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Swiss Agency for Development
and Cooperation SDC

EVALUATION REPORT

External Real-Time Evaluation of the Rural Small
and Medium Enterprises Development Project

Policy and Management Consulting Group (PMCG)

OCTOBER, 2024

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Acknowledgement

PMCG would like to acknowledge the following people who were instrumental in assisting with this evaluation through their valuable feedback and in the process of establishing communication with project partners and beneficiaries: Richard Rose (Swisscontact), Marika Bairamyan (Swisscontact), Giorgi Lekiasvili (Swisscontact), and Rati Andjaparidze (SCO). Additionally, we would like to thank all the KII informants and beneficiaries for their timely cooperation in interviews, focus group discussions, and survey completion.

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ACRONYMS

BSS	Business Support System
CBA	Cost-benefit Analysis
CHF	Swiss Franc
DCED	Donor Committee for Enterprise Development
EG	Enterprise Georgia
EU	European Union
FGD	Focus Group Discussion
FIs	Financial Institutions
FTE	Full-time Equivalent
GFAAFM	Georgian Federation of Auditors, Accountants, and Financial Managers
GFPAA	Georgian Federation of Professional Accountants and Auditors
HR	Human Resources
KII	Key Informant Interview
LNOB	Leave No One Behind
MS	Multi-stakeholder
MSA	Multi-stakeholder Agreement
MSD	Market System Development
NPV	Net Present Value
RDA	Rural Development Agency
RSMEDP	Rural Small and Medium Enterprises Development Project
SARAS	Service for Accounting, Reporting and Auditing Supervision
SCO	Swiss Cooperation Office
SDC	Swiss Agency for Development and Cooperation
SME	Small and Medium-sized Enterprise
TC	Team Component
ToC	Theory of Change
ToR	Terms of Reference

1. INTRODUCTION

This report presents the External Real-Time Evaluation of the Rural Small and Medium Enterprises Development Project (2021-2024), financed by the Swiss Cooperation Office¹ and currently being implemented in Georgia.

It summarizes findings, conclusions, lessons learned, and recommendations via a pre-agreed evaluation methodology based on evaluation questions articulated in line with the main Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) criteria.

In addition to annexes, the report consists of the following four main parts: (1) an introduction including general evaluation settings, a description of the intervention and its logic, and analysis of the map of stakeholders and theory of change (ToC); (2) answers to evaluation questions and findings adhering to the main OECD-DAC criteria (relevance, coherence, effectiveness, efficiency, impact, sustainability, and transversal themes); (3) overall assessment, including key findings, case studies, best practices, and lessons learned; and (4) conclusions and recommendations, including on strategic directions for the next phase of the RSMEDP.

1.1 OBJECTIVES AND SCOPE OF THE EVALUATION

The purpose of the evaluation is to inform the Swiss Cooperation Office (SCO) about the main achievements, challenges, and lessons learned throughout the implementation of the Rural Small and Medium Enterprise Development Project (RSMEDP) by analyzing the project's impact on beneficiaries and stakeholders, as well as its sustainability and overall effectiveness.

The main objectives of this evaluation are to:

- Understand and document key results achieved and changes brought about by the project for the direct and end beneficiaries;
- Highlight best practices where possible;
- Report on lessons learned; and
- Provide recommendations to the SCO.

Two additional objectives emerged at the kick-off meeting and after a first review of the documentation were to:

- Test the hypothesis that there would be better value-for-money results courtesy of the indirect approach taken by the intervention; and
- Verify that the monitoring system provided for an accurate estimate of the monetary value of the reported impact of the intervention.

Finally, the evaluation issues recommendations to be implemented within the imminent Phase 2 of the RSMEDP, thus focusing on the following relevant objectives/opportunities: (1) whether and how to expand the system and upscale the results of the Phase 1 to create opportunities for more SMEs; (2) expanding collaboration with more commercial banks; (3) making relevant modifications to respond to the needs and conditions of the business environment; and (4) other recommendations and suggestions to emerge in the course of the evaluation.

1.2 DESCRIPTION AND LOGIC OF THE INTERVENTION

The RSMEDP is a long-term project (spanning 2020 to 2031) financed by the SCO and designed within the framework of the Market System Development (MSD) approach. Since taking the MSD approach requires considerable time to mobilize local stakeholders and facilitate systemic changes, the project was envisioned to entail three phases of implementation in pursuit of the general goal of increasing income and employment for rural men and women.

The first phase (2020-2024) began with a 10-month inception phase followed a main phase of 39-41 months. During the latter phase, key interventions have been applied using an MSD approach to increase rural SMEs' access to finance by focusing on both supply and demand sides, and especially on structural gaps affecting rural Georgian SMEs. In addition, there has been an emphasis placed on information asymmetry and the complexity of loan approval procedures, low financial literacy, and the capacity of market players. Project

¹ Swiss Cooperation Office South Caucasus Embassy of Switzerland in Georgia

interventions have thus been adjusted to fit with the Government of Georgia's (GoG) SME support measures mitigating the economic crisis caused by the COVID-19 pandemic.

The second phase (2025-2028) will continue to expand the system of intervention and upscale the results of Phase 1 to create opportunities for more SMEs and possibly expand collaboration with more commercial banks. Relevant modifications will be made to the project's implementation in accordance with the needs and conditions of the business environment.

The exit phase (2029-2031) will last three years, consolidating the results achieved in the earlier phases and ensuring their sustainability.

The RSMEDP has gained momentum in the final months of Phase 1. Accordingly, the current evaluation can provide key insights and recommendations on strategic directions to be taken to expand and upscale in Phase 2. Indeed, most of the recommendations here are designed to be implemented in the imminent Phase 2 (see the next chapter on the objectives of the evaluation for more detail).

The project has thus far been pursuing the following two main outcomes: 1) sustainable growth of rural SMEs through better access to finance; and 2) improved capacity of market players (national agencies, business associations, and consultancies) to respond to the needs of rural SMEs in terms of access to finance.

The first of these main outcomes is to be achieved by enhancing the financial literacy and management capacities of rural SMEs by enabling them to access high-quality business development services delivered by local providers.

The initial underlying theory of change (ToC) of the intervention proposed the following intended chain of effects:

- (1) The project would enhance the capacities of local business development service providers (i.e., consultancies, business associations, and Enterprise Georgia (EG)), enabling them to (a) deliver more effective services to rural SMEs, and (b) increase the financial literacy and business management skills of female and male entrepreneurs and their staff.
- (2) The first effect would then translate into improved business plans and loan applications of rural SMEs, enabling banks to assign a lower level of risk to such borrowers and reduce the currently excessive collateral requirements.
- (3) Once these major weaknesses of SMEs (i.e., lack of financial literacy and management skills, non-bankable business plans, and limited credit opportunities) are addressed, then access to finance on better terms for rural female and male entrepreneurs will be enhanced, enabling them to increase productivity, grow, and diversify, thereby exploiting untapped market potential, creating additional jobs, and generating more income for rural men and women, hence reducing poverty.
- (4) Thereafter, based on the in-depth analysis of stakeholders completed during the inception phase, opportunities to engage with other state agencies (such as the Rural Development Agency (RDA)) would be explored, in addition to EG.

Using the MSD approach, the project intends to enhance not only the capacities of national business development institutions, but also their linkages with rural SMEs to further augment the relevance of their interventions and increase the effectiveness of the provided business services. In the project's design, another general chain of effects was laid out as follows:

- (1) Sustainable growth of rural SMEs would be achieved through enhancing access to finance to improve production efficiency and enable market expansion.
- (2) These rural SMEs will benefit from the capacitating of national institutions to better tailor and market their products, giving the former greater access to finance and innovation.
- (3) The first two effects will result in more non-framing jobs in rural areas, with increased profits and salaries for female and male rural residents, as well as reduced poverty.

The initial basic version of the project's ToC is shown in the figure in Annex 5.1.1 (as also published in the project's ToR).²

² Tender document Rural SMEs Development Project Inception phase: Dec. 1, 2020 – Sep. 30, 2021. Main phase 1: Oct. 1, 2021 – Dec. 31, 2024, Open procedure, page 9

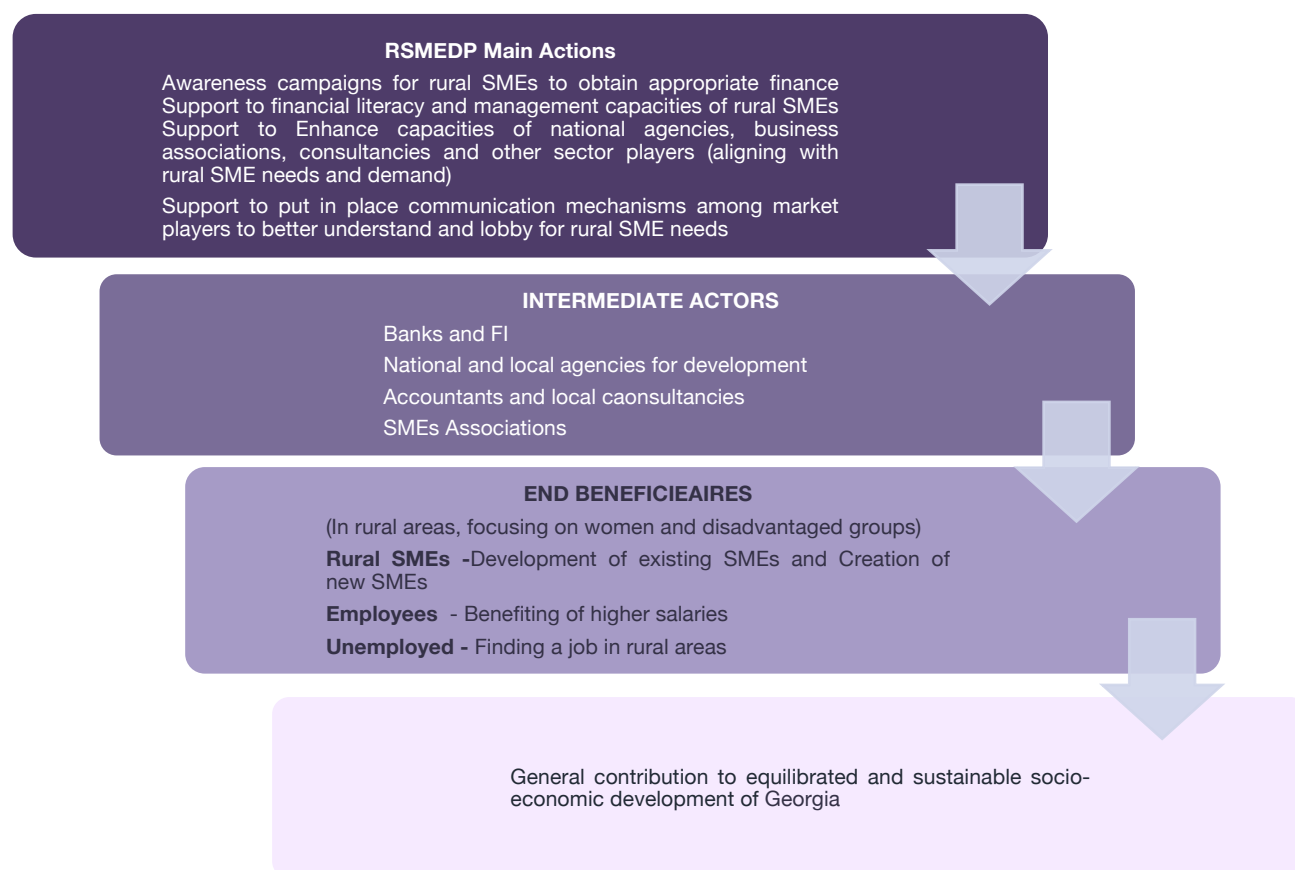
1.3 MAP OF CURRENT STAKEHOLDERS

The table in Annex 5.1.2 shows how the map of stakeholders has been reconstructed during implementation to date, based on received documentation and information (including that gathered via key informant interviews (KIIs)), additional material published in relevant websites, and data from the survey conducted during the analysis and phases of the evaluation.

The following graph summarizes the RSMEDP's logic, paying attention to the flow of actions and the roles of intermediary actors (market players) in producing an indirect and systematic impact on the development of rural SMEs and the local labor force (i.e., benefits for end beneficiaries, SMEs, and local workers). All of this is pursuant to the objective of delivering an inclusive and long-term impact on the sustainable socio-economic development of Georgia as a whole.

Informed by the documentation reviewed in the inception phase, the RSMDEP has since essentially been indirectly providing four types of action: (1) awareness-raising campaigns for rural SMEs to obtain appropriate finance; (2) boosting the financial literacy and management capacities of rural SMEs; (3) supporting the enhancement of capacities of national agencies, business associations, consultancies, and other sector players (aligning with rural SMEs' needs and demands); and (4) helping to put in place a communication mechanism.

Graph RSMEDP Georgia – Stakeholders' map showing “indirect” logic of intervention with intended medium and long-term impacts



These actions have been directly targeting intermediary players, mainly EG, the RDA, banks, financial institutions (FIs), associations of accountants, associations of SMEs, and local consultancies (and accounting service providers). Intermediary players have in turn been supporting rural SMEs as end beneficiaries. As a result, rural SMEs benefit their existing/potential employees through increased salary and job creation.

End beneficiaries, whether they be rural SMEs or existing/potential employees, have been targeted, with a focus on disadvantaged groups – such as women and minorities – adhering to the “Leave No One Behind” (LNOB) concept.

The main intended results (currently labelled as “outputs”) of the RSMEDP are: Output 1 - Enhanced awareness of rural SMEs of appropriate finance; Output 1.2 - Improved financial literacy and management

capacities of rural SMEs; Output 2.1: Capacities of national agencies, business associations, consultancies, and other sector players increased and aligned with rural SMEs' needs and demands; and Output 2.2: Communication mechanisms are in place among market players to enable better understanding of, and lobbying for, rural SMEs' needs.

1.4 MID-TERM RECONSTRUCTION AND ANALYSIS OF THE PROJECT'S THEORY OF CHANGE (ToC)

The graph in Annex 5.1.3 provides a more detailed picture of the intervention's ToC, showing achieved and potential changes thanks to the intervention and its actions.

The evaluation team considers that the ToC structure is sound and valid, albeit there might be scope for improvement.

The ToC has been elaborated by the RSMEDP project. The evaluation team highlighted possible gaps in the in effect chains using red circles and arrows.

The main questions to arise here are as follows:

- (1) Do farmers and other SMEs really improve their cash flow thanks *only* to greater financial means (i.e. better access to finance)?
- (2) Do farmers and other SMEs really increase productivity, sales, and market share thanks *only* to the improved capacity of sector agencies, associations, and consultancies serving SMEs?

In other words, the present evaluation considers that additional access to finance and better financial management might not of themselves be sufficient to ensure dynamic improvement of SMEs' revenues. That is, these two improvements might not necessarily result in appropriate investments, leading to the desired increase in capital and labor productivity of SMEs, which in turn would lead to better cash flows for individual SMEs and, ultimately, the development of SMEs and new/better jobs in rural areas.

The two questions above are therefore treated in the evaluation as key hypotheses, the testing which may elicit useful recommendations to improve the already sound structure of the ToC developed during the design and inception phases.

2. ANSWERS TO EVALUATION QUESTIONS AND FINDINGS

2.1 RELEVANCE

EQ R1: To what extent has the intervention responded to the needs and priorities of the GoG (represented by governmental agencies) at the national and local levels?

The actions of the RSMDEP have been remarkably well coordinated with relevant state agencies of Georgia, especially taking into account their needs and priorities. Since the beginning, the RSMEDP has been engaged in partnership building and continuous dialogue on the design and implementation of actions via de facto co-management through the existing modalities of Georgian institutional actors and market players.

Mutual support between the RSMEDP and the main state agencies (EG, the RDA, and the Service for Accounting, Reporting and Auditing Supervision (SARAS)) have ensured a profound grasp of agencies' needs in relation to stated objectives and relevant operations targeting direct and indirect beneficiaries. The implementation of supporting actions has been organized using the best available options to target (a) meeting capacity-building needs and (b) helping local end beneficiaries via maximum feasible capillary outreach in rural regions, given the available resources.

EQ R1: To what extent has the intervention responded to the needs and priorities of the GoG (represented by governmental agencies) at the national and local levels?		
Extent	Why	Sources and Evidence
Remarkable	Partnership building and continuous dialogue on the designing and implementation of actions via co-management. Mutual support between the RSMEDP and the main state agencies (EG, the RDA, and SARAS) has ensured a profound grasp of their needs in relation to stated objectives and relevant actions for direct and indirect beneficiaries.	<p>KIs: Virtually 100% of interviewed organizations (state agencies and associations) reported a high degree of adherence between project's actions/initiatives and their needs.</p> <p>Reports and surveys produced by the RSMEDP provide analytical and coherent information on the needs of agencies, as well as on relevant partnership building and co-management with state agencies.</p> <p>Map of stakeholders</p> <p>Strategies and activities of relevant national agencies as published on their websites confirm the outcomes.</p>
Noticeable		
Sufficient		
Unremarkable		
Unverifiable		

EQ R2: To what extent has the intervention responded to the needs and priorities of the end beneficiaries (rural SME owners or individual entrepreneurs) and direct beneficiaries (BSS providers, excluding governmental agencies)?

The RSMDEP has been responding to the needs and priorities of the end beneficiaries (rural SME owners or individual entrepreneurs) and direct beneficiaries to a noticeable extent.

The project has carried out surveys, meetings, and analyses in coordination with relevant state agencies and associations, to identify the needs of end beneficiaries regarding access to finance and financial management. However, the identified needs pertain largely to the functioning of the financial market and related human resources development in the same sector. Far fewer actions have been implemented addressing other potential needs of rural SMEs such as systems of production, value chains, and marketing.

Consequently, the intervention has been intervening mainly to improve the local financial market and related management options including subsidized loans and grants, without targeting solutions to other ways of improving rural SMEs' cash flows. The project's impact regarding increases in income thanks to the improvement of the supply and marketing system could therefore be limited, unless coordinated with other actions/projects of the Swiss Cooperation Program South Caucasus (see chapter on "Coherence").

EQ R2: To what extent is the intervention responding to the needs and priorities of the end beneficiaries (rural SME owners or individual entrepreneurs) and direct beneficiaries (business support system (BSS) providers, excluding governmental agencies)?		
Extent	Why	Sources and Evidence
Remarkable	The RSMEDP has carried out surveys, meetings, and analyses in coordination with relevant state agencies and associations, to identify the needs of end beneficiaries and direct Beneficiaries to establish concerns regarding access to finance and financial management. Implemented actions have responded to the identified needs using the MSD approach. However, other needs with regard to improving SMEs' cash flows have not been identified/addressed with the same intensity.	<p>KIs: Virtually 100% of interviewed organizations (state agencies and associations) have reported a high degree of synergy between the project's actions/initiatives and the needs of market players and SMEs in terms of access to finance.</p> <p>Reports and surveys produced by the RSMEDP confirmed the adherence of its actions with the needs of end and direct beneficiaries.</p> <p>Evaluation survey: The majority of beneficiaries confirmed that the support they had received was beneficial to some degree, with 14.3% finding it largely beneficial, 72.4% saying it had been beneficial, and 13.3% reporting it had been somewhat beneficial.</p>
Noticeable		
Sufficient		
Unremarkable		
Unverifiable		

2.2 COHERENCE

EQ C1: To what extent has the RSMEDP aligned with other related initiatives funded by the Swiss Agency for Development and Cooperation (SDC), as well as other programmatic partners identified by the project?

The intervention's coherence with the in Swiss Cooperation Program South Caucasus 2021-24 is considered within the specific objectives of the intended Outcome 5.3 *Improving economic development and creating decent jobs*³. The project has contributed to the following sub-objectives of the Swiss Cooperation Program South Caucasus:

SO1: Strengthening framework conditions for market access and creating economic opportunities

SO2: Promoting innovative private sector initiatives to facilitate the creation of decent jobs

The underlying ToC at the strategic design phase is described in the following statement in the Swiss Cooperation Program South Caucasus for the relevant chapter of the RSMEDP (5.3 *Improving economic development and creating decent jobs*):

*"If economic framework conditions and the competitiveness of private businesses are improved, and IF SMEs and rural producers in the three countries generate more income and jobs, THEN the region will experience an increase in productivity and trade turnover and THEN rural poverty and outmigration will be reduced BECAUSE reforms and the MSD approach have been promoted and BECAUSE access to finance and to skilled labour force, including women and vulnerable groups, has been improved."*⁴

Meanwhile, the outcome statement at the strategic level reads: *"In Armenia, Azerbaijan and Georgia, SMEs and rural producers generate income and jobs and operate in a conducive business environment benefitting from improved access to a skilled workforce, diversified markets, and services, including access to finance."*⁵

The matrix in Annex 5.1.4 shows in general the degree of the RSMEDP's alignment with the intended outcome of the Swiss Cooperation Program South Caucasus (5.3 *Improving economic development and creating decent jobs*) and the extent of potential alignment/complementarity with other related initiatives funded by the SDC.⁶

The matrix in Annex 5.1.4 (*Extent of contribution of the RSMEDP to the intended outcome of the Swiss Cooperation Program South Caucasus, namely 5.3 "Improving economic development and creating decent jobs"*) based on evidence collected via documentation, KIs, and the evaluation survey, confirms that the RSMEDP has aligned with the Swiss Cooperation Program South Caucasus. In particular, it has been a key project in contributing to the general outcome 5.3 *"Improving economic development and creating decent jobs"*.

The matrix in Annex 5.1.5 (*Scope of potential and actual synergies of the RSMEDP with other related initiatives funded by the SDC*) shows the extent of potential alignment/complementarity with other related initiatives funded by the SDC.

The matrix shows that the RSMEDP plays a pivotal role in the Swiss Cooperation Program South Caucasus architecture. Potential synergies of the RSMEDP with other projects being implemented in Georgia by the SDC within the same strategy-pillar is high in four cases out of five. However, actual synergies have been limited to improvement of the financial market, increasing SMEs' access to finance, and capacity building across market players (within the financial market). It is not yet clear whether the acquisition of additional financial means by several SMEs has led to improvement of cash flows via higher productivity in factors of production and/or marketing and market expansion.

To complete the general picture, the matrix in Annex 5.1.6 (*Alignment (potential contribution) of each main SDC project in Georgia with the relevant lines of intervention of for the Swiss Cooperation Program South Caucasus*) highlights the positioning of the RSMEDP in the actual implementation of the Strategy. The matrix was built based on the main information gleaned from each project, available on the SDC's website⁷.

³ Swiss Cooperation Programme South Caucasus Region 2022–2025

⁴ Swiss Cooperation Programme South Caucasus Region 2022–2025, page 25

⁵ Ibidem

⁶ Ibidem, page 16

⁷ [Women's Economic Empowerment in the South Caucasus \(WEE\)](#)

[Georgia: Contribution to CoE Action Plan for Georgia 2024-2027, Democracy Starts in Schools](#)

[Women's Increased Leadership for Democracy in Georgia](#)

[Modernization of Vocational Education and Training related to Agriculture in Georgia](#)

[Market Alliances for Rural Development](#)

[Contribution to the Council of Europe Action Plan in Georgia - Democracy Starts in Schools](#)

[Improving National Animal Identification and Traceability Systems \(NAITS\)](#)

[UNICEF – Development of WASH facilities and services in child-friendly schools in Abkhazia, Georgia](#)

[Enhanced resilience of viticulture in Abkhazia](#)

The matrix confirms that the RSMEDP is a key project within the strategic architecture of the Swiss Cooperation Program South Caucasus.

In conclusion, the intervention is very coherent with the Swiss Cooperation Program South Caucasus and in particular with the specific objectives of the intended Outcome 5.3 “*Improving economic development and creating decent jobs.*”

A closer look at the specific utilization of enhanced financial capacity by supported rural SMEs is strongly advised, for instance using an ad hoc survey. It might be revealed that closer cooperation with other SDC projects focusing on the same part of the Strategy could enhance synergies to improve economic factors including cash flow.

EQ C1: To what extent has the RSMEDP aligned with other related initiatives funded by the SDC, as well as other programmatic partners identified by the project?		
Extent	Why	Sources and evidence
Remarkable	<p>The intervention has been very coherent with the Swiss Cooperation Program South Caucasus and in particular with the intended Outcome 5.3 (“Improving economic development and creating decent jobs”) by providing SMEs and local producers with better access to finance.</p> <p>The project is pivotal to Outcome 5.3 of the Swiss Cooperation Program South Caucasus and relevant lines of intervention. The alignment with and scope for synergies with other initiatives funded by SMEs is large, although not yet fully exploited.</p> <p>Alignment with other programmatic partners identified by the project (EG, the RDA, sector associations, and SME associations) is evident and satisfactory.</p>	Analysis of the Swiss Cooperation Program South Caucasus show that the project is pivotal to its realization, especially Outcome 5.3. Ultimately, the degree of alignment and scope for synergies with other initiatives funded by SMEs is large, although not yet fully exploited.
Noticeable		Reports and surveys produced by the RSMEDP show that the intervention’s activities have been coordinated with national agencies (EG and the RDA) and inserted into relevant instruments/initiatives.
Sufficient		Reconstruction of the actual map of stakeholders provides further evidence of alignment between the actions of the RSMEDP and Georgian programmatic partners.
Unremarkable		Kills confirmed alignment with other programmatic partners identified by the project (EG, the RDA, sector associations, and SME associations)
Unverifiable		Strategies and activities of relevant national agencies (as published on their websites) show that the mentioned actions align with their initiatives.

EQ C2: To what extent has the project aligned itself with other existing rural SME support measures to achieve synergies and a multiplier effect?

The actions of the RSMEDP have been very well designed and implemented to achieve synergies with the existing national/local rural SME support measures of national agencies/funds.

Through dialogue and an adapt/adopt strategy, the RSMEDP has been able to agree with EG and the RDA on specific actions within their current portfolio of interventions, thereby ensuring maximum feasible synergies and a multiplier effect.

In particular, the project has contributed to the *Graduation Service* initiative and started cooperating on the *Micro-grants Program* of EG. It has also contributed to the RDA’s *Plant the Future* initiative. In all cases, the RSMEDP has tended to align with or influence the main supporting measures in the portfolios of EG and the RDA. In addition, the RSMEDP has been successful in launching complex global grants (granting/sub-granting) operations via the Georgian Federation of Professional Accountants and Auditors (GFPA) via their local partners and associates (local service providers in the financial/accounting market) across regions, thus ensuring broad outreach in rural areas in at least three regions, with outstanding results in one region.

For other service providers, consultancies, and SME associations, the RSMEDP has aligned with their modus operandi in terms of contact points and consolidated practices, thus ensuring adequate synergies and a multiplier effect at national and local levels.

EQ C2: To what extent has the project aligned itself with other existing rural SME support measures to achieve synergies and a multiplier effect?		
Extent	Why	Sources and Evidence
Remarkable	Partnership building and continuous dialogue on designing and implementing actions via co-management. Mutual support between the RSMEDP and main state agencies (EG and the RDA). Through dialogue and an adapt/adopt strategy, the RSMEDP has been able to agree with EG and the RDA on specific actions within their current portfolios of interventions, thereby ensuring maximum feasible synergies and a multiplier effect.	Kills: Virtually 100% of interviewed organizations (state agencies and associations) reported a high degree of synergy between the project's actions/initiatives and their modus operandi. In particular, the RSMEDP has been able to agree with EG and the RDA on inserting specific actions within their current portfolios of interventions.
Noticeable		
Sufficient		Reports and surveys produced by the RSMEDP provide analytical and coherent information on the needs of agencies, as well as on relevant partnership building and co-management with state agencies.
Unremarkable		
Unverifiable		The evaluation survey confirms the above findings, highlighting the central role of service providers' associations in accounting and financial management through the existing sectoral market system at national and local levels.

2.3 EFFECTIVENESS

EQ EF1: To what extent has the implementation of the project resulted in the achievement of the outcomes of the project and associated outputs?

The project's reports highlight effective progress being made as per the outcome key indicators. These show there has been massive outreach and relevant achievements made in the objectives. The following table (a more complete version is available in Annex 5.1.7) shows such progress as reported by the RSMEDP with respect to the target and the underlying performance (rank) of each indicator in purely percentage terms.

Outcome Indicators (Oct 2021 - Dec 2024)	Phase Achievement in Terms of Outputs	Target	Progress Toward Target %	Rank
Outcome 1: Rural SMEs sustainably grow through better access to finance.	2,872 SMEs taking up BSS services	1,800	160%	
	799 SMEs taking up loans and grants	1,275	63%	
Outcome 2: Market players have improved capacities to respond to the needs of rural SMEs in terms of access to finance.	5 agencies providing fee-based services to rural SMEs	10	50%	
	CHF 7,165,614 additional volume of loans/leasing/grants approved for the target group	5,700,000	120%	

Keys							
Less than 15%	15 to 24%	(25 to 49%)	(50 to 60%)	(61 to 74%)	(75 to 99%)	(100 to 199%)	(200% or more)
Disappointing	Poor	Insufficient	Acceptable	Sufficient	Good	Outstanding	Exceptional

The above table provide insights into the effectiveness of the RSMEDP:

- The project has proved to be outstandingly effective in terms of outreach to rural SMEs. Despite an ambitious target, the RSMEDP has been able to involve 160% of planned SMEs in taking up services from local business service providers to access finance.
- The provision of these services has resulted in a large number of SMEs applying for grants (from national agencies) and loans (from banks) and obtaining them accordingly.

- The total additional volume of loans/leasing/grants approved for the target group has been well above expectations.
- However, the supporting scheme launched by the RSMEDP has been more successful in increasing access to grants than loans. This outcome does not entirely align with the MSD approach for two reasons. First, it creates dependence on grants, and therefore on donors and/or national subsidies. Second, it tends to distort the financial market. This produces implications which will be further considered in the chapters regarding sustainability and in relevant recommendations at the end of the report.

It is important to note that the effectiveness of the RSMEDP cannot be entirely gauged from the above indicators. Accordingly, additional benefits are considered in subsequent evaluation questions at least with respect to capacity building, institutionalization, and the systemic nature of the delivered changes.

Further key insights into distribution of such changes are covered in the answers to the evaluation questions below.

EQ EF1: To what extent has the implementation of the RSMEDP resulted in the achievement of the outcomes of the project and associated outputs?		
Extent	Why	Sources and Evidence
Remarkable	The project has been remarkably effective with regard to its outreach to rural SMEs.	<p>KIs: Virtually 100% of interviewed organizations (state agencies and associations) reported a high degree of effectiveness in terms of the improvement of access to finance for SMEs.</p> <p>Reports and surveys produced by the RSMEDP provide analytical and coherent information on progress made in key indicators, evidencing effectiveness therein.</p> <p>The evaluation survey and focus group discussions (FGDs) confirm the reported data and trends.</p>
Noticeable	The provision of services via associations, partners, and local providers has resulted in a large number of SMEs applying for grants (from national agencies) and loans (from banks) and obtaining them.	
Sufficient		
Unremarkable	The total additional volume of loans/leasing/grants approved for the target group has been well above expectations.	
Unverifiable	However, the supporting scheme launched by the RSMEDP has been more successful in increasing access to grants rather than loans.	

EQ EF2: To what extent have the chosen strategies related to capacity building been effective?

The chosen strategies based on continuous efforts in partnership building and mutual effort have resulted in noticeable capacity-building effects. The long inception phase was a fundamental element of the strategy here, along with actions taken across the entire financial market system, bringing capacity-building effects in terms of: (a) specific development of partners' human resources (in terms of enhanced skills, methods, approaches, mindsets, and best practices); (b) the general MSD approach; and (c) coordination with other initiatives and donors.

Mutual support between the RSMEDP and the main state agencies (EG and the RDA) have ensured a high degree of capacity-building effects throughout the existing system, reaching out to associations and service providers (market players) in the financial market.

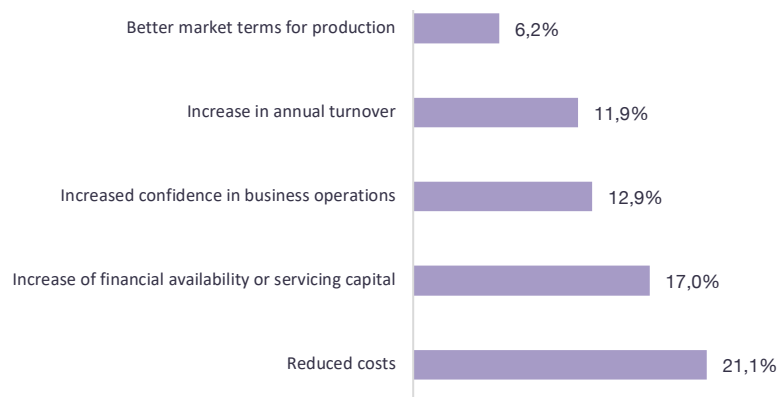
Through dialogue and an adapt/adopt strategy, the RSMEDP has been able to agree with EG and the RDA on specific actions within their current portfolios of interventions.

Virtually 100% of the interviewed organizations (state agencies and associations) in the KIs reported a high degree of capacity-building effectiveness throughout the current system, reaching out to (a) national agencies, (b) associations, (c) service providers in targeted regions in accounting and financial management and advising, and (d) rural SMEs, particularly for targeted groups (women, minorities, and other disadvantaged groups), although that has been limited to accounting and financial management.

Reports and surveys produced by the RSMEDP provide analytical and coherent information on capacity-building effectiveness among agencies, as well as on relevant partners via co-management of actions. For instance, the *SME survey results to understand the experience of financial advisory services and identify early signs of impact* report produced by the RSMEDP (see Graph 1) shows that almost all respondents reported

benefits which were reachable only via an increase in capacity in financial management both for service providers (local market players) and end beneficiaries (SMEs).

Graph 1: The types of benefits received by the SMEs



The evaluation Survey carried out among 105 end beneficiaries (representing 11.3% of all SMEs and their owners/employees serviced indirectly by the RSMEDP) confirmed that the capacity-building effects are prominent and clearly visible.

The benefits gleaned by SMEs have primarily focused on financial and operational improvements, implying a substantial increase in capacity.

The top five reported benefits included cost reduction (21.1%),

increased financial availability or access to capital (17%), increased confidence in business operations (12.9%), an increase in annual turnover (11.86%), and improvements due to better market terms for production (6.2%) (see Graph 1). All of these benefits could not have been achieved without a substantial increase in capacity to run an SME.

EQ EF2: To what extent have the chosen strategies related to capacity building been effective?		
Extent	Why	Sources and evidence
Remarkable	The long inception phase was a fundamental element of the strategy, along with actions taken across the entire financial market system, establishing capacity-building effects in terms of: (a) specific development of partners' human resources (in terms of enhanced skills, methods, approaches, mindsets, and best practices); (b) the general MSD approach; and (c) coordination with other initiatives and donors.	Kills: Virtually 100% of the interviewed organizations (state agencies and associations) reported a high degree of capacity-building effectiveness throughout the current system, reaching out to (a) associations, (b) service providers in targeted regions in accounting and financial management and advising, (c) and rural SMEs, particularly for targeted groups (women, minorities, and other disadvantaged groups), although that has been limited to accounting and financial management.
Noticeable		
Sufficient		
Unremarkable	Mutual support between the RSMEDP and the main state agencies (EG and the RDA) has ensured a high degree of capacity-building effects throughout the existing system, reaching out to associations and service providers (market players) in the financial market.	Reports and surveys produced by the RSMEDP provide analytical and coherent information on capacity-building effectiveness among agencies, as well as on relevant partners and co-management of actions.
Unverifiable		The evaluation survey and FGDs confirm that the capacity-building effects are prominent and clearly visible.

EQ EF3: To what extent have the market actors become responsive to the project initiatives? Has the project achieved institutionalization of systemic changes?

In terms of associations and service providers (market players), from our survey (see Annex 5.1.11), the Georgian Federation of Accountants, Auditors, and Financial Managers (GFAAFM) was the most commonly selected provider of support to respondent SMEs (37.9%), followed by the GFPAA and FinService Audit (both 17.1%).

Considering that FinService Audit is associated with the GFPAA – and that it also works as a GFPAA regional coordinator – the vast majority of SMEs (more than 72%) have been reached out to by the RSMEDP via the GFAAFM and the GFPAA. This signals a high level of responsiveness for these two market players to the project's initiatives.

In particular, the GFPAA has ensured effective results thanks to its regional coordinators. Among their regional coordinators, FinService Audit has been by far the most successful in reaching out to end beneficiaries (via

awareness-raising campaigns) and ensuring results (by providing services). From the internal reporting it appears that around 65% of the supported SMEs are from the Samegrelo-Zemo Svaneti region. The responsiveness of these market players is therefore highly correlated with the regional location of the rural SMEs indirectly assisted by the RSMEDP.

In the survey, 105 valid answers were collected over a period of less than one week⁸. Out of 11 regions of Georgia, the five highest concentrations of responses were in Samegrelo-Zemo Svaneti (55%), Kvemo Kartli (20%), Shida Kartli (7%), Imereti (7%) and Kakheti (5%). Therefore, 75% of respondents were from the first two regions, suggesting a very skewed geographical distribution of efforts and results (see Graph 2), which is confirmed by other sources (KIs and internal reports).

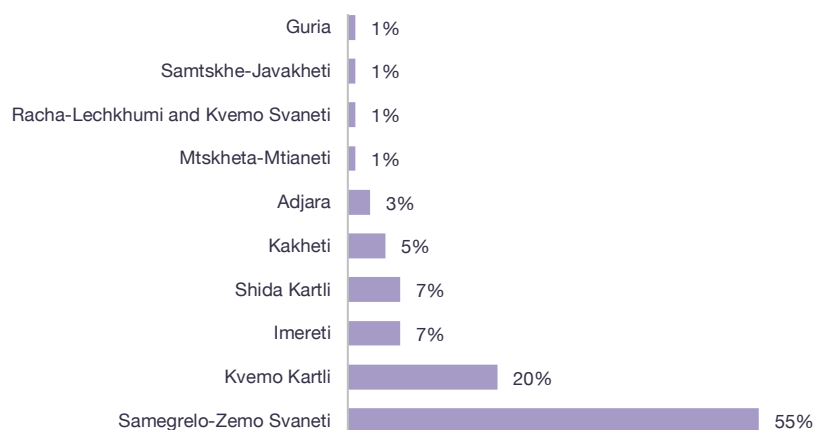
Respondent SMEs were distributed across both urban and rural locations, with 66 located in the former (mainly towns)⁹ and the remaining 39 in rural communities (mainly villages). From this quick survey of a fairly large sample¹⁰, it can be implied that the majority of assisted SMEs might not be

located in remote villages, but they certainly operate in rural areas and therefore comply with the definition of rural SMEs.

As for women-owned SMEs, they contributed 36% of the total responses.

In terms of sectors, 70.37% chose the service sector as their primary or secondary sector, 20.37% were working in different industrial sectors, and 9.26% were operating in agriculture. These distributions suggest that further analysis would be advisable in an effort to reach out to more regions, more remote areas, and more marginalized rural beneficiaries, principally operating in the agriculture sector.

Graph 2: Distribution of respondent SMEs by region



EQ EF3: To what extent have the market actors become responsive to the project initiatives? Has the project achieved institutionalization of the systemic changes?

Extent	Why	Sources and Evidence
Remarkable	Partnership building and continuous dialogue on designing and implementing actions via co-management.	KIs: Virtually 100% of the interviewed organizations (state agencies and associations) have shown a high level of responsiveness to initiatives and achievement of institutionalization of the systemic changes.
Noticeable	Mutual support between the RSMEDP and the main state agencies (EG and the RDA).	Reports and surveys produced by the RSMEDP provide analytical and coherent information on partnership building and co-management with state agencies and associations, confirming responsiveness and a high degree of commitment to the project's initiatives.
Sufficient	Through dialogue and an adapt/adopt strategy, the RSMEDP has been able to agree with EG and the RDA on specific actions within their current portfolios of interventions.	
Unremarkable	There has been a high degree of responsiveness from two Georgian accounting/financial associations to the project's initiatives. On the other hand, responsiveness among local service providers and SMEs has been unevenly distributed across regions and between towns and villages.	
Unverifiable		The evaluation survey revealed that a large majority of SMEs (more than 72%) had been reached out to by the RSMEDP via the GFAAFM and GFPA. This signals a high level of responsiveness on the part of these two market players to the project's initiatives.

⁸ The survey was implemented partially in person and partially online. The survey questionnaire and summary of results are presented in the annexes.

⁹ The survey did not ask to provide address of SMEs but only the indication of location. The indication is therefore meaningful only because triangulated with other info (such as sectors of activity and progress of relevant indicators as reported by RSMEDP and KIs).

¹⁰ A sample of 105 respondents corresponds to the 11.3% of the 926 SMEs benefitting with additional income, reduced costs, and/or improved resilience, as reported by RSMEDP – see chapters on efficiency and impact of present report.

2.4 EFFICIENCY

EQ EFY1: What have been the monetary and qualitative benefits generated by the project?

The project reports having generated monetary benefits via an estimation¹¹ based on progress made in key indicators, described in terms of:

- Net additional income increase for individuals due to wages/self-employment (IED TRI 1).
- Net additional income increase for SMEs (Baseline - 0; Target - CHF 5.5 million) (IED TRI 1).

The progress made in these indicators is reported as:

- Income increase of CHF 484,150 (115% of the targeted CHF 420,000) for 841 individuals with new jobs (200% of the targeted 420) equivalent to 237 full-time employees (FTE) (136% of the targeted 175 FTE).
- Income increase of CHF 139,982 (28% of the targeted CHF 500,000) for 1,272 individuals already with existing jobs that now receive better pay/benefits (254% of the targeted 500 individuals).
- Net additional income increase for SMEs of CHF 4,828,689 and net additional income increase for SMEs including farmers hitting 88% of the targeted CHF 5.5 million), as of mid-2024.

The figures here are derived from estimated impacts¹² stemming from other impact indicators¹³ which, in the most recent available report of the RSMEDP (mid-2024), are summarized in the table below (a more complete version is presented in Annex 5.1.9) where the last column shows – as a general benchmark – the total cost of the project to date (CHF 3,839,300) to obtain the progress made in each selected indicator.

The level of efficiency for each indicator with respect to total cost is considered here as an indicative benchmark because total costs are to be compared to the totality of effects. In fact, if the ratio of project cost to single indicator largely over-estimates costs for that specific indicator, it is also true that reaching a specific level of progress on a single indicator required a package of actions described in monetary terms. That is because (a) indicators overlap in describing progress and (b) to reach out for a single output, outcome, result, or impact target, efforts are required to obtain other specific targets, which would otherwise be unreachable or much less attainable.

To add another meaningful benchmark, the last column serves as a proxy for workload/result represented by the ratio of result to each long-term team component.¹⁴ This additional indicator captures the average productivity in terms of attained impact for each indicator separately. The same considerations reported for the total cost also hold for the cost in terms of labor input from the intervention.

Impact Indicators (Oct 2021 - Dec 2024)	Phase Achievement	Target	Progress Toward Target	Efficiency Benchmarks	
				Total project cost to date / benefits ¹⁵	Ratio / Team Component (TC)
1. # of rural women and men who realize a tangible benefit	6,632 rural women and men realize a tangible benefit.	12,600	53%	CHF 578.9 per person realizing a tangible benefit	553 rural women and men realize a tangible benefit per TC
2. # of people with new or better employment	2,110 people have new or better employment	3,600	59%	CHF 1,819.6 per person obtaining new or better employment	176 people have new or better employment per TC
3. # of smallholder farmers with increased incomes from agricultural production	35 smallholder farmers increased their income	35	7%	CHF 109,694.2 for each smallholder farmer receiving increased income	3 smallholder farmers increased income per TC

¹¹ In terms of medium-long term impact and utilizing methods of the DCED system <https://www.enterprise-development.org/measuring-results-the-dced-standard/>

¹² Utilizing methods of the DCED system

¹³ With the help of statistical inference on samples coming from ad-hoc surveys

¹⁴ That is, the core team of the RSMDEP at the beginning, consisting of 12 persons (long-term experts) and excluding short-term experts, subcontractors, grantees, etc.

¹⁵ The efficiency for each indicator with respect to total project cost is here considered as an indicative benchmark because total costs are to be compared to the totality of effects.

4. Net additional income increase for individuals due to wages/self-employment	Income increase for 841 individuals with new jobs	420	200%	CHF 4,565.1 for each individual obtaining a new job	71 individuals with new jobs per TC
5. # of SMEs benefitting from additional income, reduced costs, and/or improved resilience	926 SMEs benefitting from additional income, etc.	1,500	62%	CHF 4,146.1 for each SME benefitting	77 SMEs benefitting per TC

The above table demonstrates that the RSMEDP has been efficient in reaching out to a large number of end beneficiaries despite its limited available resources. In particular, each team component has been able to reach out to provide tangible benefits to 553 people. In fact, the RSMEDP set out to reach the ambitious target of producing benefits for 12,000 rural people, which represents 1% of total Georgian population living in rural areas. Even though the progress made to date stands at 53%, that represents a remarkable 0.5% of the total Georgian population living in rural areas.

The only area in which progress has been disappointing is in reaching out to smallholder farmers to increase their income from agricultural production. All other indicators show a very high degree of efficiency at least in terms of projected/estimated impacts.

EQ EFY1: Has the project applied cost-efficient and cost-effective ways of achieving results?

It appears that the RSMEDP has applied cost-efficient and cost-effective ways of achieving results by adapting to the existing conditions and system of assistance for rural SMEs, largely via dialogue and a case-by-case problem-solving approach. Among these measures, the following are worth mentioning:

- Co-signing a memorandum of understanding with national partners as a basis for a partnership framework.
- Aligning to specific manuals for partnership, grant, and procurement operations, approved by the SDC within its main principles, methods, and procedures.
- Taking advantage of every opportunity for cooperation by realizing win-win actions and schemes, case by case thereby ensuring a high level of flexibility and adaptivity to the existing market system and institutional environment.

2.5 IMPACT

EQ I1: What have been the intended and unintended effects (impacts) of the project, including the effects (impacts) on beneficiaries and others?

The following table shows the project's impact indicators, the progress made therein, and details of performance up to the last available project report (mid-2024). In the last column, the effectiveness of the RSMEDP is presented in pure percentage terms with respect to progress made toward targets for each indicator.

It is important to treat this only as a guideline for insights concerning the evaluation. These insights have been translated into lessons learned and recommendations, which are reported in corresponding chapters of this report.

Impact Indicators (Phase Oct 2021- Dec 2024)	Phase Achievement in Terms of Outputs	Target	Progress Toward Target %	Rank
1. # of rural women and men who realize a tangible benefit that contributes to the reduction of poverty and inequalities (Baseline - 0; Target - 12,600)	6,632 rural women and men realize a tangible benefit	12,600	53%	
	669 females in the LNOB target group	884	76%	
	1,821 females in the non-LNOB target group	5,668	32%	

	638 males in the LNOB target group	816	78%	
	3,535 males in the non-LNOB target group	5,232	68%	
2. # of people with new or better employment (Baseline - 0; Target – 3,600) (IED ARI 2)	2,110 people have new or better employment	3,600	59%	
	191 females in the LNOB target group	255	75%	
	665 females in the non-LNOB target group	1,617	41%	
	176 males in the LNOB target group	155	75%	
	1,003 males in the non-LNOB target group	1,493	67%	
3. # of smallholder farmers with increased income from agricultural production	35 smallholder farmers increased income	500	7%	
	35 females in the non-LNOB target group	130	27%	
4. Net additional income increase for individuals due to wages/self-employment (IED TRI 1)	Income increase of CHF 484,150	420,000	115%	
	for 841 individuals with new jobs	420	200%	
	equivalent to 237 FTE	175	136%	
	Income increase (for the above) of CHF 139,982	500,000	28%	
	from 1272 individuals with existing jobs that receive better pay/benefits	500	254%	
5. # of SMEs benefitting from additional income, reduced costs, and/or improved resilience (Baseline - 0; Target - 1,500 SMEs)	926 SMEs benefitting from additional income, reduced costs, and/or improved resilience	1,500	62%	
	344 female-owned/led SMEs benefitting	450	76%	
	53 ethnic-minority-owned/led SMEs benefitting	75	71%	
6. Net additional income increase for SMEs (Baseline - 0; Target - CHF 5.5 million) (IED TRI 1)	CHF 4,828,689 net additional income increase for SMEs including farmers	5,500,000	88%	

Keys							
Less than 15%	15 to 24%	25 to 49%	50 to 60%	61 to 74%	75 to 99%	100 to 199%	200% or more
Disappointing	Poor	Insufficient	Acceptable	Sufficient	Good	Outstanding	Exceptional

Main insights from the above table:

- The RSMEDP has achieved remarkable (estimated) impacts in most of the dimensions captured by the indicators, considering that progress has only been reported up until mid-2024 rather than the actual end of Phase 1 (planned for the end of 2024).
- The project has been particularly successful in reaching out to the rural population to deliver tangible benefits, especially for women in the LNOB target group.
- For most of the indicators, the targets are close to being reached or have even been surpassed. For instance, the target for the first indicator was to reach 1% of the total Georgian population living in rural areas and has already reached more than 0.5%.
- The performance regarding net additional income increase for individuals due to wages/self-employment is particularly impressive. The only indicator for which underperformance has been reported (monetary

value of the income increase for each single individual) signals also that the project was correct to focus the outreach on size of collective benefit, involving a larger group at the expense of single individuals' improvement.

- However, the intervention has underperformed so far on indicators regarding smallholder farmers (this is one of the reasons why microcredit operations are recommended in the relevant chapter).

It has to be noted, too, that the positive general picture depicted above does not capture the geographical distribution of impacts. In the chapter on effectiveness and efficiency, it is clarified that the impact in specific regions, and especially in the Samegrelo-Zemo Svaneti region, is likely to be much bigger than in other regions. The same goes – based on our quick survey and other documentation – for the distribution across towns compared to villages.

General unintended effects are described in the comments on the ToC structure in Annex 5.1.3.

Unintended results can be summarized as follows:

- Other needs related to improving SMEs' cash flows¹⁶ might not have been fully identified or addressed with the same intensity as pure access to finance and financial management, resulting in an overly optimistic forecast of impacts on the real economy and an actual consequent increase in income/debt ratio for an unknown number of end beneficiaries despite the support of local service providers giving financial advice.
- There might be an unknown number of cases in which additional finance via grants and loans is not being used for productive investments or is being diverted to purposes not declared to the grant/loan provider (moral hazard), with similar or worse drawbacks.
- The geographical distribution of indirect results – such as the number of rural SMEs benefitting from better financial management – appears to be skewed in favor of specific regions.
- For the specific target groups of smallholder farmers and in various regions, the impact has been very limited, thus unintentionally supporting groups of better-off recipients/end beneficiaries.
- There is probably a sizable degree of dependence on grants and subsidized loans and related services.
- Gender inequality in land ownership and rural business ownership still hinder the outreach of the project for women, thereby unintentionally supporting many more better-off men than poorer women.
- Climate change and other environmental issues have rarely been considered according to the information gathered during the evaluation. Thus, unintentional support may have been given to investments having a negative impact on climate change and environmental protection (such as investments in inefficient and energy-consuming production, hazardous waste, etc.).
- Outreach to minority groups is still uneven with contrasting data about results and impacts, which may hide unintended impacts at a social level.
- Despite the project's successes, the LNOB concept has still to be firmly imbedded in the system as a mainstream modus operandi.

EQ I2: Does the project have a proper system in place to measure outcomes and impacts with a high level of credibility?

As the system in place for monitoring outcomes and impacts is based on the DECD system, it has in principle a high level of credibility.

However, regarding the set of selected indicators, the following further considerations could help to improve specific aspects concerning the monitoring system for this specific project:

- A few output indicators would help to better gauge the effectiveness of the project, for instance “number of people living in rural areas who participated in awareness-raising events” and “number of service providers involved in the project.”

¹⁶ **Improvement of cash flow for SMEs** here is intended as a result of (1) a greater stream of monetary benefits (higher inflows for SMEs) coupled with (2) reduction of costs (lower outflows). For (1) this is thanks to additional revenues generated by (a) increase of sales of goods and services, (b) higher productivity per unit of production input (higher yield of crops per unit of land, higher yield of production per unit of labor and/or machinery, etc.), and (c) other factors such as higher value added in general, higher value added thanks to agri-food industry production instead of purely agriculture products (or commodities), higher value of production and therefore higher selling prices, and higher selling prices for other reasons. For (2) this is courtesy of a reduction of (fixed and variable) costs of inputs to generate a greater stream of yearly income (cheaper machinery, lower management costs, lower debt-servicing costs, lower cost of fixed capital, etc.).

- A regional distribution of all or some of the indicators (outputs, results, and impacts alike) could help to define strategies and inform modifications to design/implementation and provide more precise recommendations for the future.
- Closer monitoring of unintended effects (such as moral hazard problems in the financial market, responsiveness and effectiveness of specific partners, etc.) could also enhance the monitoring system.
- There are too many – and some overlapping – indicators to measure impacts compared to the relatively few outcomes/results indicators.
- Some initial targets seem to have been set with an overly optimistic outlook and are therefore rather ambitious, albeit the project has coped relatively well with these so far.

In addition, there might be difficulties and gaps in the calculation of impacts with respect to lagged effects/impacts over time. Some indicators seem not to be entirely “time-bound” and lack indicative timelines. Moreover, there appears to be a general underestimation of the risks linked to the current political and economic instability of Georgia in the setting of targets and calculating impacts to be realized in the mid/long term. Increased instability usually results in a worse macroeconomic and business environment, producing higher interest rates and other critical problems. These developments would greatly affect the results and impacts of the project, especially with respect to forecasts on additional income, net present value (NPV), etc. The preliminary structure of the cost-benefit analysis (CBA) – covered in the next EQ – provides a few insights on the forecasting issues, proposing different instability/macroeconomic scenarios.

EQ I3: Preliminary structure of the cost-benefit analysis of long-term impact

The preliminary structure of the CBA is presented here in broad terms, paving the way for a more developed CBA, possibly to be carried out in the next phase after the consolidation of methods in the wake of the upcoming Donor Committee for Enterprise Development (DCED) audit.¹⁷

The preliminary CBA is therefore purely indicative and oriented toward a long-term horizon as required within the MSD approach. It includes the following three scenarios: (a) the base scenario, with an assumption that the macroeconomic and political context will go unchanged; (b) the optimistic scenario, with an assumption of improvement in the Georgian macroeconomic and political context; and (c) and the pessimistic scenario, with an assumption of a deterioration of the Georgian macroeconomic and political context. All three scenarios identify the most pertinent variable as the reference interest rate (the interbank interest rate set by the National Bank of Georgia). Other identified variables differ in significance according to each scenario and include monetary impact indicators. In addition, the analysis will provide key insights regarding the likely qualitative (or non-monetized) impacts for each set of assumptions related to each scenario.

General assumptions:

- Estimates of additional income (for SMEs and individuals) reported by the RSMEDP are accurate;
- Impact benefits will be realized only after five years and will go unchanged for five years after that (i.e. until 2034)¹⁸; and
- State agencies and other involved Georgian partners have to bear costs (of the equivalent of around 100 FTE) to maintain sustainability.

Scenario-specific assumptions:

- Basic: No change in the main macroeconomic trends, with the interest rate remaining at 8.00%.
- Optimistic: Georgia accelerates its approximation with EU standards and increases stability, resulting in improvement in macroeconomic trends with the interest rate reduced to 6.00% (closer to the EU average), and the monetized value of each stream of benefits (income) increasing by 10% with respect to the RSMEDP’s estimates.
- Pessimistic: Georgia experiences sharp increases in instability, resulting in deterioration of macroeconomic trends with the interest rate climbing to 18.00% (closer to Russia’s level), and the monetized value of each stream of benefits (income) decreasing by 10% with respect to the RSMEDP’s estimates.

¹⁷ Mentioned in the last available RSMEDP progress report.

¹⁸ This **conservative** (or **pessimistic**) **assumption is applied here to all three scenarios**: later and shorter horizons (5 to 10 years) than expected (2 years to 0). **The choice of conservative assumptions is due to the preliminary nature of this CBA.**

EQ I3: Preliminary structure of CBA, including long-term impacts (indirect effects)

	Variables	Benefits (in CHF)				Cost		
Scenarios	Reference interest rate	Yearly income increase thanks to new jobs (1)	Yearly income increase thanks to better pay (2)	Yearly net income increase for SMEs (3)	Total monetized value (yearly stream of benefits)	Project costs as of mid-2024 (fixed, not yearly stream) (4)	Estimate of additional administrative costs for national and local partners (yearly stream of costs for personnel) (5)	Estimates of NPV in CHF (time horizon of 10 years)
	%	CHF	CHF	CHF	CHF	CHF	CHF	CHF
Basic	8.00	484,150	139,982	4,828,689	5,432,776	3,839,300	481,200	14,703,342
Optimistic	6.00	532,565	153,980	5,351,558	5,998,103	3,839,300	481,200	19,206,603
Pessimistic	18.00	435,735	125,984	4,345,820	4,907,539	3,839,300	481,200	6,139,007

Additional non-monetized benefits (qualitative): reduction of emigration from rural areas; social and locational cohesion; capacity building across national agencies, market players, and end beneficiaries; geographical and social redistribution of wealth; gender inclusion; and inclusion of minority groups.

(1) (115% of targeted CHF 420,000) for 841 individuals with new jobs (200% of targeted 420) equivalent to 237 FTE (136% of targeted 175 FTE). (2) (28% of targeted CHF 500,000) for 1,272 individuals with existing jobs that receive better pay/benefits (254% of targeted 500 individuals). (3) Net additional income increase for SMEs including farmers (88% of targeted CHF 5.5 million). (4) Costs of the RSMEDP up until last report (and therefore consistent with benefit estimates). This is considered as an investment cost only in year 1 of the 10-year time horizon. (5) Based on average monthly salary of GEL 1,285 (from Geostat,¹⁹ for around 100 employees combined (national agencies, associations, and other partners) needed to keep current and foreseeable actions running.

The above analysis is not to be taken as having a high level of accuracy in terms of quantitative NPV. It is, however, useful to gauge the extent of possible changes in NPV magnitude due to changes in key variables in the general macroeconomic and business environment.

Provided that estimates of the intervention's impact on additional net income increases (for individuals and SMEs) reported by the RSMEDP are accurate, the following would hold:

- The projected stream of yearly net additional income²⁰ for end beneficiaries (SMEs and their employees, etc.) would be very significant and result in substantial NPV thanks to the intervention (going on estimates at the present phase).
- NPV would increase even more in the event of a general improvement in the macroeconomic and business environment (i.e. with successful approximation with the EU and closer ties with the EU and other developed economies).
- Even in the unfortunate event of a much worse macroeconomic environment, with much higher interest rates and worse performance for the SMEs involved, the NPV would still be considerable.
- Macroeconomic stability, represented by the reference interest rate, will be a determinant factor in confirming/changing estimates in terms of the CBA, with very wide differences in forecasted NPV according to each scenario *ceteris paribus*.

The above holds even given the conservative assumptions of obtaining impacts/benefits: (a) only after five years instead of two as forecasted within the DCED system (starting in 2029 instead of 2026); (b) only for five years instead of being permanent; (c) without further continuation of assistance; (d) without considering additional non-monetized benefits (such as capacity-building effects on state agencies and other very likely beneficial spillovers) thanks to the MSD approach; and (e) taking into account the additional costs for the state agencies and other national partners in terms of personnel to maintain established practices and internal sustainability after the end of the project.

¹⁹ <https://www.geostat.ge/en/modules/categories/39/wages>

²⁰ As calculated by the RSMEDP itself with data according to the OECD monitoring system.

2.6 SUSTAINABILITY

EQ S1: To what degree have systemic changes been introduced by the RSMEDP among direct beneficiaries?

The intervention has been enacting systemic changes to the functioning of the financial market for rural SMEs to facilitate their better access to finance. In its conception and implementation, these changes are systemic, especially among state agencies and direct beneficiaries (associations and local service providers).

There has thus been a high degree of systemic change produced by the project thanks to actions implemented through the existing system of institutional players (national agencies) and market players (associations and service providers). All partners have been actively involved with significant capacity-building effects for each involved organization. However, it is not easy to quantify the extent of improvements in capacity building for each organization. In this respect, the evaluation relied extensively upon (a) narratives of interviewed partners (in the KIs), and (b) reports and surveys produced by the RSMEDP itself, with the evaluation survey giving some indication of triangulation of qualitative inputs.

In addition, the RSMEDP has started cooperating with EG to extend facilities and support peripheral points of assistance in partnership with local universities, think tanks, and associations. These operations are bound to increase the degree of systemic change introduced by the RSMEDP among direct beneficiaries.

In summary, the main systemic changes produced by the RSMEDP among direct beneficiaries are evidenced by the following qualitative results, validating the structure of the intended outcomes in the project's strategy based on its underlying ToC under the MSD approach:

- National agencies have been accepting systematic targeting of grants promotion to unserved and underserved groups.
- Banks/FIs have acquired the skills and means to permanently improve accounting standards/documentation for targeted SMEs with regard to credit scoring and decision-making.
- Accounting associations and service providers have adapted their products and service delivery models to support rural SMEs in loan and grant applications.
- Banks/FIs have been deploying market-responsive financial services and products that support rural SMEs' access to leasing, microcredit, etc.
- Accounting software/system providers can now systematically provide new/improved services and products to rural SMEs.
- National agencies and business associations have acquired and can systematically offer new/improved knowledge and information-sharing services to rural SMEs.
- National agencies have introduced systems of feedback loops to understand the needs of, and communicate with, rural SMEs.
- Government agencies can now systematically introduce advocacy mechanisms with industry/sector associations to improve services.
- BSS providers are now able to offer existing and new advisory services more relevant to rural SMEs.
- Government agencies are now able to adapt their services to meet rural SMEs' needs.

All of the above improvements are intrinsically sustainable because they have been introduced within the existing structure of modalities of key market players within the Georgian system. As such, there should be little dependence on external support (either from the SDC or other donors) in the foreseeable future in these regards.

EQ S1: To what degree have systemic changes been introduced by the RSMEDP among direct beneficiaries?		
Extent	Why	Sources and Evidence
Remarkable	A high degree of systemic change has been produced by the project thanks to actions implemented through the existing system of institutional players (national agencies) and market players (associations and service providers).	KIs: All partners have been actively involved with significant capacity-building effects for each involved organization. Virtually 100% of the interviewed partners have confirmed a high degree of permanent changes in a wide range
Noticeable		

Sufficient	All partners have been actively involved with significant and long-term capacity-building effects for each involved organization (direct beneficiaries).	of built-in activities to support SMEs' access to finance.
Unremarkable	Virtually all of the intended and achieved outcomes and benefits are intrinsically sustainable because they have been introduced within the existing structure of modalities of key market players within the Georgian system. As such, there should be little dependence on external support (either from the SDC or other donors) in the foreseeable future.	Reports and surveys produced by the RSMEDP provide analytical and coherent data confirming the KII feedback.
Unverifiable		The evaluation survey and FGDs provided further corroboration.

EQ S2: To what extent are the improvements introduced by the RSMEDP among end beneficiaries sustainable without continued support from donor-funded initiatives?

The improvements introduced by the RSMEDP among end beneficiaries are largely sustainable without continued support from donor-funded initiatives. A notable degree of systemic change has been produced by the project thanks to actions implemented through the existing system of associations and service providers closely working with their portfolios of SMEs and expanding the scope and outreach of their support in rural areas.

However, there is still a sizable dependence on grants and subsidized loans and related services among end beneficiaries. Results of the RSMEDP measured in terms of outcome indicators confirm that the majority of serviced SMEs had acquired grants rather than loans, thus signaling two main problems: (a) a high risk of dependence on grants and therefore donors, and (b) market distortion courtesy of subsidized access to finance.

In addition, there is an unknown number of moral hazards in relation to both grants and loans. Leasing could partially tackle moral hazard issues, but cannot be a complete substitute.

Another solution would be to provide collectively secured microloans (for instance via collective collateral). However, for microcredit, there are likely to still be some existing microcredit capacity-building needs across the board, from EG and the RDA to intermediary bodies to local service providers to SMEs, and even most probably banks.

A solution thereto could be to pilot and/or launch "get started" assistance to banks to improve skills related to microcredit products. This may entail targeting a selection of the most promising banks already having an adequate network in rural areas and a suitable mindset and specific skills within their workforce.

EQ S2: To what extent are the improvements introduced by the RSMEDP among end beneficiaries sustainable without continued support from donor-funded initiatives?		
Extent	Why	Sources and Evidence
Remarkable	A high degree of systemic change has been produced by the project thanks to actions implemented through the existing system of institutional players (national agencies) and market players (associations and service providers). All partners have been actively involved with significant capacity-building effects for each involved organization likely to last beyond the end of the project.	KIIs: All partners have been actively involved with significant capacity-building effects for each involved organization. Virtually 100% of interviewed partners have confirmed a high degree of permanent changes in a wide range of built-in activities to support SMEs' access to finance.
Noticeable		
Sufficient		
Unremarkable	However, there is still a sizable degree of dependence on grants and subsidized loans and related services among end beneficiaries. There are also shortcomings in the capacity of state agencies, associations, service providers, and SMEs (and probably banks), especially at the local level in most regions (excluding the 2-3 regions where there have been greater effects and impacts).	Reports and surveys produced by the RSMEDP provide analytical and coherent data confirming the KII feedback.
Unverifiable		The evaluation survey and FGDs provided further corroboration.

EQ S3: To what extent are the RSMEDP initiatives replicable by other actors?

RSMEDP initiatives can be replicated – either partially or in their entirety – by other donors, provided that the MSD approach is maintained. Its specific objective of supporting access to finance for rural SMEs could be regarded as a model of intervention with very promising results, provided that:

- It is implemented with high capacity and specific dialogue and partnership-building skills, as applied in the RSMEDP.
- Its effectiveness/impact on the real economy is improved by following the underlying recommendations at the end of the present report.
- The scope for partnership building and a sufficient variety of problem-solving options is similar to that currently available in Georgia or similar countries (i.e. having a sufficient degree of openness and a propensity to accept open-minded cooperation with a replicant donor).
- National agencies, governing bodies (national, regional, and local), relevant associations, and other partners (national, regional, and local) are endowed with a sufficient mindset and capacity to absorb, create, and expand built-in initiatives.
- All partners are capable of and willing to ensure a sufficient degree of involvement and commitment for a suitable period of time.

Ultimately, replicability is possible as long as the main idea of acting *through the national/local system* instead of *above the national/local system* is maintained.

Therefore, its replicability by the SDC or other donors might more limited in other countries, but it should be still possible, for instance, in Armenia – with evident scope for mutual synergies in rural bordering regions between Armenia and Georgia.

EQ S3: To what extent are the RSMEDP initiatives replicable by other actors?		
Extent	Why	Sources and Evidence
Remarkable	RSMEDP initiatives can be replicated by other donors, provided that the MSD approach is followed. The project's specific objective of supporting access to finance for rural SMEs can be regarded as a model of intervention with very promising results provided that certain requirements and recommendations are considered in its replicas.	KIs: Virtually 100% of those interviewed stated that enthusiasm, mindset, and commitment have all been decisive in ensuring project success.
Noticeable		Reports and surveys reported more progress with respect to the systemic approach, responsiveness, involvement, and commitment.
Sufficient		
Unremarkable		The evaluation Survey confirms that more progress has occurred where a systemic approach, responsiveness, involvement, and commitment have all been higher. The map of stakeholders shows the relative complexity of the RSMEDP approach, requiring specific elements to ensure replicability.
Unverifiable	Replicability is possible as long as the main idea of acting through the national/local system instead of above the national/local system is preserved.	

2.7 TRANSVERSAL THEMES

EQ T1: Gender - Has the project taken into account existing inequalities between men and women, as well as their causes and influential factors? Have strategies been adopted in order to reduce these inequalities? How has the project accounted for the specific needs and strategic interests of men and women?

The project has taken into account existing inequalities between men and women by agreeing with national agencies to specifically target women via selection criteria in their grant operations. For instance, within the RDA's "Plant your Future" initiative and EG's "Graduation Program" grants. This has resulted in higher rates of success and impact for women (see the chapter on impact and the related tables in Annex 5.1.9).

Positive results and impacts with regard to women's access to finance have been obtained thanks also to the identification of causes and influential factors behind gender inequalities via specific surveys and data collection.

Tailored strategies have been adopted in order to reduce these inequalities, for instance by providing assistance to include gender-related statistics in the current data collection systems of relevant institutions (such as Geostat).

The project has also accounted for the specific needs and strategic interests of men and women in terms of gaining chances of new/better employment with a specific action targeting disadvantaged people within EG's operations.

However, there is little evidence of mainstreamed positive actions being taken to tackle gender inequalities such as permanently introducing a gender-related selection mechanism in all national agencies' operations assigning grants (or subsidized loans) or other supporting products (such as subsidized means of production in agriculture) offered to rural SMEs or other end beneficiaries. It is thus strongly recommended to adopt such permanent measures to mainstream the reduction of gender inequalities.

EQ T2: LNOB - To what extent has the project taken measures to include vulnerable beneficiaries?

The project has adopted a targeted approach to support female entrepreneurs and those from ethnic and linguistic minority backgrounds by implementing tailored programs to increase their involvement. Specific measures have included targeted outreach, capacity-building activities, and grant opportunities aimed at addressing the unique challenges faced by these groups. In addition, the project has engaged local partners and service providers from similar minority backgrounds, which has helped to break down language barriers and foster trust within these communities, ensuring that the needs of vulnerable groups have been better understood and met.

EQ T3: Governance - To what extent has the project facilitated central and local governments' responsiveness to the needs of rural women and ethnic minorities by providing an enabling environment for their economic activities?

The project has made efforts to facilitate state agencies' responsiveness to the needs of rural women and ethnic minorities by promoting an enabling environment for their entrepreneurial activities. It has strengthened the capacity of central authorities to better understand and address the specific challenges faced by these groups. While the project has not directly engaged with local government entities, it may have positively impacted local government representatives. However, such an impact at the local level is not yet clear, and more systemic changes and direct involvement at that level are needed for long-term sustainability and equitable support for rural women and ethnic minorities.

EQ T4: Environment - To what extent have the target groups been strengthened to adapt to the changing environment and/or to improve their environmental practices?

Did the project adapt adequately to COVID-19 pandemic regulations and/or has it contributed to the resilience of its target groups towards such external shocks?

The project has not included specific indicators gauging the extent of adaptation to the changing environment and/or to improve environmental practices among SMEs helping with access to finance. There has been little evidence of actions intended to mainstream good practices related to climate change mitigation and/or environmental protection, including with respect to the selection mechanisms for grants and/or subsidized loans for end beneficiaries.

It is strongly recommended that Georgian partners (national agencies, associations, banks, and FIs, etc.) introduce/extend selection mechanisms and other mainstreamed measures to enhance good practices related to climate change mitigation and/or environmental protection.

3. OVERALL ASSESSMENT

3.1 KEY FINDINGS

In general, the RSMEDP has performed to a high level in implementing support through the Georgian institutional and market framework using the MSD approach to contribute to SMEs' development, particularly in specific rural regions.

Partnership building and continuous dialogue on designing and implementing actions via co-management has ensured adherence with the needs of national agencies, associations, and SMEs alongside the existing Georgian system for rural SMEs' development.

Mutual support between the RSMEDP and the main state agencies (EG and the RDA) has ensured significant capacity-building effects through the existing system, reaching out to associations and local service providers (market players) in the financial market. Through dialogue and an adapt/adopt strategy, the RSMEDP has been able to agree with EG and the RDA on specific actions within their current portfolios of interventions. That ensures maximum synergies and a multiplier effect with regard to the main operational objectives (or main outcomes) of improving access to finance for rural SMEs, especially in the most receptive and promising regions.

In terms of relevance, the project has recorded outstanding results in identifying the needs of national agencies and associations in relation to the improvement of the financial market for rural SMEs. Such success has been achieved thanks to the RSMEDP's capacity to activate continuous and fruitful dialogue with Georgian partners, resulting in systemic actions regarding the main activities related to the objective of enhancing access to finance. It is worth noting here that such success has been delivered despite unforeseeable external shocks, such as the COVID-19 pandemic, increased international and regional instability due to Russia's war on Ukraine, and internal political and social instability in Georgia.

However, some other needs of rural SMEs might not have been fully considered. For instance, solutions have been lacking to accommodate rural SMEs' needs in terms of productivity, capacity building for farming, marketing, and farmers' skills to improve their real economy cash flows.

With respect to coherence, the intervention has been very coherent with the SDC strategy for south Caucasus by implementing a substantial volume of envisaged policy actions. However, there has been no evidence of close cooperation to enhance mutual synergies with parallel/complementary projects being implemented by the SDC pursuant to rural development in Georgia.

The project has shown a high degree of effectiveness with progress being reported for the majority of indicators in terms of specific outcomes and intended results, as well as in terms of future increases of income. Given the success achieved so far in terms of outcomes through the MSD approach, the estimated impact in the medium and long term appears likely to be significant. However, the geographical distribution of indirect results (such as the number of rural SMEs benefitting from better financial management) seems to be skewed in favor of specific regions, in particular Samegrelo-Zemo Svaneti.

The project has also been highly efficient in producing the intended outputs and results regarding the increase of access to finance through:

- Building long-term partnerships with national agencies and associations.
- Enhancing capacity through the institutional and market framework in the financial sector.
- Raising awareness among service providers about financing, financial management, and their clients (SMEs) in rural areas of Georgia.
- Stimulating high application rates for financial products offered in the market, in terms of grants and loans available to SMEs.
- Recording high rates of success in obtaining such financial support.
- Reaching out to a sizable quantity of minority groups and women.

The project has proved capable of having a medium- and long-term impact. The intervention has been enacting systemic changes in the functioning of the financial market for rural SMEs to facilitate their better access to finance. Courtesy of the project's conception and implementation, these changes are systemic, especially among state agencies and direct beneficiaries (associations and local service providers).

Looking ahead, the projected impacts are huge *ceteris paribus* within the project's scope and in terms of foreseeable NPV for the next 5-10 years. Even if the pessimistic macroeconomic scenario transpires, with

much higher interest rates and lower levels of benefits in terms of additional net income, a sizeable and positive NPV projection holds.

The potential for systemic changes produced by the project is also high thanks to actions implemented already through the existing system of institutional players (national agencies) and market players (associations and service providers). All partners have been actively involved with significant capacity-building effects for each involved organization. Together, that also guarantees a high level of sustainability.

Regarding transversal themes, the RSMEDP has shown promising results and impacts on gender equality although women's land ownership and rural business ownership still lags among the non-LNOB female target group. Climate change and other environmental issues have also rarely been considered, according to the information gathered during the evaluation. In addition, outreach to minority groups is still uneven, with conflicting data about results and impacts in that regard. Furthermore, the LNOB approach has still to be firmly imbedded in the system as a mainstream *modus operandi*.

3.2 MAIN LESSONS LEARNED

Main Criteria	Main Lessons Learned
Relevance	Other needs to improve rural SMEs' cash flows have not been fully identified or addressed with the same intensity as pure access to finance and financial management.
Coherence	Closer cooperation to enhance mutual synergies with parallel/complementary projects being implemented by the SDC pursuing rural development in Georgia could help to further boost general results of the Swiss Cooperation Program South Caucasus within the project's scope.
Effectiveness	The geographical distribution of indirect results such as the number of rural SMEs benefitting from better financial management appears to be skewed in favor of specific regions, while more towns seem to be benefitting therefrom than villages. For specific target groups such as smallholder farmers and those in various regions, the effects have been very limited.
Efficiency	For the specific target groups of smallholder farmers and those in various regions, the project's efficiency has been much less evident than for other groups/regions.
Impact	For the specific target group of smallholder farmers, the impact has been much less evident than in other groups. Meanwhile, impact in specific regions has also been very limited due to the aforementioned lower magnitude of effectiveness. Market distortions are widespread in terms of impact, especially with regard to the extensive use of grants and subsidized loans by end beneficiaries.
Sustainability	There is still a sizable degree of dependence on grants and subsidized loans and related services. The same applies for the capacity of state agencies, associations, service providers, and SMEs (and probably banks), especially at the local level in most regions (excluding the 2-3 regions where greater effects and impacts have been felt).
Transversal Themes	Gender inequalities in land ownership and rural business ownership still hinder the project's outreach for women. Climate change and other environmental issues have also rarely been considered, according to the information gathered during the evaluation. Outreach to minority groups is still uneven with contrasting data about results and impacts in that regard. Despite the project's successes so far, the LNOB approach has still to be firmly imbedded in the system as a mainstream <i>modus operandi</i> .

4. CONCLUSIONS AND RECOMMENDATIONS

The report here provides recommendations to be implemented within the imminent Phase 2, focusing on the following relevant intended objectives/opportunities: (1) whether and how to expand the system and upscale the results of the Phase 1 to create opportunities for additional SMEs; (2) expand collaboration with more commercial banks; (3) make relevant modifications to respond to the needs and conditions of the business environment; and (4) other recommendations and suggestions to have emerged from the evaluation.

This chapter is divided into two main sub-chapters: (a) main conclusions, summarized and presented in line with the main OECD-DAC criteria and with the help of a table showing the main recommendations on points 1 to 3 above; and (b) other key recommendations, also presented in line with the main OECD-DAC criteria. The two tables are designed to provide a summarized and comprehensive outlook on the main conclusions and recommendations for the next phase. They are therefore provide a useful “at a glance” view of the entire evaluation with respect to operational insights and directions for the next phase.

Other useful recommendations for each of the evaluation criteria are also presented, although not necessarily linked to the next phase.

4.1 SUMMARY OF CONCLUSIONS

Main Criteria	Main Conclusions
Relevance	The project has achieved outstanding results in identifying the needs of national agencies and associations in relation to the improvement of the financial market for rural SMEs. Such success has been achieved thanks to the RSMEDP's capacity to foster continuous and fruitful dialogue with Georgian partners resulting in systemic actions addressing the needs and objectives related to enhancing access to finance.
Coherence	The intervention has been very coherent with the Swiss Cooperation Program South Caucasus by implementing a substantial volume of the envisaged policy actions. However, there has been no evidence of close cooperation to enhance mutual synergies with parallel/complementary projects being implemented by the SDC pursuing rural development in Georgia.
Effectiveness	The project has shown a high degree of effectiveness with progress reported in the majority of indicators in terms of the specific outcomes and intended results, as well as future increases in income. Given the success achieved so far in terms of outcomes using the MSD approach, the estimated impact for the medium and long term is significant. However, the geographical distribution of indirect results such as the number of rural SMEs benefitting from better financial management appears to be skewed in favor of specific regions, while towns are benefitting more than villages.
Efficiency	The project has been highly efficient in producing the intended outputs and results regarding increased access to finance.
Impact	The project has proved capable of producing significant medium- and long-term impacts. The forecasted impacts show a high degree of resilience even in the unfortunate event of increased political instability resulting in a much worse macroeconomic environment.
Sustainability	There is also high potential for systemic changes produced by the project thanks to actions implemented through the existing system of institutional players (national agencies) and market players (associations and service providers). All partners have been actively involved with significant capacity-building effects for each involved organization. Together, this ensures a high degree of sustainability.
Transversal Themes	The RSMEDP has shown promising results and impacts on gender equality although in terms of women's land ownership rural business ownership the outreach of the project among non-LNOB female target group has been hindered. Climate change and other environmental issues have also rarely been considered, according to the information gathered during the evaluation. In addition, outreach to minority groups is still uneven with conflicting data about results and impacts in that regard. Moreover, the LNOB approach has still to be firmly imbedded in the system as a modus operandi.

4.2 GENERAL RECOMMENDATIONS

Recommendations to boost SMEs' development in the supply/demand sides of the real economy

In general, it is recommended to accompany actions on the functioning of local financial markets with other actions designed to increase factors of productivity (mainly human capital and fixed capital). In particular, extending the RSMEDP's actions – or coordinating with other SDC projects' actions should have operational objectives such as the improvement of rural SMEs' cash flows via upgrading or increasing: (a) rural SMEs' labor force (human capital) not employed in financial management (i.e. the labor force employed in other activities ranging from pre-production, to production, marketing, and logistics); (b) fixed capital productivity (such as machinery employed in seeding, harvesting, processing, sorting, stocking, packaging, etc. showing

potential for enhanced productivity and avoiding mere rent-seeking operations); and (c) acquisition of a greater market share (enhanced demand and number of buyers for rural SMEs' products), locally and internationally (for instance, via providing support to enhance the digital marketing capacities of rural SMEs). These measures should be designed taking into account potential dynamic effects on SMEs' cash flow.

In addition, it is recommended to design and implement actions to increase value added in rural production and local economies' synergies such as:

- Enhancement of the local food-processing industry utilizing local inputs from farmers.
- Supporting the formation of SME clusters with strong mutual input-output links/lines of production.
- Proposing/promoting/implementing actions designed to increase the production value chain within the local system.

Specific recommendations within the financial market and the MSD framework

Find appropriate solutions to moral hazards and possible grant-seeking traps (or excessive dependence on external grants).

Reduce market distortions (emphasize support for the functioning of the financial market via loans at market rates rather than grants or subsidized loans).

4.3 RECOMMENDATIONS ON STRATEGIC DIRECTIONS FOR THE NEXT PHASE

(1) Expand the system and upscale the results of the first phase to create opportunities for additional SMEs

It is advised to expand the system and upscale the results of the first phase to create opportunities for additional SMEs through the following recommendations:

- Continue to apply the current adapt/adopt strategy entailing close cooperation and partnership building to identify needs and implement actions with Georgian national and local partners.
- Focus on (a) one or two most promising regions to scale-up in terms of quantity and intensity, and (b) identifying one or two lagging regions in which to launch a new round of efforts.
- Try to obtain better synergies with existing SDC projects in the same area of intervention (development of rural SMEs).
- Obtain more information about (a) the reasons for high concentration in specific regions, and (b) why most end beneficiaries appear to be located in towns rather than villages.
- Make sure to ensure limited costs in return for increased benefits. At the same time, target more smallholder farmers in rural areas to increase their participation in the project.
- Operate with the existing MSD approach and coordinate actions between national agencies, market players, and banks/FIs in the launch of new products (i.e. microcredit) to ensure the long-term availability of specialized personnel.
- Propose and implement mainstreamed positive actions to tackle gender inequalities such as permanently introducing a gender-related selection mechanism in all national agencies' operations to assign grants (or subsidized loans) or other supporting products (such as subsidized means of production in agriculture) offered to rural SMEs or other end beneficiaries.
- Consider larger involvement of municipalities in local governance.
- Persuade Georgian partners (national agencies, associations, banks, and FIs) in introducing/extending selection mechanisms and other mainstreamed measures to enhance good practices related to climate change mitigation and/or environmental protection.

(2) Expand collaboration with more commercial banks

It is recommended to expand collaboration with more commercial banks by taking into account:

- Issues related to possible moral hazards.
- The real economic needs of rural SMEs related to the improvement of their cash flow.
- Capacity-building needs of banks to specialize in large microcredit operations in rural areas and enable them to minimize risks.

- Obtaining better synergies with existing SDC projects in the same area of intervention (development of rural SMEs).
- Taking the above steps in a timely manner to ensure maximum effectiveness, efficiency, and impact, both for the RSMEDP and the market system.
- Avoid market distortions (i.e., offer loans at better market rates rather than grants) as much as possible.
- Help banks to reduce risk and increase productivity in specific products for certain large operations for rural customers (such as microcredit for micro enterprises in rural areas).
- Make sure that the entire system is prepared for more market-oriented products across different partners from national to local level.

(3) Relevant modifications to respond to the needs and conditions of the business environment

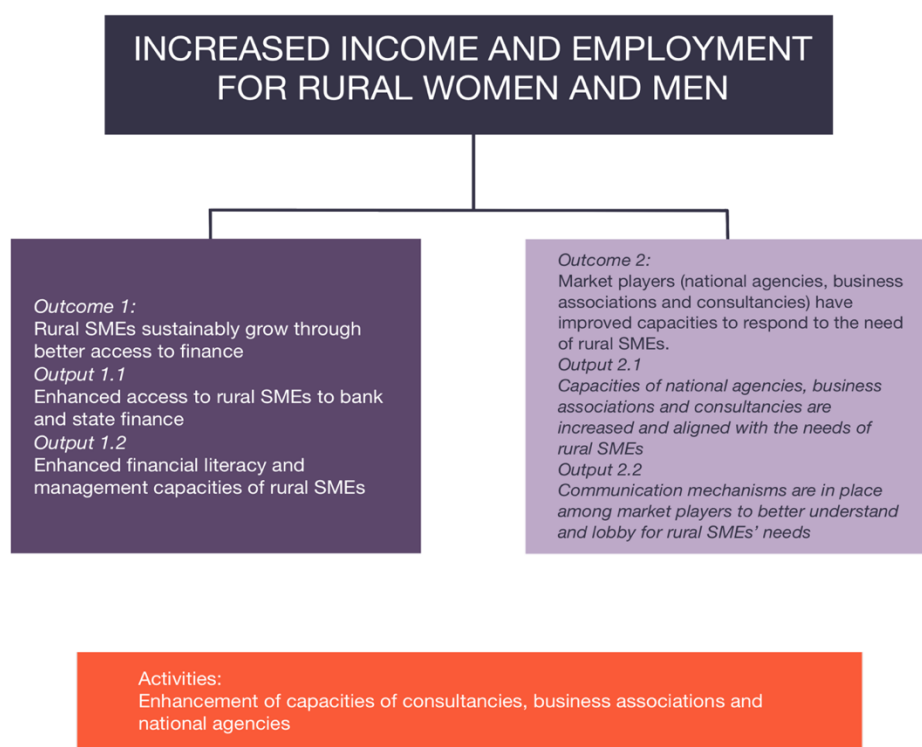
- Identify, together with Georgian partners, other needs (such as building the capacity of marketing and local production chains) beyond access to finance and financial management to complement SMEs' development with the improvement of their current and future cash flow performance and opportunities. This could be achieved across the system (within the MSD approach) in the current partnership structure and modus operandi.
- Take advantage of the large scope for synergy with other SDC projects and relevant lines of intervention, for instance by coordinating activities with projects highlighted in the "Coherence" table (i.e., sharing information, co-implementing specific actions, identifying specific partners and end beneficiary groups that might be assisted at the same time with different projects for a common or related objective/outcome).
- Maximize coordination of areas/groups particularly responsive to SDC projects.
- Increase resources for the RSMDEP according to scale-up options and the forecasted volume of actions.
- Coordinate actions between national agencies, market players, and banks/FIs in the launch of new products (i.e., microcredit) to ensure the long-term availability of specialized personnel.

5. ANNEXES

5.1 TABLES AND GRAPHS

5.1.1 DESCRIPTION AND LOGIC OF THE INTERVENTION

Initial basic version of the project's ToC (as published in the project's ToR)



5.1.2 MAP OF CURRENT STAKEHOLDERS

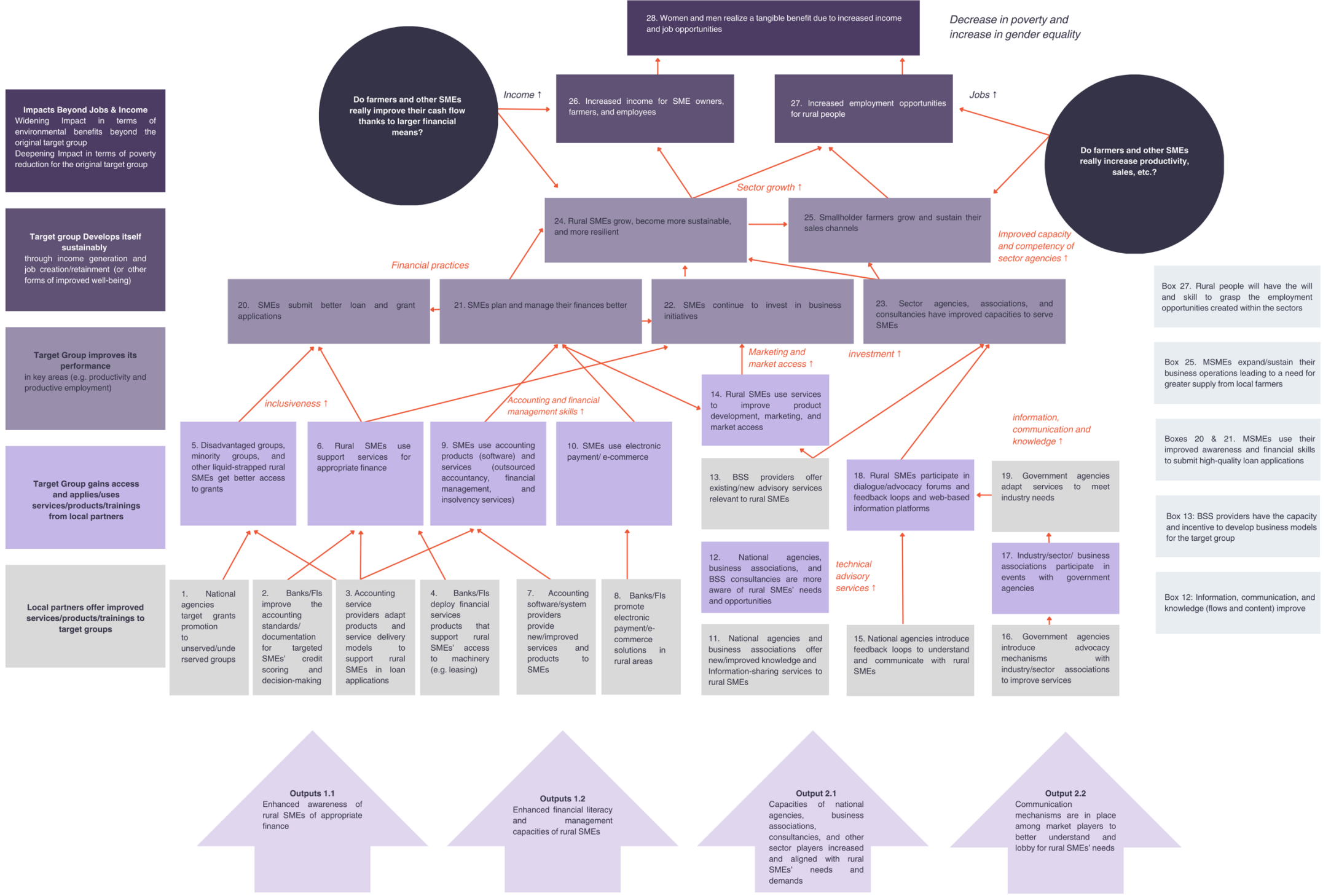
Map of RSMEDP Stakeholders		
Stakeholders	Role	Main Actions
RSMEDP (SDC, Swiss Contact, Mercy Corps, Springfield Center)	Providing to state agencies and market players: <ul style="list-style-type: none"> Awareness-raising campaigns for rural SMEs to obtain appropriate finance Support to financial literacy and management capacities of rural SMEs Support to enhance capacities of national agencies, business associations, consultancies, and other sector players (aligning with rural SMEs' needs and demands) Support to put in place communication mechanisms 	Provides direct and indirect technical assistance (TA) and financial support through the Georgian system of assistance to rural SMEs to obtain the following outcomes: <ul style="list-style-type: none"> 1.1 Enhanced awareness of rural SMEs of appropriate finance 1.2 Enhanced financial literacy and management capacities of rural SMEs 2.1 Capacities of national agencies, business associations, consultancies, and other sector players increased and aligned with rural SMEs' needs and demands 2.2 Communication mechanisms are in place among market players to better understand and lobby for rural SMEs' needs
Stakeholders	Role	Main Actions
State Agencies		

Enterprise Georgia (EG)	<ul style="list-style-type: none">Receiving support from the RSMEDP in terms of awareness, dialogue, and capacity buildingProviding support to rural SMEs in terms of identification of more specific target groups, communication, advocacy mechanisms, and other systemic actions	National agencies target grants promotion to unserved/underserved groups
Rural Development Agency (RDA)		Offer new/improved knowledge and information-sharing services to rural SMEs
Service for Accounting, Reporting, and Auditing Supervision (SARAS)		Introduce feedback loops to understand and communicate with rural SMEs Introduce advocacy mechanisms with industry/sector associations to improve services Launch and develop grants and supporting schemes for SMEs in cooperation with the RSMEDP
National Market Players (direct beneficiaries)		
Associations		
Stakeholders	Role	Main actions
Georgian Federation of Professional Accountants and Auditors (GFPA)	Receiving support from the RSMEDP via grants and in terms of partnership building, dialogue, capacity building, and training in financial management to be passed on to local service providers (accountants and financial managers)	GFPA and GFAAFM Providing support to associated service providers in terms of awareness, dialogue, and capacity-building measures Contributing to cover the cost of specific services (awareness, training, applications, etc.) on financial management to be offered by local service providers to rural SMEs
Georgian Federation of Auditors, Accountants and Financial Managers (GFAAFM)		
SMEs Development Association (SMEDA)		
Georgian Farmers' Association (GFA)		
Almonds and Walnuts Producers Association (AWPA)		
Tea Association	Receiving grants and training to implement awareness campaigns, capacity-building and training actions for local service providers and/or associated SMEs	Providing training in financial literacy, and supporting access to finance (directly to SMEs or via their local associates) SME Associations Providing support to associated SMEs in terms of awareness, dialogue, and capacity-building measures/suggestions Delivering training for financial literacy and support to access finance
Georgian Agritourism Regional Association (GARA)		
Georgian Milk Mark Federation (GMMF)		
Georgian Wine Association		
Other current and future associations and partners where relevant (Wellington Group, Tea Gurieli, Georgian Blueberry Growers Association, etc.)		
National Service-providers		
Stakeholders	Role	Main Actions

SavvY	Providing technical support to the RSMEDP and acting as co-facilitator in partnership building and implementation	Providing technical support to the RSMEDP for grant management, and providing awareness-raising campaign and capacity-building actions to national agencies, associations, and service providers
Center for Strategic Studies	Receiving grants to implement awareness-raising campaigns, capacity building, and training for local service providers and/or associated SMEs	<p>Providing support to targeted rural SMEs in terms of awareness-raising and capacity-building measures</p> <p>Delivering training on financial literacy and support to access finance</p> <p>Designing and co-implementing with EG grants for disadvantaged groups</p>
Banks and Financial Institutions		
Banks and Financial Institutions (FIs)	<p>Engaging in dialogue with the RSMEDP and state agencies to design and implement new financial products targeting rural SMEs</p> <p>Receiving support from the RSMEDP in terms of awareness, dialogue, capacity-building measures/suggestions</p> <p>Providing support to ease capacity building for rural SMEs (on financial literacy and management capacities)</p> <p>Advising/supporting SMEs on specific innovation measures, such as e-commerce, e-payments, etc.</p> <p>Developing and launching new products (such as a new 'micro-loan' financial product)</p>	<p>Improving the accounting standards/documentation for SMEs' credit scoring and decision-making</p> <p>Deploying financial services products that support rural SMEs' access to machinery (e.g., leasing)</p> <p>Promoting electronic payment/e-commerce solutions in rural areas</p>
Local Market Players (indirect beneficiaries in targeted rural areas)		
Stakeholders	Role	Main Actions
Local accountants, consultancies, and service providers	<p>Providing support from associations in terms of awareness, dialogue, and capacity-building measures and to cover costs to provide financial assistance to rural SMEs</p> <p>Providing support to their portfolios of rural SMEs to implement awareness-raising campaigns, enhance financial literacy and management capacities, and support applications to access grants and loans from banks</p>	<p>Adapting products and service delivery models to support rural SMEs in loan applications</p> <p>Providing new/improved services and products to SMEs</p>
End Beneficiaries		
Stakeholders	Role	Main Benefits (Value) Received

Rural SMEs (*)	<p>Receiving indirect support from the RSMEDP</p> <p>Receiving direct support from intermediary market players</p> <p>Receiving improved direct support from local service providers to:</p> <ul style="list-style-type: none"> • Access finance (grants and loans); and • Manage their business 	<p>Disadvantaged groups, minority groups, and other liquid-strapped rural SMEs gain better access to grants</p> <p>Rural SMEs use support services to access appropriate finance</p> <p>SMEs use accounting products (software) and services (outsourced) accountancy, financial management, and insolvency services</p> <p>SMEs use electronic payment/e-commerce services</p> <p>Rural SMEs use services to improve product development, marketing, and market access</p>
Employees in rural SMEs (**)	Benefiting from SMEs' development	Improved skills
Unemployed in rural areas (**)	Benefiting from SMEs' development	More job opportunities
<p>(*) Especially in targeted groups/regions; (**) Especially vulnerable (targeted) groups. Unemployed persons are here included as end beneficiaries taking into account the intervention's potential impact on job creation via SMEs' development</p>		

5.1.3 ANALYSIS OF THE PROJECT'S TOC



5.1.4 EXTENT OF CONTRIBUTION OF THE RSMEDP WITHIN THE INTENDED OUTCOMES OF THE SWISS COOPERATION PROGRAM SOUTH CAUCASUS (OUTCOME 5.3 IMPROVING ECONOMIC DEVELOPMENT AND CREATING DECENT JOBS)

Extent of contribution of the RSMEDP within the intended outcomes of the Swiss Cooperation Program South Caucasus (Outcome 5.3 Improving economic development and creating decent jobs)		
Relevant outcome and actions in the Swiss Cooperation Program South Caucasus and specific actions	Degree of alignment	Why
<p>5.3. Improving economic development and creating decent jobs.</p> <p>Swiss Cooperation program south Caucasus outcome 3: In Armenia, Azerbaijan, and Georgia, SMEs and rural producers generate income and jobs by operating in a conducive business environment and benefitting from improved access to a skilled workforce, diversified markets, and services, including access to finance</p>	Key contribution	The RSMEDP has successfully implemented actions to improve economic development and create decent jobs. It has therefore been contributing to the general objective of Swiss portfolio outcome 3 especially with regard to access to finance
<p>Improve livestock-based agriculture by developing additional value chains (such as rural tourism), improve the production of key inputs and outputs (such as fodder, meat, leather, and wool), and provide vocational education and training in agriculture (i.e. dual education)</p>	Moderate or subsidiary	Currently, it is not verifiable how many SMEs supported by the RSMEDP have invested additional finances specifically in value chains/production mentioned in the Swiss Cooperation Program South Caucasus. However, it is very likely that it has contributed indirectly to such investments by increasing financial access and financial capacity for rural SMEs. Certainly, some such investments have been made including specifically in rural tourism, food processing (walnuts & almonds, milk, etc.) and in training for the agriculture sector, at least at RDA level.
Specific Planned Actions		
<p>Integrate environment-relevant and climate-related considerations</p>	Low or secondary	Currently, it is not verifiable how many SMEs supported by the RSMEDP have invested additional finances specifically in integrating environment-relevant and climate-related considerations. However, it is very likely that it has contributed indirectly to these investments by increasing financial access and financial capacity for rural SMEs. It is also likely that some of these investments have been based on specific environment-relevant and climate-related considerations.
<p>Enhance capacity for macroeconomic planning (including the analysis of fiscal policy and risks) and for the management of public investment, strategically aligned with the given country's needs</p>	Moderate or subsidiary	The RSMEDP has been contributing to enhance key state agencies' capacity (EG and the RDA at least) to manage public investment, strategically aligned with Georgia's needs

Provide SMEs and local producers with better access to finance (such as bank loans) by improving their financial literacy and management capacity, whilst also improving their access to markets and helping them to reduce their operational costs, thus enhancing the investment climate and business environment	Key and intensive contribution (main objective of intervention)	The RSMEDP has been contributing intensively to this action with an ad-hoc strategy and outcomes with remarkable intensity and success
Close the gap between skills demand and labor market capacity by strengthening the role of the private sector in the VET system (e.g., in developing curricula, setting standards, conducting training, and administering student examinations), and by strengthening public-private coordination bodies and mechanisms in VET	Moderate or subsidiary	The RSMEDP has contributed indirectly to sustain private and public investments in improving skills and the labor market
Strengthen the capacity of local self-governments (LSGs) to create opportunities for local economic development, while boosting the participation of the rural population (particularly women) in LSGs' decision-making and helping to increase the effectiveness and transparency of public services through digitalization	Low or secondary	The RSMEDP has been boosting the participation of the rural population (particularly women) in the local economy and the use of digitalized public services, thereby indirectly paving the way for the participation of the rural population in LSGs' decision-making and helping to increase the effectiveness and transparency of public services through digitalization

5.1.5 SCOPE OF POTENTIAL AND ACTUAL SYNERGIES OF THE RSMEDP WITH OTHER RELATED INITIATIVES FUNDED BY THE SDC (OUTCOME 5.3 IMPROVING ECONOMIC DEVELOPMENT AND CREATING DECENT JOBS) BY LINE OF INTERVENTION

Scope of potential and actual synergies of the RSMEDP with other related initiatives funded by the SDC (<i>Outcome 5.3 Improving economic development and creating decent jobs</i>) by line of intervention			
Lines of Intervention	Main Aligned Projects	Potential Synergies with the RSMEDP	Actual Synergy/Synergies Obtained
Improve livestock-based agriculture by developing additional value chains (such as rural tourism), improve the production of key inputs and outputs (such as fodder, meat, leather, and wool), and provide vocational education and training in agriculture (i.e. dual education)	<p>Improving National Animal Identification and Traceability Systems (NAITS) 01.01.2022 - 31.12.2025</p> <p>Supporting Small-scale Dairy Production (SSDP) 01.10.2020 - 30.12.2024</p>	High	Limited to improvement of the financial market, SMEs' access to finance, and capacity building across market players (within the financial market)
Promote opportunity-driven cross-border trade and information-sharing in the region	<p>Market Alliances for Rural Development (MAR) 01.05.2022 - 30.04.2026</p>	High	Limited to improvement of the financial market, SMEs' access to finance, and capacity building across market players (within the financial market)

Enhance capacity for macroeconomic planning (including the analysis of fiscal policy and risks) and for management of public investment, strategically aligned with the country's needs	No specific project identified for Georgia	Moderate or subsidiary	Although no direct connection has been identified, potentially the RSMEDP could realize synergies in capacity building for national agencies and across market players in the management of public investment, strategically aligned with the country's needs
Provide better access to finance (such as bank loans) to local producers and rural SMEs by improving their financial literacy and management capacity, whilst also improving their access to markets and helping them to reduce their operational costs, thus enhancing the investment climate and	Rural Small and Medium Enterprises Development in Georgia (RSMEDP) 01.07.2020 - 31.12.2024		
Close the gap between available skills and labor market needs by strengthening the role of the private sector in the VET system (e.g., in developing curricula, setting standards, conducting training, and administering student examinations), and by strengthening public-private coordination bodies and mechanisms in VET	Modernization of Vocational Education and Training related to Agriculture in Georgia (MVETAG) 01.09.2022 - 31.08.2025	High	Limited to improvement of the financial market, SMEs' access to finance, and capacity building across market players (within the financial market)
Strengthen the capacity of LSGs to create opportunities for local economic development, whilst boosting the participation of the rural population (particularly women) in LSGs' decision-making and helping to increase the effectiveness and transparency of public services through digitalization	Women's Increased Leadership for Democracy in Georgia (WILDG) 01.04.2023 - 31.03.2027 Contribution to the Council of Europe Action Plan in Georgia (CCEAPG) - Democracy Starts in Schools 01.03.2022 - 31.12.2024 CCEAPG 2024-2027, Democracy Starts in Schools 01.01.2024 - 31.12.2027	Low or secondary	Indirect depending on local conditions
Create new opportunities for employment and income generation to reduce emigration	Market Alliances for Rural Development (MAR) 01.05.2022 - 30.04.2026	High	High, thanks to the outreach as well as quantitative and qualitative results of the RSMDEP and its pivotal role

5.1.6 ALIGNMENT (POTENTIAL CONTRIBUTION) OF EACH MAIN SDC PROJECT IN GEORGIA WITH THE RELEVANT LINE OF INTERVENTION OF THE SWISS COOPERATION PROGRAM SOUTH CAUCASUS

Alignment (potential contribution) of each main SDC project in Georgia with the relevant line of intervention of the Swiss Cooperation Program South Caucasus							
	NAITS	SSDP	MAR	RSMEDP	MVETAG	WILDG	CCEAPG
Improve livestock-based agriculture by developing additional value chains	Key project	Key project	High	High	Moderate	Moderate	Low
Promote opportunity-driven cross-border trade and information-sharing	Key project	High	High	High	Moderate	Moderate	Low
Enhance capacity for macroeconomic planning	Low	Low	Low	Moderate	Low	Low	Low
Provide better access to finance (such as bank loans) to local producers and rural SMEs	High	High	High	Key project	High	Moderate	Moderate
Close the gap between available skills and labor market needs by strengthening VET	Moderate	Moderate	Moderate	Moderate	Key project	Moderate	Moderate
Strengthen the capacity of LSGs to create opportunities for local economic development	Moderate	Moderate	Moderate	Moderate	Moderate	Key project	Key project
Create new opportunities for employment	Key project	Key project	Key project	Key project	Key project	Moderate	Moderate

5.1.7 TABLE ON EFFECTIVENESS

Outcome Indicators (Phase Oct 2021- Dec 2024)	Phase Achievement in Terms of Outputs	Target	Progress Toward Target %	Rank
Outcome 1: Rural SMEs sustainably grow through better access to finance. # of SMEs taking up BSS services (Baseline - 0; Target - 1800). # of SMEs taking up loans and grants (Baseline - 0; Targets - loans 775; grants 500).	2,872 SMEs taking up BSS services (160% of total target)	1,800	160%	
	799 SMEs taking up loans and grants (41% of total project target for loans and 102% of grants)	1,275	63%	

<p>Outcome 2: Market players have improved capacities to respond to the needs of rural SMEs in access to finance.</p> <p># of agencies providing sustainable, including fee-based, services to rural SMEs (Baseline - 0; Target - 10).</p> <p>Total additional volume of loans/leasing/grants approved for the target group (Baseline - 0; Target - CHF 5.7 million).</p>	5 agencies providing fee-based services to rural SMEs	10	50%	
	CHF 7,165,614 total additional volume of loans/leasing/grants approved for the target group	5,700,000	120%	

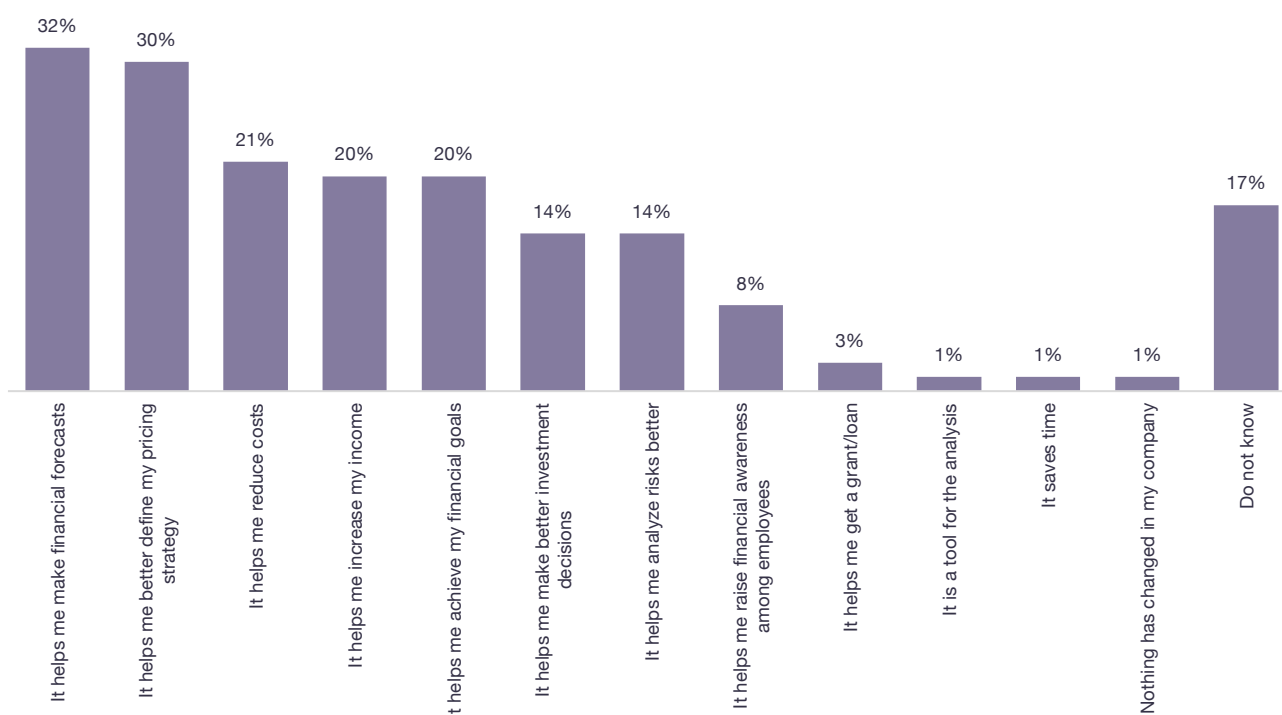
Keys							
Less than 15%	15 to 24%	25 to 49%	50 to 60%	61 to 74%	75 to 99%	100 to 199%	200% or more
Disappointing	Poor	Insufficient	Acceptable	Sufficient	Good	Outstanding	Exceptional

5.1.8 REASONS FOR SATISFACTION WITH NEW FINANCIAL SERVICES

What do you like / not like about these new financial services? Have you observed any positive changes in your company's financial or operational aspects since its implementation?

Source: Full sample (76 respondents)

The new financial services provide the following benefits



The reasons for dissatisfaction with the financial services were not identified, except for the following factors named by only 2 respondents:

- Dissatisfaction with the qualifications of ASPs
- Frequent meetings and contact (surveys) from project executives

5.1.9 TABLE ON EFFICIENCY

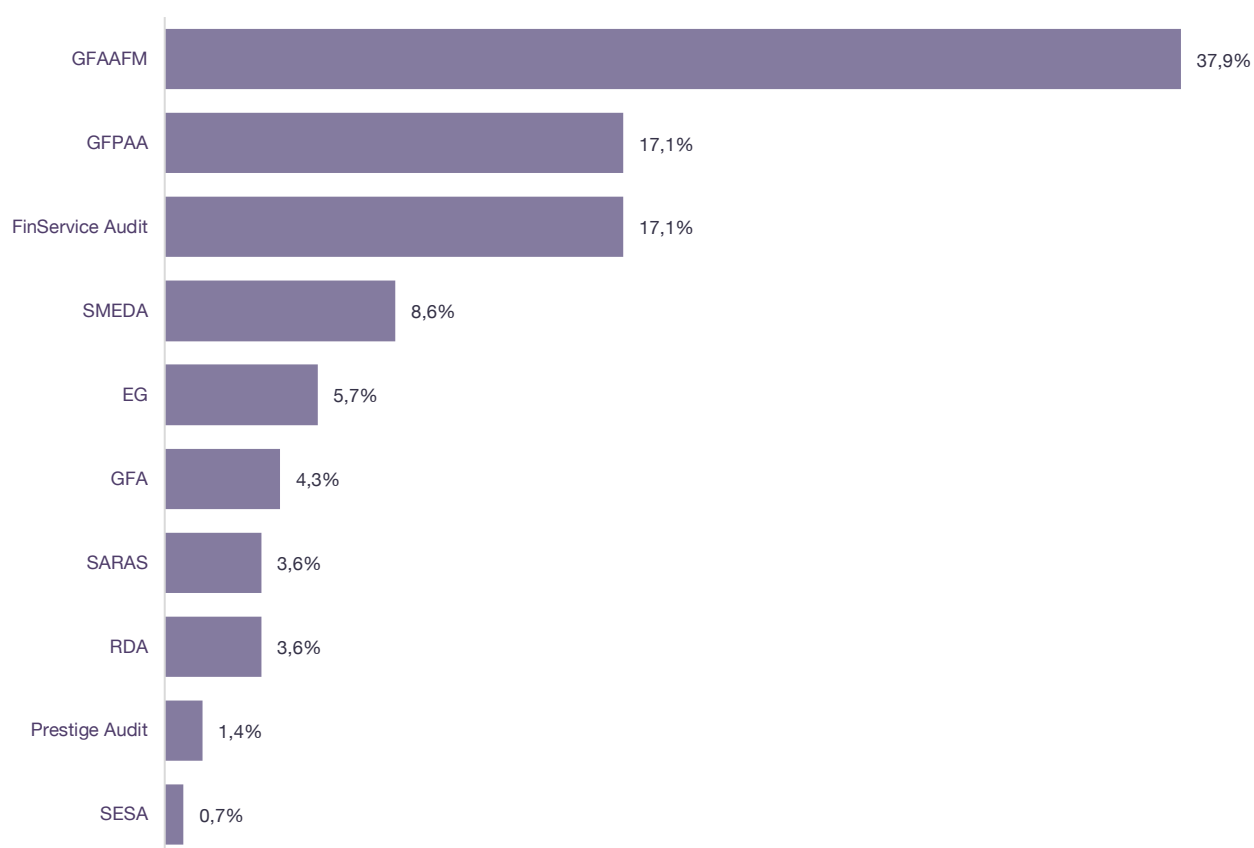
Impact Indicators (Phase Oct 2021- Dec 2024)	Phase Achievement	Target	Progress Toward Target	Efficiency Benchmarks <ul style="list-style-type: none"> Total project cost to date ratio to benefits separately for each quantitative indicator²¹ Results per Team Component (TC) as a proxy of workload/achievement: result per each TC
1. # of rural women and men who realize a tangible benefit that contributes to the reduction of poverty and inequalities (Baseline - 0; Target - 12,600).	6,632 rural women and men realize a tangible benefit. 1a. 669 females in LNOB target group (76% of targeted 884) 1b. 1,821 females in non-LNOB target group (32% of targeted 5,668) 1c. 638 males in LNOB target group (78% of targeted 816) 1d. 3,535 males in non LNOB target group (68% of targeted 5,232)	12,600	53%	CHF 578.9 per person realizing a tangible benefit 553 rural women and men realize a tangible benefit per TC
2. # of people having new or better employment (Baseline - 0; Target - 3,600 people) (IED ARI 2)	2,110 people have new or better employment. 2a. 191 females in LNOB target group (75% of targeted 255) 2b. 665 females in non-LNOB target group (41% of targeted 1,617) 2c. 176 males in LNOB target group (75% of targeted 155) 2d. 1,003 males in non-LNOB target group (67% of targeted 1,493)	3,600	59%	CHF 1,819.6 per person obtaining new or better employment 176 people have new or better employment per TC
3. # of smallholder farmers with increased incomes from agricultural production	35 smallholder farmers increased income b. Females in non-LNOB target group (27% of targeted 130)	35	7%	CHF 109,694.2 per smallholder farmer reporting increased income 3 smallholder farmers increased income per TC
4. Net additional income increase for individuals due to wages/self-employment (IED TRI 1)	<ul style="list-style-type: none"> Income increase of CHF 484,150 (115% of targeted CHF 420,000) for 841 individuals with new jobs (200% of target 420) equivalent to 237 FTE (136% of targeted 175 FTE). Income increase of CHF 139,982 (28% of targeted CHF 500,000) from 1,272 individuals with existing jobs that now receive better pay/benefits (254% of targeted 500 individuals). 	420	200%	CHF 4,565.1 per individual obtaining a new job 71 individuals with new jobs per TC
5. # of SMEs benefitting from additional income, reduced costs, and/or improved resilience (Baseline - 0; Target - 1,500 SMEs)	926 SMEs benefitting from additional income, reduced costs, and/or improved resilience (62% of targeted 1,500) 5a. 344 female-owned/led SMEs benefitting (76% of targeted 450 SMEs) 5b. 53 ethnic-minority-owned/led SMEs benefitting (71% of targeted 75 SMEs)	1,500	62%	CHF 4,146.1 per SME benefitting from additional income, reduced costs, and/or improved resilience 77 SMEs benefitting from additional income, reduced costs, and/or improved resilience per TC
6. Net additional income increase of SMEs (Baseline - 0; Target - CHF 5.5 million) (IED TRI 1)	CHF 4,828,689 of net additional income increase of SMEs-including farmers (88% of target CHF 5.5 Mio)	CHF 5.5 Mio	88%	Analyzed in impact chapter with a preliminary CBA

²¹ The efficiency for each indicator with respect to total project cost is here considered as an indicative benchmark because total costs are compared to the totality of effects.

5.1.10 SUMMARY OF RECOMMENDATIONS FOR THE NEXT PHASE

Main criteria	Operational Recommendations for the Next Phase		
	(1) Expand the system and upscale the results of the first phase to create opportunities for additional SMEs	(2) Expand collaboration with more commercial banks	(3) Make relevant modifications to respond to the needs and conditions of the business environment
Relevance	Continue to apply the current adapt/adopt strategy and close cooperation and partnership building to identify needs and implement actions with Georgian national and local partners. It is recommended to focus on: (a) one or two most promising regions to scale-up in terms of quantity and intensity; and (b) identifying one or two lagging regions which to launch a new round of efforts.	Take into account: <ul style="list-style-type: none"> Issues related to possible moral hazards. Real economic needs of rural SMEs related to the improvement of their cash flow. Capacity-building needs of banks to specialize in large microcredit operations in rural areas and enable them to minimize risks. 	Identify, together with Georgian partners, other needs (such as capacity in marketing and local production chains) beyond access to finance and financial management to accompany SMEs' development with improvement of their current and future cash-flow performance and opportunities. This can be achieved across the system (using the MSD approach) within the current partnership structure and modus operandi.
Coherence	Try to obtain better synergies with existing SDC projects in the same area of intervention (development of rural SMEs).	Try to obtain better synergies with existing SDC projects in the same area of intervention (development of rural SMEs).	Take advantage of the large scope for synergies with other SDC projects in relevant lines of intervention, for instance by coordinating activities with projects highlighted in the "Coherence" table (i.e. sharing information, co-implementing specific actions, and identifying specific partners and end beneficiary groups that might be assisted at the same time by different projects for a common or related objective/outcome).
Effectiveness	It is recommended to obtain more information about: (a) the reasons behind high concentration in specific regions; and (b) why most end beneficiaries appear to be located in towns instead of villages. It is also recommended to focus on: (1) one or two of the most promising regions to scale-up in terms of quantity and intensity (most probably Samegrelo-Zemo Svaneti); and (2) identifying one or two lagging regions in which to launch a new round of efforts.	Ensure that the three issues reported under "Relevance" (moral hazard, real economic needs and cash flows, and capacity-building needs for banks) are punctually addressed to ensure maximum effectiveness.	Same as above, with maximum coordination for areas/groups particularly responsive to SDC projects.
Efficiency	Make sure there are limited costs in return for increasing benefits. At the same time, target more smallholder farmers in rural areas to increase their participation in the project.	Ensure that the three issues reported under "Relevance" are swiftly addressed to ensure maximum efficiency, both for the RSMEDP and the market system.	Same as above, with maximum coordination for areas/groups particularly responsive to SDC projects.
Impact	To multiply impact and outreach, it is recommended to focus on: (1) one or two of the most promising regions to scale-up in terms of quantity and intensity (probably Samegrelo-Zemo Svaneti); and (2) identifying one or two lagging regions in which to launch a new round of efforts.	Ensure that the three issues reported under "Relevance" are promptly addressed to ensure maximum impact, both for the RSMEDP and the market system.	Increase human and financial resources for the RSMDEP according to the scale-up options.
Sustainability	Sustainability is assured within the existing MSD approach and through coordinating actions between or among national agencies, market players, and banks/FIs with regard to the launch of new products (i.e. microcredit) to ensure long-term availability of specialized personnel.	To be achieved by: (a) avoiding market distortions (offering loans at better market rates rather than issuing grants); (b) enabling banks to reduce risk and increase productivity in specific products for specific large operations for rural customers (such as microcredit for micro enterprises in rural areas); and (c) by making sure that the entire system is prepared for more market-oriented products across different partners from national to local levels.	Coordinating actions between or among national agencies, market players, and banks/FIs regarding the launch of new products (i.e. microcredit) to ensure long-term availability of specialized personnel.

5.1.11 DISTRIBUTION OF SERVICE PROVIDERS TO SMES



5.1.12 SURVEY QUESTIONNAIRE

External Real-Time Evaluation of the Rural Small and Medium Enterprises Development Project Survey

This survey is part of the External Real-Time Evaluation of the Rural Small and Medium Enterprises Development Project (RSMEDP), launched by the SCO. The evaluation aims to gather statistical information on the impact of services provided to SMEs in rural areas.

Although you may not have been directly informed about this project, the services you received—such as financial advice, business support, or other interventions—might have been part of this initiative, delivered through service providers. Your feedback is essential to assessing the broader impact of these services.

The survey is confidential and only general statistical results will be shared with the SCO. Your participation will help to improve future support for rural SMEs.

SME Profile

P1. Name of the enterprise owner

--

P2. Please select the region in which your SME is located

Tbilisi	1
Adjara	2
Guria	3
Imereti	4
Kakheti	5
Kvemo Kartli	6
Mtskheta-Mtianeti	7
Racha-Lechkhumi and Kvemo Svaneti	8
Samegrelo-Zemo Svaneti	9
Samtskhe-Javakheti	10
Shida Kartli	11

P3. Please select the settlement type in which your enterprise is located

Town	1
Village	2

P4. Is the owner of the SME a woman?

Yes	1
No	2

P5. Is the owner of the SME a person from a minority group in Georgia?

Yes	1
No	2

P6. Sector(s) of activity

(More than one answer allowed. For instance: SMEs operating in agriculture can also be operating as a service in the tourism sector as a B&B or agritourism facility, etc.)

Sectors	Please select the appropriate sector. Specify activity (such as "growing sunflowers" or "sheep breeding"))	
Agriculture, Forestry, and Fishing		
Growing of Crops		1
Animal Production		2
Forestry		3
Fishing		4
Other		77
Industry		
Construction		5

Meat Production		6
Dairy Production		7
Food Production		8
Production of Beverages		9
Manufacturing		10
Traditional Crafts		11
Construction		12
Other		88
Services		
Tourism		13
Transportation		14
Trade		15
Communication		16
Marketing		17
IT and Web Services		18
Agritourism		19
Renewable Energy		20
Technology and Innovation		21
Other		99

P7. Please indicate currently how many people are employed at your SME?

1	1
2	2
3-5	3
6-10	4
11-20	5
21-50	6
51+	7
Don't know	-2

Services

S1. Has your SME received support from one or more of these institutions since 2021?

Swiss Cooperation in Georgia and main partners		Yes or No	If yes, in which year(s) since 2021?
Georgian State Agencies			
1	Enterprise Georgia – EG (through GCSD, local CSOs, and/or SavvY consulting) and/or the regional Growth Hubs		
2	Rural Development Agency - RDA (GCSD and TASO Foundation)		
3	Service for Accounting, Reporting, and Auditing Supervision (SARAS)		
4	State Employment Support Agency (SESA)		
Specific Business Support Service Providers			
5	FinService Audit (Samegrelo-Zemo Svaneti)		
6	Prestige Audit (Adjara)		
Associations and Service Providers			
7	Georgian Farmers' Association (GFA) – and associated accounting service providers		
8	Georgian Federation of Professional Accountants and Auditors (GFPAA) – and its network of accounting service providers		
9	Georgian Federation of Accountants, Auditors, and Financial Managers (GFAAFM) - and its network of accounting services providers		
10	Almonds and Walnuts Producers Association (AWPA)		
11	Small and Medium Enterprise Development Association (SMEDA) – and its associated business consulting service providers		
12	Other (Please Specify)		

S2. If you answered positively to the previous question, please select what type of support you received?

(Multiple answers allowed)

Information finance and business support opportunities	1
Accounting and financial advisory services	2
Loan or leasing application support services (including filling applications)	3
Training and capacity development	4
Grant application support services (including filling applications)	5
Supporting access to appropriate financing	6
Marketing	7
IT and web services	8
Other (Please Specify)	99

S3. Did your SME benefit from the support received?

Yes, it was very beneficial	1
Yes, it was beneficial	2
Somewhat beneficial	3
Marginally beneficial	4
Not beneficial at all	5

S4. If you benefitted, what type of benefit did you gain thanks to the support received?

(Multiple answers are allowed)

Increase in annual turnover (annual income of your SME)	1
Increase in finances or servicing capital (such as by reducing debt or the span of low turnover periods)	2
Hiring necessary personnel	3
Acquiring machinery or other means of production	4
Increase in selling products	5
Increase personal income for yourself as owner of the SME	6
Increase in salary for the personnel of your SME	7
Hiring necessary personnel	8
Reducing costs	9
Better terms in the market of your production	10
Better dialogue with important partners	11
Improved working conditions of employees	12
Changing management practices of the SME (i.e., in calculation of risks, reinvestment possibilities, internal planning of expenses, and/or profit/loss calculation)	13
Obtaining loans/grants	14
Increasing loan/grant amount	15
Increased confidence in your business operations and future planning	16
Other (Please Specify)	99
Don't know	-2

S5. How would you evaluate the experience of receiving support?

Extremely useful	1
Very useful	2
Somewhat useful	3
Not very useful	4
Not useful at all	5

Thank you for your participation! Your input is highly appreciated.

5.2 CASE STUDIES

Case Study #1 _ Beka Gogokhia_Male_Samegrelo-Zemo Svaneti Region

Background: Beka Gogokhia, a 40-year-old entrepreneur from Zugdidi in Samegrelo-Zemo Svaneti region, has been operating a hazelnut processing and export business since 2013. His factory employs 35 workers nearly year-round, with operations pausing only for 2-3 months in spring. Beka's business focuses on sorting, breaking, inspecting, and packaging hazelnuts for export to markets in Germany, Ukraine, and China.

Challenges: Despite being well-acquainted with the regional service provider Zviad, Beka had never pursued credit from banks, largely due to the complexities of the loan application process and a lack of confidence in securing the necessary endorsements from local loan officers. Beka noted that bank managers often relied heavily on recommendations from local experts when evaluating loan applicants, making the credibility and support of these experts crucial.

Intervention: With guidance from Zviad, Beka applied for a loan from TBC Bank, successfully obtaining credit without collateral—a critical factor for his business's expansion. The expert assistance in preparing necessary documentation played a vital role in securing the loan.

Outcome: The loan enabled Beka to purchase additional goods, scale-up his operations, and start making a profit. Encouraged by this success, Beka has since also embarked on a new venture in laurel processing and export, supported by a grant from another donor organization. He now reports increased confidence in his business future and plans for further growth.

Impact: The intervention not only helped Beka to expand his existing business but also inspired him to diversify into new areas.

Case Study #2 _ Maugli Dzamukashvili_Male_Kakheti Region

Background: Maugli Dzamukashvili, a 32-year-old farmer from Akhmeta municipality in Kakheti region, has been engaged in cattle farming for the past four years. His main focus was initially on dairy farming, but he faced significant setbacks when he was forced to demolish the premises of his dairy farm due to local municipality land regulations.

Challenges: The unexpected demolition of his farm premises put Maugli in a difficult position, both financially and operationally. He needed new resources to restart his dairy farming operation but lacked the funds and support to rebuild.

Intervention: Maugli had been attending capacity-building events organized by the GFA for over five years. As an active participant in these events, he was introduced to Nino Tikurashvili, a local accounting service provider (ASP). With Nino's guidance, Maugli learned about a grant opportunity at the U.S. Department of Agriculture (USDA). Nino worked closely with Maugli to ensure that the grant application process went smoothly, resulting in his successful acquisition of much-needed equipment, including a milking machine. Nino also helped him in the process of preparing a loan application to purchase cattle for the new farm.

Outcome: With the help of the local ASP, Maugli learned about various financing opportunities and received vital support throughout the process. As a result, he is now on track to fully restart his dairy farming operation.

Impact: Nino's ongoing support has not only enabled Maugli to secure his initial grant but has also empowered him to pursue other grant opportunities, boosting his confidence in the future of his farming practices.

Case Study #3 _ Niaz Zeinalov_Male_Kvemo Kartli Region

Background: Niaz Zeinalov, a 42-year-old entrepreneur from Kizilajlo, a village in Marneuli municipality in Kvemo Kartli region, runs a stone-cutting enterprise. His business, which had been steadily operating, was providing employment for five workers.

Challenges: Like many small business owners, Niaz had limited knowledge of accounting and financial management, making it difficult for him to fully evaluate his business's financial health. He also lacked insights into cost-saving opportunities, which would help him to improve his operations and profitability.

Intervention: Niaz was approached by a local ASP and offered accounting and financial advisory services. Notably, these services were provided by an Azeri-speaking accountant, which helped Niaz who is an ethnic Azerbaijani. Over a period of four months, Niaz received hands-on support, which included a detailed analysis of his financial situation, cost structure, and profitability. The ASP also assisted him in identifying alternative suppliers, enabling him to reduce expenses and improve operational efficiency.

Outcome: As a result of the intervention, Niaz gained a much clearer understanding of his business's financial standing. This improved financial management led to an increase in his workforce from five to six employees. In addition, Niaz's son was inspired by his father's experience and became motivated to pursue entrepreneurship in a different field.

Impact: Niaz is already seeing positive outcomes courtesy of the financial and accounting support he received. His business is more profitable, and he has successfully reduced costs by finding more cost-effective suppliers.

Case Study #4 _Tamar Nikoleshvili_Female_Imereti Region

Background: Tamar Nikoleshvili, a 36-year-old entrepreneur from Kutaisi in Imereti region, owns two educational centers—one in Zestaphoni and another in Kutaisi. Initially, she and her sister started the educational center in Zestaphoni, and this year saw the opening of her new center in Kutaisi. Tamar has long been dedicated to providing quality educational services and saw the expansion as a natural step in growing her business.

Challenges: While Tamar successfully operated the Zestaphoni center, expanding to Kutaisi presented new challenges. She needed to better understand the financial viability of her new venture and the differences between managing the two locations. In addition, she required guidance in identifying which services would be most profitable for her new center and how to plan effectively for its success. Balancing these two centers, with differing demographics and needs, made strategic planning essential.

Intervention: Tamar first connected with a local ASP while applying for an EG grant in 2022. The ASP helped her to develop a financial plan for the grant application and later provided a deeper analysis of her educational enterprise. With the ASP's help, Tamar received a detailed analysis of her entrepreneurship strategies, identifying which services were more profitable and which needed adjustment. This analysis helped her to adjust operations in the Zestaphoni center and design the new Kutaisi center focusing on elementary school students.

Outcome: Armed with this information, Tamar strategically shaped her new center in Kutaisi to offer services tailored to younger students. The center provides schoolchildren with assistance on homework, meals, games, and personal development activities, thereby creating a unique service offering that distinguishes it from its competitors. Although the new center in Kutaisi is not yet operating at full capacity, Tamar has used the forms and guidance from the ASP as a roadmap for future planning, helping her to decide how many students to enroll to reach profitability.

Impact: Thanks to the expert support of the local ASP, Tamar has been able to refine her business model, ensuring that her centers are financially sustainable and competitive. The guidance has allowed her to navigate the complexities of managing two centers with different focuses and demographics, laying the foundations for continued growth.

Case Study #5 _ Veronika Bakhchoyan_Female_Samtskhe-Javakheti Region

Background: Veronika, a 29-year-old baker from Samtskhe-Javakheti region, has been passionate about baking for over a decade. After completing her professional training at a local college in Akhaltsikhe, she gained experience working in a local bakery and taking customized cake orders at home. Her dedication to her craft motivated her to pursue opportunities to expand her business and make a name for herself in the community.

Challenges: Despite her expertise in baking, Veronika faced challenges in formalizing and expanding her business. She needed financial support to purchase modern equipment and streamline her production process. In addition, as an ethnic Armenian, and with Georgian as her second language, she lacked confidence about navigating formal applications in Georgian, especially when applying for a grant that could help grow her business.

Intervention: In 2022, Veronika sought help from a local service provider to apply for an EG grant. Over a period of five months, she had multiple meetings with the service provider, who guided her through the entire application process. The support helped her to fill out the forms in Georgian and prepare for the interview, allowing her to gain confidence in successfully completing the application process.

Outcome: With the financial support gleaned from the EG grant, Veronika was able to purchase new bakery equipment, which significantly improved her efficiency in fulfilling orders. As a result, she grew her business and was able to hire two part-time employees to help with daily operations. The improved workflow allowed her to complete orders faster and provide a better service to her customers.

Impact: Veronika is now focused on her next goal—securing a dedicated commercial space for her bakery, where she plans to extend her offerings by including a coffee shop.



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Final Evaluation of the Project: Rural Small and Medium Enterprises Development in Georgia, Phase 1

Management Response

The Management Response outlines the Swiss Agency for Development and Cooperation (SDC) stance on the recommendations from the evaluation of the project “Rural Small and Medium Enterprises Development in Georgia” (RSMEDP) Phase 1.

This response established a solid foundation for strategic decision-making, and it is important to engage the relevant stakeholders in discussions.

Assessment of the Evaluation

The evaluation was conducted by Policy and Management Consulting Group (PMCG) and its designated experts: Lead Evaluator Gabriele Bonafede and National Consultants Mariam Berianidze and Nika Kapanadze. The evaluation was conducted in accordance with international standards, was well managed and included close involvement of the SDC's reference group comprising Swisscontact, direct beneficiaries of the RSMEDP project (business support service providers including agencies, consultancies, associations, accounting service providers) and end beneficiaries of the project (rural micro, small and medium-sized enterprises).

The purpose of the evaluation was to inform the Swiss Cooperation Office for the South Caucasus (SCO) of the main achievements, challenges and lessons learned throughout the project implementation by analyzing the project's impact on stakeholders, sustainability and overall effectiveness. The objective of this evaluation was to understand and document the main results achieved and changes brought by the project for the Direct Beneficiaries and End Beneficiaries. These purpose and objective have been met by the evaluators. The SDC appreciates the comprehensiveness of the evaluation report and the sound analysis of key elements of the implementing consortium's performance in the RSMEDP project.

The analysis and recommendations presented in the report are deemed valuable for reinforcing the strategic direction of SDC's portfolio to enhance economic development and create decent employment opportunities.

Main Findings

The evaluation was executed with dedication and careful planning by the evaluators. The implementing consortium cooperated effectively, demonstrating adaptability to timelines and offering significant, insightful inputs to the evaluation team. Individual Interviews with direct beneficiaries and other stakeholders, as well as focus groups with end beneficiaries, highlighted the project's strong commitment to collaboration and transparency.

The evaluation team found the project to be highly relevant to the needs of rural entrepreneurs and concluded that RSMEDP has effectively increased access to finance and built capacity among rural SMEs, though further attention is needed on addressing broader SME needs like production capacity and market expansion. The program is highly relevant to national priorities and SDC's strategy and could further improve synergies with other initiatives. Sustainability and resilience are promising, though continued efforts are needed to mitigate the risk of dependency and risk-structure of loans.

1. The improvement of rural SMEs cash flows via upgrading or increasing capacity of: (a) rural SMEs' labor force (human capital) not necessarily employed in financial management; b) Fixed capital productivity (such as machinery employed in seeding, harvesting, processing, sorting, stocking, packaging, etc. showing scope for enhanced productivity – and avoiding mere rent-seeking operations); (c) acquisition of market-share (extension of demand and buyers for rural SMEs' products), locally and internationally (for instance, via support to enhance digital marketing capacities of rural SMEs). These measures should be designed taking into account the scope for dynamic effects on SMEs' cash flow, over time, instead of a static effect limited to the sole capacity of financial management.	
2. Design and implement actions to increase value-added of rural production and local economies' synergies	
3. Find appropriate solutions to the problem of moral hazard and possible grant-seeking traps (or dependence on external grants). Reduce market distortions: That is, emphasizing support to the functioning of the financial markets via loans at market rates rather than grants or subsidized loans.	
4. It is recommended to get obtain more information about (a) the reasons of concentration in specific regions; (b) why most end-beneficiaries appear to be located in urban centers instead of rural areas.	
5. Continuing to apply the current strategy adapt/adopt of close cooperation and partnership-building to identify needs and implement actions with Georgian national and local partners.	
6. Focus on (a) One or two most promising regions to scale-up in terms of quantity and intensity; (b) Identify one or two lagging-behind regions where to launch a new round of efforts to get started	
7. Trying to obtain better synergies with existing SDC projects in the same area of intervention (development of rural SMEs).	
8. Propose and implement mainstreamed positive actions to tackle gender inequalities – such as permanently introducing gender-related selection mechanism in all NAs' operations to assign grants (or subsidized loans) or other supporting products (such as subsidized means of production in agriculture) offered to rural SMEs or other final beneficiaries.	
9. Consider larger involvement of municipalities in the local governance	
10. Persuade Georgian partners (National Agencies, Associations, Banks and FIs, etc.) in introducing/extending selection mechanisms and other mainstreamed measures to enhance good practices related to mitigation of climate change and/or protection of environment	
11. It is recommended to expand collaboration with more commercial banks	
Fully Agree	Partially Agree
	Disagree

Overview of recommendations, management response and measures

Recommendation 1		
The improvement of rural SMEs cash flows via upgrading or increasing capacity of: (a) rural SMEs' labor force (human capital) not necessarily employed in financial management; b) Fixed capital productivity (such as machinery employed in seeding, harvesting, processing, sorting, stocking, packaging, etc. showing scope for enhanced productivity – and avoiding mere rent-seeking operations); (c) acquisition of market-share (extension of demand and buyers for rural SMEs' products), locally and internationally (for instance, via support to enhance digital marketing capacities of rural SMEs). These measures should be designed taking into account the scope for dynamic effects on SMEs' cash flow, over time, instead of a static effect limited to the sole capacity of financial management.		
Management response		
Fully agree	Partially agree	Disagree
The recommendation affirms the validity of the plans to expand results chain and intervention logic in Phase 2 (starting January 2025) to encompass broader range of business support services (BSS) in the directions of access to productive assets and technology, and access to markets.		
Measures	Responsibility	Timing
Phase 2 results chain and intervention logic updated to integrate focus on increasing SME capacity in areas beyond Access to Finance / Financial Management	RSMEDP / SDC	November-December 2024
SDC will steer and monitor RSMEDP in designing and executing concrete intervention measures in the directions of a. access to productive assets and technology; b. access to markets	SDC	From 2025

Recommendation 2		
Design and implement actions to increase value-added of rural production and local economies' synergies		
Management response		
Fully agree	Partially agree	Disagree
Agreed. In Phase 1, the project's lean, capital-based team and technical focus on access to finance were designed to strengthen the service market rather than facilitate value chains. Phase 2, as stated above, will feature a strong focus on enhancing SMEs access to markets.		
Measures	Responsibility	Timing
SDC will steer and monitor the project activities in Phase 2 (especially in the Access to Markets direction), will include a designated level of focus on productivity, especially in the context of those SMEs that seek to diversify their client base/market channels (e.g. through contract farming).	RSMEDP	From 2025

Recommendation 3		
Find appropriate solutions to the problem of moral hazard and possible grant-seeking traps (or dependence on external grants).		
Reduce market distortions: That is, emphasizing support to the functioning of the financial markets via loans at market rates rather than grants or subsidized loans.		
Management response		
Fully agree	Partially agree	Disagree
<p>Agreed. The project should avoid moral hazards, such as over-encouraging debt, as well as grant-seeking traps and market distortions.</p> <p>In Phase I, the project supported access to state-subsidized products (grants/loans) to help underserved groups, such as those needing micro-grants and micro-loans, while also facilitating pathways to commercial finance. Adoption of subsidized products by vulnerable groups is not inherently distorting, though the project continues to monitor for potential distortion effects.</p>		
Measures	Responsibility	Timing
SDC will monitor that the project features a stronger focus on helping rural SMEs successfully apply to, absorb and thoughtfully deploy commercial finance products.	SDC	From 2025
SDC will steer the project to continue working (with financial institutions, among others) on development of non-financial services to increase access of rural SMEs to targeted commercial credit.	SDC	From 2025

Recommendation 4		
It is recommended to get obtain more information about (a) the reasons of concentration in specific regions; (b) why most end-beneficiaries appear to be located in urban centers instead of rural areas.		
Management response		
Fully agree	Partially agree	Disagree
<p>The focus on specific regions was driven by the availability and capacity of service providers and SMEs. The placement of beneficiaries in towns rather than villages aligns with the program's initial urban-rural definitions. However, economically, many of these towns are comparable to villages in terms of activities and value creation. Often, the micro and small enterprises in these areas represent underserved groups needing support to grow their businesses.</p>		
Measures	Responsibility	Timing
RSMEDP will steer the project towards building on interventions with existing Business Support Service providers to better target SMEs in under-represented regions, and monitor that the reach of providers is deepened beyond provincial centres.	SDC	From 2025

Recommendation 5		
Continuing to apply the current strategy adapt/adopt of close cooperation and partnership-building to identify needs and implement actions with Georgian national and local partners.		
Management response		
Fully agree	Partially agree	Disagree
Application of MSD approach always requires adaptation to local conditions. Therefore, close collaboration with local partners is necessary and shall be continued in future.		
Measures	Responsibility	Timing
SDC will steer and monitor the project in its efforts to scale-up and diversify capacity building approaches to selected existing partners; In parallel, diversify its stakeholder landscape in itself, including a segment of lead firms - medium or large businesses where supporting rural SMEs can enhance supply chain efficiency, thus benefitting their operations; and commercial banks , which will be engaged to extend ESG compliant credit lines to rural SMEs.	SDC	From 2025

Recommendation 6		
Focus on (a) One or two most promising regions to scale-up in terms of quantity and intensity; (b) Identify one or two lagging-behind regions where to launch a new round of efforts to get started		
Management response		
Fully agree	Partially agree	Disagree
The project has not focused on specific geographic areas but instead aligned partner facilitation to serve rural customers where they are. SDC endorses this approach.		
Measures	Responsibility	Timing
SDC will support the project in continuing this approach while also endorsing targeted initiatives in specific regions as the project develops stronger partnerships and demonstrates a case for incentivizing different actors to intervene.	SDC	From 2025

Recommendation 7		
Trying to obtain better synergies with existing SDC projects in the same area of intervention (development of rural SMEs).		
Management response		
Fully agree	Partially agree	Disagree
This is an ongoing task as projects launch or change and new opportunities arise. In Phase I the project has been in contact with most of the Swiss-funded projects to identify synergies – including those implemented by the IFC, UNDP, FAO, UNWOMEN, Mercy Corps, and LED. Working collaborations were made with ALCP2 & WEE projects.		
Measures	Responsibility	Timing
The above efforts will continue, while new engagements beyond SDC-funded initiatives will be explored. SDC will act as both enabler and facilitator of linkages between the project and other development initiatives, including beyond Swiss Cooperation (such as, for example, USAID Agricultural Trade Diversification Program).	SDC	From 2024

Recommendation 8		
Propose and implement mainstreamed positive actions to tackle gender inequalities – such as permanently introducing gender-related selection mechanism in all NAs' operations to assign grants (or subsidized loans) or other supporting products (such as subsidized means of production in agriculture) offered to rural SMEs or other final beneficiaries.		
Management response		
Fully agree	Partially agree	Disagree
The project can build upon the phase I experience to deliver more purposive interventions towards achieving GESI outcomes in Phase II. The project will continue collaborating with partners to ensure that their activities go beyond 'one-off' support measures. The aim is to empower women to gain greater influence in business and economic decision-making, which the project has introduced as a separate measurement indicator at the level of Outcomes.		
Measures	Responsibility	Timing
SDC will introduce a gender-specific, outcome level indicator for Phase 2 logframe of the project	SDC	November-December 2024
SDC will closely monitor achievement of GESI outcomes in Phase II	SDC	From 2025

Recommendation 9		
Consider larger involvement of municipalities in the local governance		
Management response		
Fully agree	Partially agree	Disagree
The project has limited human resources to engage with municipal governments and will seek opportunities to collaborate with the SDC-funded Local Economic Development initiative, aiming to identify potential support or synergy actions. This will be done in a way that complements the project's existing priorities and remains aligned with its current mandate.		
Measures	Responsibility	Timing
SDC will monitor and, as necessary, facilitate synergies between the two projects	SDC	From 2025

Recommendation 10		
Persuade Georgian partners (National Agencies, Associations, Banks and FIs, etc.) in introducing/extending selection mechanisms and other mainstreamed measures to enhance good practices related to mitigation of climate change and/or protection of environment.		
Management response		
Fully agree	Partially agree	Disagree
In Phase 2 the project intends to identify the strategies relevant to the target group (rural SMEs) by persuading them to mainstream green measures.		
Measures	Responsibility	Timing
SDC will encourage the project to work with financial institutions and government agencies to develop non-financial services aimed at increasing access of rural SMEs to targeted commercial credit tied to adoption of sustainable practices. Simultaneously it will monitor the project's work with banks to make ESG compliance requirements more flexible (and build SME readiness gradually, without compromising on quality) and tailored trainings/consultancy on ESG standards for SMEs.	SDC	From 2025

Recommendation 11		
<p>It is recommended to expand collaboration with more commercial banks by taking into account:</p> <ul style="list-style-type: none"> • Issues related to possible moral hazard • Real economy needs of rural SMEs related to the improvement of their cash flow • Capacity building needs to specialize banks on large micro-credit operations in rural areas and make them able to minimize risks • Try to obtain better synergies with existing SDC projects in the same area of intervention (development of rural SMEs) • Provide that the above reported are timely addressed to ensure maximum effectiveness, efficiency, and impacts, both for the RSMEDP and the Market System • Avoid as much as possible market distortions (better loans at market rates than grants); • Help banks able to sustain (reduce risk and increase productivity in specific products) for specific large operations for rural customers (such as microcredit for Micro Enterprises in rural areas); • Make sure that the entire system is prepared for more market-oriented products across different partners from national to local level 		
Management response		
Fully agree	Partially agree	Disagree
<p>Phase I experience was that the position and status of the project (an NGO consortium) was not recognized as a traditional partner by banks (which were more accustomed to working with IFIs). Efforts by the project have resulted in initiation of limited pilot partnerships with FIs, which may be capitalized upon in Phase 2. The focus is not on micro credit, which is already a broadly well-functioning sector of the market.</p>		
Measures	Responsibility	Timing
SDC will encourage the project, and where necessary support with facilitation, in cooperating with banks in specialized areas, such as green finance, product development and sharing of experience within the sector.	RSMEDP	From 2025

Terms of references

Contract no. 81081734 (Local Mandate)

External Real-Time Evaluation of the Rural Small and Medium Enterprises Development Project

1. Introduction

The Terms of Reference (ToR) describe the purpose, context, objectives (including guiding indicative evaluation questions), scope and proposed methodology of the evaluation. They further describe the evaluation process and the expected deliverables. **The ToR will become a component of the contract for this evaluation mandate.**

2. Background Information and Context

Georgia's SME sector is poorly performing in terms of productivity and job creation. Rural SMEs mostly operate in the food processing, tourism, trade, and agriculture sectors. They are managed by individuals without financial, marketing, or business management training, and they lack awareness of financial products and the expectations of financial service providers. Heavily oriented toward low-investment and low value-adding activities, these rural SMEs are further constrained by the low quality and supply of business support services in rural areas. These systemic weaknesses negatively impact access to financial products. The resulting undercapitalization limits innovation and productivity increases among rural SMEs, triggering higher levels of rural poverty and youth outmigration. The need for inclusive finance is particularly apparent with regards to women and youth, especially amongst ethnic minorities, which face more shortage of information due to language barriers.

Over the past decade, government and donor-funded initiatives have worked to address these issues through multiple programmatic interventions. Government agencies such as Enterprise Georgia (EG) and the Rural Development Agency (RDA) have provided co-financing and subsidies for financial products. At the same time, donor-funded initiatives have offered subsidized technical assistance to help SMEs raise financial resources. These efforts have yielded tangible results, catalyzing investments and job creation, including among rural SMEs. However, systemic issues remain largely unaddressed. Financial support programs have focused on enabling SMEs access to specific financial products, and most existing technical assistance measures have concentrated on fundraising activities. As a result, SMEs are still largely unaware of the diverse financial offerings from financing institutions and remain disconnected from business support services (BSS) providers. These providers could otherwise guide them in understanding and acquiring different types of funding and help them manage their businesses and funds efficiently. Simultaneously, the providers themselves require capacity building to capture new rural SME clients better and serve them in areas related to efficient financial management, such as accounting and financial management.

The need for a systemic approach to capacitating rural SMEs towards improving their financial and overall business management skills is further attested by the efforts of the Governmental partners of the project, with EG launching the Growth Hub initiative in the summer of 2023, creating regional consultation centers that aim to equip rural SMEs with knowledge on existing business support programs, financial offerings on the market, available skills development

opportunities. Growth Hubs will provide rural SMEs with capacity building and business development advisory and, overall, help these entrepreneurs improve their competitiveness and profitability. Most notably, the Growth Hubs will deploy their support measures through rural BSS providers, simultaneously building their capacities and effectively addressing the considerable gap between rural SMEs and BSS providers. This approach directly mirrors the *modus operandi* of the RSMEDP, indicating clear alignment among key market players on the systemic approaches and methods for helping rural SMEs to better access resources, markets and improve their business management.

3. Description of the Assignment

Purpose and Objective

The purpose of the evaluation is to inform the Swiss Cooperation Office for the South Caucasus (SCO) of the main achievements, challenges and lessons learned throughout the project implementation by analyzing the project's impact on stakeholders, sustainability and overall effectiveness.

The objective of this evaluation is to understand and document the main results achieved and changes brought by the project for the Direct Beneficiaries and End Beneficiaries.

Focus of Evaluation

The focus of the evaluation is Rural Small and Medium Enterprise Development Project (RSMEDP) and its target groups.

RSMEDP

Rural Small and Medium Enterprise Development Project (RSMEDP) has been commissioned for its First Phase from October 2021 to December 2024, under a mandate from the Swiss Agency for Development and Cooperation (SDC), represented by SCO. Prior to this, an inception period took place from December 2020 to September 2021.

RSMEDP aims to:

- Enhance access of rural SMEs to bank and state finance by increasing awareness of rural SMEs on financial services, developing and piloting advisory packages for investment plans and loan applications.
- Support SMEs in increasing their financial literacy and management capacities by promoting strategies for SME management and developing advisory packages.
- Build capacity and align national agencies, business associations and consultancies with rural SME needs, as well as establish communication mechanisms among key market players to support the further development of rural SMEs.

RSMEDP works to achieve these objectives through its Market Systems Development approach, which addresses systemic issues that obstruct rural entrepreneurs from effectively accessing and managing financial resources. This includes addressing shortcomings of rural SMEs both in terms of internal capacities, such as the low or non-existent financial literacy and management skills of rural SMEs, as well as the external context of operation, such as the extremely limited supply of effective business advisory services in rural areas. By focusing its work on the demand side of the financing landscape, RSMEDP works with market players (such as national agencies, business associations and consultancies) to enhance their service portfolios and capacities to enable a systemic improvement in the quality of business advisory services available for rural SMEs, and forge sustainable linkages between these actors and SMEs.

RSMEDP designs and implements its grant and technical assistance measures towards the achievement of two key outcomes:

1. Rural SMEs sustainably grow through better access to finance. At least 1'800 rural SMEs will take up business support services and take up 1,275 loans and grants, with 35% being taken up by women and ethnic minorities.
2. Market players have improved capacities to respond to the needs of rural SMEs for access to finance. At least 10 agencies will provide sustainable, including fee-based, services to rural SMEs resulting in a total of CHF 5.7 million net additional volume of loan/leasing/grants approved for them.

Additional information about the project can be found on the official website of the Federal Department of Foreign Affairs of Switzerland¹. Other materials, including project reports and documents, are available online through further sources.

RSMEDP's Target Groups

Direct Beneficiaries: At least 10 market players providing business advisory services to rural SMEs (i. e. national agencies, business associations and consultancies), to enhance their capacities for increasing the effectiveness of their services and thus facilitating SMEs' access to finance.

End Beneficiaries: women and men in rural areas of Georgia, who are SME owners or individual entrepreneurs. Enhanced access to finance will allow rural SMEs to upscale and diversify their business operations, ultimately stimulating job creation, while improved financial management skills will help improve and maintain profitability.

Scope of Evaluation

The evaluation will be implemented during the period of August 15 – October 5, 2024, with a total of 20 consultancy days for an international expert and 25 consultancy days for national expert(s). The assignment will include travel to the regions of Georgia.

The focus of the evaluation is to assess the structural impact of RSMEDP on target groups by analyzing the following key questions:

- Achievement of key results/outcomes against RSMEDP's Logical Framework. Identifying areas in which the project had the greatest and the least achievements, indicating the reasons/factors for them. Outlining constraining factors and the ways that the project management address them.
- Enhancements in the services and operations of Direct Beneficiaries, including whether the nature of these enhancements is systemic.
- Improvements in the operations of End Beneficiaries, including the nature of these improvements and their potential for sustainability.
- Improvements and/or behavioral changes in Direct and End Beneficiaries in relation to cooperation with each other and with third parties.
- The extent to which key market actors (including but not limited to Direct Beneficiaries) were consulted and involved in the architecture of RSMEDP's interventions.
- Level of Private Sector Engagement, such as partnerships with private sector actors to leverage their capabilities for development objectives.

¹ https://www.fdfa.admin.ch/deza/en/home/countries/south-caucasus.olddesign.par2_projectfilter_page2.html/content/dezaprojects/SDC/en/2018/7F09463/phase1?oldPagePath=/content/deza/en/home/laender/suedkaukasus.html

- Formulating lessons learned and recommendations for RSMEDP.
- Analysis of the intervention logic (or Theory of Change):
 - In and of itself.
 - In relation to the achieved results of RSMEDP.
 - In terms of validity for the coming years.

In addition to these key questions, the Consultant will strive to ensure that the project evaluation will be guided by the **OECD/DAC Criteria**²: relevance, coherence, effectiveness, efficiency, impact and sustainability. The Consultant, in consultation with the SCO, will further refine and prioritize the following questions, structured according to the OECD/DAC Criteria:

Relevance	<ul style="list-style-type: none"> - To what extent the interventions responded to the needs and priorities of the government of Georgia (including Direct Beneficiary governmental agencies), at the national and local level? - To what extent is the intervention responding to the needs and priorities of the End Beneficiaries (rural SME owners or individual entrepreneurs) and Direct Beneficiaries (BSS providers, excluding governmental agencies)?
Coherence	<ul style="list-style-type: none"> - To what extent was RSMEDP aligned with other related initiatives funded by the Swiss Agency for Development and Cooperation, as well as other programmatic partners identified by the project? - To what extent has the project aligned itself with other existing rural SME support measures to achieve synergy and multiplier effect?
Effectiveness	<ul style="list-style-type: none"> - To what extent the implementation of the Project resulted in achieving the Outcomes of the project and the associated outputs³? - To what extent have the chosen strategies related to capacity building been effective? - To what extent did the market actors become responsive to the project initiatives? Did the project achieve institutionalization of the systemic changes?
Efficiency	<ul style="list-style-type: none"> - What have been the monetary and qualitative benefits generated by the project? - Preliminary structure of the cost-benefit analysis - Has the project applied cost-efficient and cost-effective ways for achieving the results?

² OECD/DAC Network on Development Evaluation: [Better Criteria for Better Evaluation. Revised Evaluation Criteria Definitions and Principles for Use](#) (2019).

³ Output indicators (as well as other relevant materials) will be shared with the Consultant

Impact	<ul style="list-style-type: none"> - What are the intended and unintended effects of the program, including the effects on the beneficiaries and others? - Does the project have a proper system in place for measuring Outcomes and Impact with high level of credibility?
Sustainability	<ul style="list-style-type: none"> - To what degree are systemic the changes introduced by RSMEDP among direct beneficiaries? - To what extent are the improvements introduced by RSMEDP activities among end beneficiaries sustainable without continued support from the donor-funded initiatives? - To what extent are the RSMEDP initiatives replicable by other actors (including comparable actors)?
Transversal themes	<ul style="list-style-type: none"> - Gender: Did the project take into account existing inequalities between men and women, their causes and factors of influence? Have strategies been adopted in order to reduce these inequalities? How did the project take into account the specific needs and strategic interests of men and women? - LNOB: To what extent did the project take measures to include vulnerable beneficiaries? - Governance: to what extent did the project facilitate central and local governments' responsiveness to the needs of rural women and ethnic minorities in terms of providing enabling environment for their economic activities? - Environment: to what extent were the target groups strengthened to adapt to the changing environment and/or to improve their environmental practices? - Did the project adapt adequately to COVID-19 pandemic regulations and/or contribute to the resilience of its target groups towards such external shocks?

4. Methodology and Steering

Methodological Approach

The final evaluation will include both secondary and primary research, involving a desk review of the project materials, interviews with project team, partners and other relevant stakeholders. The Consultant will conduct field missions to the regions of Georgia for face-to-face meetings and interviews with Direct Beneficiaries and End Beneficiaries. The Consultant is expected to conduct an analysis of the results as per the intervention logic (log-frame) and assess the extent to which objectives have been achieved, in accordance with the Scope of Evaluation as described above.

Roles and Responsibilities

The evaluation will be carried out by the Consultant. The Consultant's team must be comprised of one international expert and at least one national expert. The Consultant may nominate two or more national experts, however this shall not result in an increase the total amount of the 25 consultancy days allocated to the national expert(s) with this ToR. The Consultant must also be mindful of avoiding excessive fragmentation of duties and responsibilities among the team, should too many experts be involved.

The international expert shall be, for all intents and purposes, the team leader of the Consultant's team and will report to the SCO.

RSMEDP will provide general logistical support for consultants for arranging meetings with relevant stakeholders, however, the Consultant is responsible for any related costs related to travel and lodging, and are considered in the project budget.

Implementation

The following table provides a timeline and distribution of workload. This plan has been developed in agreement with the Consultant.

#	Activity	Deliverable	Timeframe	Deadline	Indicative Distribution of Consultancy Days	
					International Expert	National Expert(s)
1	Kick-off and review of project documents	Finalized Methodology for Assignment Implementation, approved by SCO	Aug 26 – Sep 4	Sep 4	3	3
2	Field mission with data collection, interviews and meetings Data analysis and preparation of the draft evaluation report	Draft Report	Sep 5 – Oct 4	Oct 4	13	18
3	Finalization of the evaluation report	Final Report (based on SCO feedback)	Oct 5 – Oct 14	Oct 14	4	4
4	Presentation	Presentation (PPT format)	Oct 15 – Oct 21	Oct 21		
Total					20	25

5. Deliverables

The following deliverables are expected to be submitted by the Consultant:

1. Finalized Methodology for Assignment Implementation, approved by SCO
2. Draft Report
3. Final Report (based on SCO feedback on the Draft Final Report) and Presentation (PPT format)

Deliverable 1 shall contain a methodology document providing a brief overview of the project materials received and analysed, as well as the Consultant's plan for collecting primary information such as lists and profiles of stakeholders, agenda (including regional visit plans), interview questions.

The Report (Deliverable 2/Draft and Deliverable 3/Final) shall encompass all of the topics described in previous sections, including the SDC's assessment grid of the DAC Criteria (tool 7), completed by the Consultant, and the economic analysis of the results.

- Agendas, PowerPoint decks, lists of interviewees and their brief profiles⁴, minutes/summary documents of workshops.
- Photo documentation from field visits.

The reporting structure for deliverables 2 and 3 is elaborated in **Section 7. Reporting**.

6. Reference Documents

After signing the contract SDC will share the following documents with the Consultant:

A selection of documentation to share with the Consultant:

- *Project document, project factsheets, progress reports and other relevant documentation pertaining to the project*
- *The Swiss Cooperation Programme.*
- *Relevant SDC guidance documents.*

⁴ In case of Direct and End Beneficiaries: Name, Contact Information, Description of Activities, Products/Service lines, Type of Support Received.

7. Reporting

Draft evaluation report	Should include the evaluation findings, conclusions and recommendations. It is also essential for the SDC to give feedback to the Consultant. Project stakeholders should comment on the draft report, focusing on completeness, language, structure, comprehensibility and any factual inaccuracies. The Consultant should finalize the report given these comments.
Final Evaluation Report	<p>Should be in English, logically structured, contain evidence-based findings, conclusions, lessons and recommendations and their correlations. All information that is not relevant to the overall analysis belongs in an annex. The report should respond in detail to the evaluation questions and key focus areas. The evaluation report should not exceed 25 pages, including an executive summary (2-3 pages), but excluding the annexes. The report should contain clear references to important information/data available in the annexes</p> <p><u>Proposed structure of the evaluation report:</u></p> <p>Cover page Table of contents Acronyms and abbreviations Acknowledgments</p> <ul style="list-style-type: none"> • Executive summary • Introduction • Description of the project • Findings, incl. results • Conclusions • Recommendations and lessons learnt <p>Annexes (compulsory)</p> <ul style="list-style-type: none"> • Terms of reference • Filled out Assessment Grid • Complete list of stakeholders and others consulted and interviewed • Detailed description of the review process, including data sources and possible methodological limitations • Analysis of the intervention logic (or ToC): the extent to which objectives have been achieved • Other deliverables that were requested in the ToR