technical support, if any, has been provided by Sida for the implementation of the guarantee

### Questions for TBC Bank's Branch Staff

1. What are your bank's priorities in serving small businesses in your market?
2. Do you think that a partial loan guarantee is appropriate for small businesses in your area?
3. What targets (if any) do you have terms of the number of business loans and the total amount of loans?
4. Has the Sida loan guarantee helped you meet your targets for new loans? If so, how has it been helpful?
5. Do you work with other organisations in order to reach out to small businesses?
6. What other organisations and banks offer loans to small businesses in this area?
7. What impact of your lending programme have you witnessed in your area?
8. Where do you see challenges and what are the causes? How can these be mitigated?
9. Do you provide any direct follow-up and support to clients who fail to make on-time loan repayments?
10. What support do you receive from your HQ?

### Questions for TBC Bank Borrowers

| **Branch** | | Name of enterprise | | | |
|---|---|---|---|---|---|
| **Loan data from table** | GEL EUR USD | Amount | Start Date: | Tenor (months): | Coll: |
| New / old ? | Startup? | Woman-owned? | Sector: Ag Manuf Service Trade | | |
| **Name and title of individual** | | | | | |
| **Specific nature of enterprise** | | | | | |
| **Date** | | | | | |
| **Interviewer(s)** | | | | | |

| | | |
|---|---|---|
| **1** | **How many years has your business been going?** | |
| | | |
| **2** | **In what year was the business started?** | |
| | | |
| **3** | **How did you learn about the opportunity to get this loan from TBC Bank?** | |
| | | |
| **4** | **a. What was the process of applying and obtaining the loan like? Would you say it was Easy, Difficult or Neither easy nor difficult?**<br><br>**b. And why do you say that?** (open question) | Easy<br>Difficult<br>Neither<br>NA |
| | | |
| **5** | **When making your loan application, what were the main issues or difficulties you had to overcome (if any)**? (open question) | |
| | | |
| **6** | **What was your purpose for getting this loan**? (open question) | |
| | | |
| **7** | **a. Did you use it to finance any particular investments?**<br>**b. If yes, what kind of investment?** (Open question) | Yes No<br>NA |
| | | |
| **8** | **To what extent did the loan in fact help you to achieve what you wanted to do for your business?**<br><br>Probe, then classify the answer:<br><br>• Achieved **all** I wanted<br>• Achieved **much** of what I wanted<br>• Achieved **a little**<br>• Did **not** in fact achieve anything | |
| **9** | **a. What has been the impact of the loan on your business? Has it affected your sales, profits or employment?**<br><br>**b. If yes, how would you describe its impact**? (open question) | Yes No<br>NA |
| | | |
| **10** | Probe to clarify nature of any impacts and classify respondent answers (check all that apply): | |

| | | |
|---|---|---|
| | 1. Contributed to an increase in sales or profits?<br>2. Helped maintain the level of sales or profits?<br>3. Contributed to a reduction in sales or profits?<br>4. Contributed to an increase in employment?<br>5. Helped maintain the level of employment?<br>6. Contributed to a reduction of employment?<br>7. Other result<br>8. No noticeable impact | |
| **11** | **a. Has your business been affected by the COVID pandemic?** | Yes No NA |
| | **b. If yes, please describe how the business was** affected (open question) | |
| | | |

# Annex 4 – Documentation


- Fundo Nacional de Investigação (FNI), 2014. Promovenda a pesquisa rumo ao Carnegie Consult (2016). Evaluation of Sida's use of guarantees for market development and poverty Reduction. Evaluation report. Sida
- Enterprise Georgia program descriptions at https://www.enterprisegeorgia.gov.ge, accessed June 6, 2022. Includes *Credit Guarantee Mechanism for SMEs*, *Micro and Small Business Support Program, Business Universal Program,* and *Tourism Development Co-Financing.*
- EBRD (2015) Loan Financing for Micro, Small and Medium-sized Enterprises, p. 13-15. From www.ebrd.com/work-with-us/project-finance.html. Accessed June 8, 2022.
- FAO (2022). Comprehensive analysis of the disaster risk reduction system for the agricultural sector in Georgia. Budapest. https://doi.org/10.4060/cb8450en
- Georgian Farmers' Association website (April 2022) https://gfa.org.ge/en/
- Results strategy for Sweden´s reform cooperation with Eastern Europe, the Western Balkans and Turkey for the period 2014–2020
- Sida (2017). Guarantees. Unlocking capital for development efforts
- Sida (2019). Sida's Guarantee Portfolio 2019
- Sida (March 2022). Sida's Work in Georgia (web-page April 2022)
- Sida's contractual agreement with TBC Bank and the Results Framework
- TBC Bank Group PLC Annual Report for 2021
- TBC Bank Group PLC FY 2018 and Q4 Financial Results
- The Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC)(2019): Better Criteria for Better Evaluation - Revised Evaluation Criteria Definitions and Principles for Use
- World Bank and IMF: Georgia Financial Sector Assessment, December 2021.
- World Bank Group's report Doing Business 2020
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*(The Strategy for Sweden's reform cooperation with Georgia (2021 – 2027) is currently only available in Swedish on the Swedish government webpage)*

# Annex 5 – List of Interviewees

| Name | Position | Organisation | Date of interview |
|---|---|---|---|
| Bitskinashvili, Keti | Head of International Financial Markets | TBC | Various (in-person, email and telephonic) |
| Bursulaia, Salome | IFM Officer / International Financial Markets | TBC | Various (in-person, email and telephonic) |
| Gakhokia, Lali | Service Expert / Micro and Agro Business Lending | TBC | 13/06/22 |
| Genebashvili, Tinatin | National Programme Officer | Swedish Embassy in Tbilisi | Various (in-person, email and telephonic) |
| Giorgadze, Natia | Team Leader – Mini Grants | Georgia Innovation and Technology Agency | 07/06/22 |
| Gobejishvili, Levan | Service Expert/Business Segment Commercial Management and Sales | TBC | 13/06/22 |
| Johannsson, Marcus | Former Programme Manager-Specialist | Sida | 10/08/22 |
| Kacharava, Maia | IFM Senior Officer / International Financial Markets | TBC | Various (in-person, email and telephonic) |
| Kitiashvili, Lado | Head of Group/ MSME Lending Risk Management | TBC | 13/06/22 |
| Nozadze, Nino | Service Expert/ SME Business Lending | TBC | 13/06/22 |
| Razmadze, Giorgi | Head of division/ MSME Lending Risk Management | TBC | 13/06/22 |
| Samadashvili, Sophia | SMEs Development Program Manager | Enterprise Georgia | 26/06/22 |
| Toria, Tamar | Executive Director | Georgian Farmers Association | 06/06/22 |
| Tsintsadze, Marika | Service Expert/Business Segment Commercial Management and Sales | TBC | 13/06/22 |

*For data protection reasons, other interviewees have not been listed by name. A total of seven TBC branch managers or deputy branch managers and sixteen other branch staff were interviewed during the field work phase of this study.*

# Annex 7 – Uses and results of loans: 40 borrower interviews

| # | Nature of enterprise | Q9b Describe impact of loan |
|---|---|---|
| 1 | Importer of auto parts from Dubai and China; and exporter of same | Able to continue buying and selling. Plans to add imports of American parts soon, will need additional financing for that. |
| 2 | New retail pharmacy | Good. Sales and profits doubled. Added 3 employees. |
| 3 | Winery. Grows grapes and makes wine | Had cost overrun of 20-30%. Project not yet completed. Expects sales will increase eventually and hopes to add 4 employees then. |
| 4 | New retail toy shop. Imports toys from China | Increased sales and profits. Added 5 employees. With the profits, also helped support a niece in starting her own separate business. |
| 5 | Seller and installer of self-service auto washes | Increased sales, employment increased by 10 and profits increased very modestly. |
| 6 | New leasing company. Lessor of passenger cars. Previous experience from bringing clients to auto leasing companies. | Increased sales and profits. Loan contributed to adding 2 more employees. |
| 7 | Gas station. Retail sales of liquified petroleum gas fuel (LPG) to vehicle owners | Has seen sales and use of LPG increase about 3 times. So profits increased. Added 8 employees. |
| 8 | Almond business. Processes, packages and sells almond products to consumers through supermarkets and other retail stores. | This is a new product in the local market. Sales to 2 supermarkets are gradually increasing. Also selling some gift orders for corporate events. Added 3 employees. |
| 9 | Wholesale importer of liquefied petroleum gas (LPG) as fuel for vehicles | Increased tanker truck fleet to current size of 4. Increased imports from 60 to 80 tons a week and sales by 30%. Profits also increased. |
| 10 | Distributor of frozen meat to supermarkets and food stores | Sales increased, and profits increase by 20-30%. Added 1 driver for the delivery vehicle. |
| 11 | Ice business. Produces and distributes ice and related supplies to bars and restaurants | Production capacity was increased 3 times. Sales and profits also increased substantially. Employment increased from 5 to 16. |
| 12 | Retail shop selling bathroom furnishings and accessories | Increased sales and profits substantially. Allowed him to open a second shop. Employees increased from 2 to 4. |
| 13 | Pastry baker operating retail cafes | Increase in sales and profits. Added 7 employees. |

| # | Nature of enterprise | Q9b Describe impact of loan |
|---|---|---|
| 14 | Geologic engineering, testing services for construction and mining companies | Large increase in sales and profits. Extremely profitable investment. After less than a year, was able to use the profits to purchase a piece of land. Increased employees from 11 to 14. |
| 15 | Importer and transporter of autos and auto parts | With more parking space, operations became more efficient and both sales and profits have increased. Employees increased from 1 to 3. |
| 16 | Nation's leading importer and distributor of ecological farm chemicals | Both sales and profits doubled, as the additional products were introduced. The business also added 2 employees. |
| 17 | New bakery and pastry shop, the first in town | High sales and profits already in the first year of operation. She hired 7 employees. Using the profits, was also able to open an additional small shop that sells dinnerware and cutlery. |
| 18 | Hazelnut processing factory with retail sales and exports to Germany and Italy | Sales and profits increased 30-40% over previous year. Also increased employees from 36 to 65. Plans to build a new additional factory for exports. |
| 19 | Retail food shop selling fruit, vegetables and other items | With her own refrigerators and greater storage, was able to modify her product offers, attract more clients and increase sales 10 % over the previous year. Also increased employees from 4 to 7. |
| 20 | Trucking company. Transportation of building materials for Chinese construction companies | No longer wastes time commuting and more productive managing his business with 3 drivers and trucks. Revenues and profits have increased. |
| 21 | Importer of used cars and trucks, repairs and resale | Rapidly increased sales and profits. Increased employees from 1 to 4. Also has plans for a car wash and shops for car parts. |
| 22 | Transportation and trading of Georgian grains. Operates 3 semi-trailers. Also exports to Russia. | Large one-time profit. He was able to repay the bank loan before it matured and re-invested his profits in 2 additional semi-trailers. Also hired 2 additional drivers. |
| 23 | Importer of used German cars, repairs and sells them retail. Also produces and sells certain building materials. | Now that he has his own facility, his sales and profits have increased. He increased employees from 6 to 25. |

| # | Nature of enterprise | Q9b Describe impact of loan |
|---|---|---|
| 24 | Retailer of affordable kitchen and laundry appliances with 2 stores and warehouse in Kutaisi | Office building will help in planned future expansion of sales to Tbilisi. Purchase of low-priced inventory contributed to an increase of sales and profits of about 15-20% year over year. Growth has continued since then. Increased employment from 5 in 2019 to 10 currently. |
| 25 | Beer shops | Positive |
| 26 | Bistro/Café and food delivery | Expanded to more premises and able to produce own goods |
| 27 | IT - Computerised equipment for burglar / fire alarms, etc. | Sales and profit increased |
| 28 | Manufacture bathroom equipment - some exported | Sales and profit increased but employment decreased due to better productivity of workforce |
| 29 | Furniture production | Sales and profits increased. Prices decreased and quality increased |
| 30 | Education centre for teaching ICT | Bigger space than before and more comfortable, previously paid rent. |
| 31 | Restaurant and vineyard + cattle farm | Too early for vines to produce much. Enterprise Georgia is subsidising the interest rate (70%) |
| 32 | Fruit/Cattle/pigs/sheep/wheat/corn/sunflower | 25 pigs increased to 100. Pesticides purchased. Sales and profits increased. |
| 33 | Primary agricultural production of cereals/fruit/honey | Previously rented a sprayer, now able to rent out own sprayer |
| 34 | Vineyard/fruit orchard/corn and new commercial fishing | Negative to date as still work-in-progress |
| 35 | Food shop | Negative to date as had to pay additional monies to Revenue Authority. |
| 36 | Imports processed timber from Belarus to sell for construction. Due to war/sanctions currently buying timber from high forests in Georgia | Very positive. Sales and profits increased. |
| 37 | Family wine maker with wine tasting for guests. Increased from 1,500 to 8,000 bottles | Planted and growing, but no output to date. Due to grace period and interest subsidy the impact is not too negative. Repayment monthly |
| 38 | Eye Clinic in Tbilisi | Delay in starting building operation due to current lease still in occupation - but receiving rent from lease |
| 39 | Making wine sold to wholesale and retail outlets - not bottled | No income to date as too soon |
| 40 | Vineyard | Too early for impact |

# Mid-term Evaluation of Portfolio Guarantee Georgia between Sida and TBC Bank

This report presents the findings of the Mid Term Evaluation of Portfolio Guarantee Georgia between Sida and TBC Bank. The purpose of the guarantee is to facilitate increased lending by the TBC Bank to MSMEs and start-ups, improving both the conditions of and increasing the quantity of these loans, thereby stimulating economic growth in Georgia. The report assesses progress of the loan portfolio guarantee, including its financial and development additionality to inform decisions on the value added of increasing the guarantee amount. The guarantee continues to be relevant for supporting Swedish priorities for reform cooperation in Eastern Europe, and for supporting Georgian government priorities regarding economic development and job creation. The facility is serving as an efficient tool for mobilising private sector funds for Georgian MSMEs. Under the existing limit of the revolving facility, the amount of additional new loans will be constrained to the repayments on previous loans. There is a substantial demand for additional loans to similar viable borrowers, and any possible increase in the facility limit would help provide bank financing for their investments and growth.

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