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INTERNATIONAL FINANCIAL CORPORATION (IFC) IN GEORGIA

Khatia Lomidze

Master of Business, David
Agmashenebeli University
E-mail: khatia.lomidze@sdasu.edu.ge
ORCID 0000-0001-9029-4476

Nino Liparteliani

Professor of David
Agmashenebeli University,
Georgia
E-mail: nliparteliani69@gmail.com
ORCID 0000-0002-1301-0238

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ABSTRACT. The modern financial corporations are universal structures due to the type of their activities. On a transnational scale, they are often represented as a combined group of banking, commercial, construction, industrial, and other financial institutions. Such financial corporations determine the ways to solve the world economic problems. The financial corporations sector includes those corporations and nonprofit organizations that finance and control financial corporations. The sector of financial corporations unites: credit organizations, investment funds, intermediary financial corporations, insurance companies, non-state pension funds. The financial corporations sector unites all corporations and quasi-corporations, which main function is to perform as a financial intermediary. The financial corporations sector includes those corporations and nonprofit organizations that finance and control financial corporations. The sector of financial corporations unites: credit organizations, investment funds, intermediary financial corporations, insurance companies, non-state pension funds.

Introduction

The modern financial corporations are universal structures due to the type of their activities. On a transnational scale, they are often represented as a combined group of banking, commercial, construction, industrial, and other financial institutions. Such financial corporations determine the ways to solve the world economic problems. The XXI century's market economic model-oriented system is characterized with the use of a great variety of financial instruments and a well-developed capital market.

Literature review

We researched and discussed the following material around the research issue: Construction of hydroelectric station in Svaneti and its impact on human rights. Georgia is one of the leading countries in the world, new research on doing business, The International Finance Corporation (IFC) helps to improve the access to high quality medical services in Georgia, The representatives of the International Finance Corporation (IFC), the Georgian Stock Exchange, CiDA, and the United Nations Women discussed the gender equality in Tbilisi, Gachechiladze N. International Finance Corporation (IFC) is making its first

investment in the Georgian leasing sector. Banks and Finances, Gamsakhurdia T. International Finance Corporation and Business Development in Georgia. Journal “Economist”, Narchemashvili N. International Finance Corporation (IFC) is strengthening its support for the Georgian private sector.

Methodological approach

The methodological basis of the article is the information posted on the official websites of international financial corporations, financial statements of the National Bank of Georgia and commercial banks, as well as. Results of own research. In addition, a questionnaire type survey was used as a quantitative research method, which was conducted through a questionnaire distributed in social space. The study obtained mainly quantitative data that were grouped and analyzed.

Conducting research and results

The IFC is an international financial institution that is the part of the structure of the World Bank. Its members include 184 countries from all over the world, which form the statutory funds of the mentioned financial corporation (\$ 2.4 billion). The IFC coordinates its activities with other structures of the World Bank, but operates as an independent organization in terms of legal and financial relations. Its headquarter is located in Washington.

The main task of the IFC is to provide the strong private sector with the investments in developed countries to reduce poverty and improve living conditions in these countries. The IFC conducts investment and consulting activities globally, and supports the investment projects that are beneficial for the economy of these countries, not only in terms of revenue, but also in terms of the social and ecological issues.

The IFC provides the solid development of countries using the following methodology:

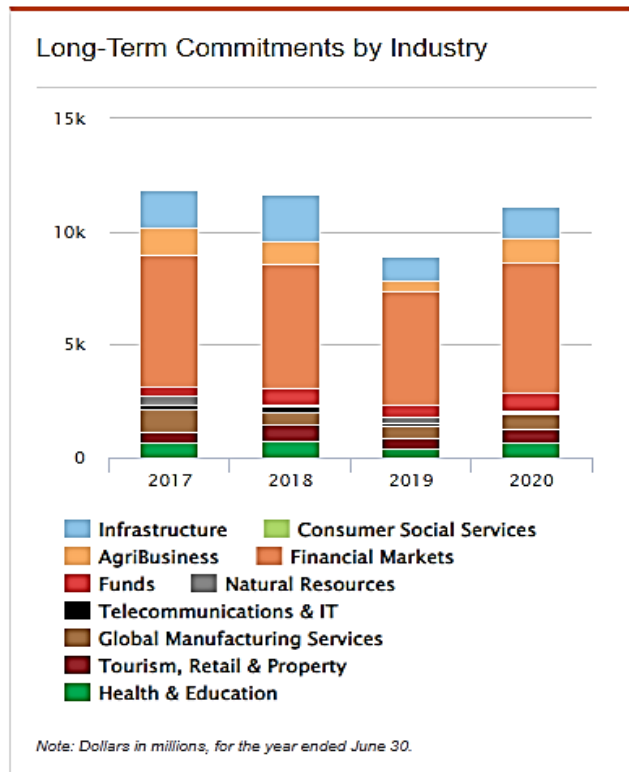
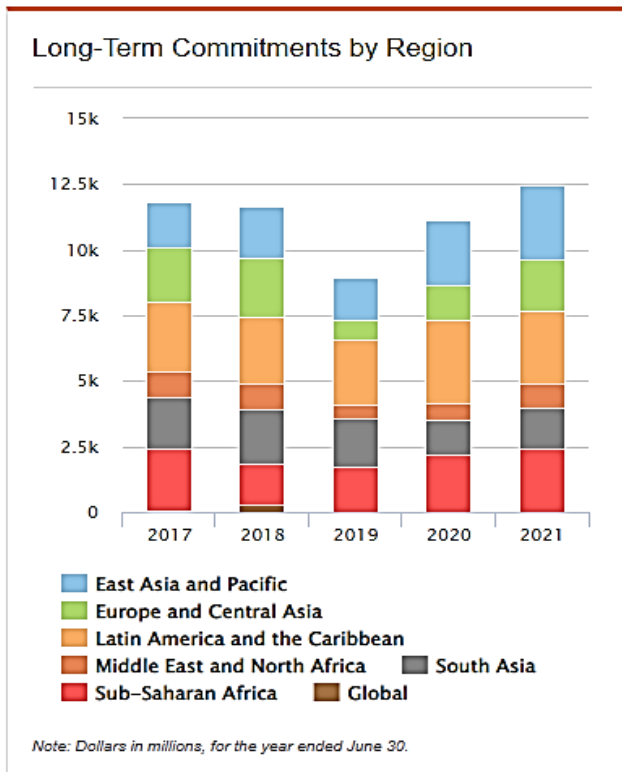
- Financing the investment projects of private sector in the developed countries.
- Assisting the private companies with finding the financial resources and sale markets in the developed countries.
- Providing the private sector with the consulting and technical assistance in the developing countries.

The IFC was formed after the World War II, when the economies of developed countries were still at a very low level, with an acute shortage of human resources and underdeveloped infrastructure. The private sector inconclusively demanded the financial support from these countries and desired to be helped. In 1951, Eugene Black, President of the World Bank, proposed to set up a special body within the World Bank to assume the responsibility for investment support in the developing countries. The proposal also considered that this financial corporation would allocate loans, participate in the share capital of local companies, send specialists and experts to evaluate the investment project, and so on. The idea was endorsed, and in 1955 the World Bank experts drafted a charter agreement for an international financial corporation.

Source: <https://disclosures.ifc.org/>

The IFC was officially launched in 1956 and was first headed by Robert L. Garner. At present, the IFC is the world's largest financial corporation, providing the largest investment support to the private sector in the developing countries through a variety of instruments:

- **Loan:** The IFC offers the financial support for profitable investment projects of the private sector. This financial support can be given to both large companies and small enterprises that are successfully operating in the local market.
- **Securities:** The IFC often considers necessary to conduct securities transactions and expresses its participation in the project through these securities.
- **Syndication:** The IFC often mobilizes the additional funding for specific investment projects from various sources, which has received the name of syndication or second category loan. The IFC often uses this method of financial support.



Georgia became a member of the IFC in 1995 and acceded to the provisions of the founding agreement of this international financial corporation, which is binding on the country. Since July 18, 2007, the country has also joined to the Convention on the Privileges and Immunities of Special Agencies in terms of corporation. By December 31, 2016, the IFC has provided approximately \$ 1.64 billion long-term funding in Georgia, of which \$ 774 million was attracted from partners. In addition, the IFC supported a financial program worth more than \$ 331 million that included the trade program financing and consulting projects that was oriented on the private sector development. As a World Bank Country Partnership Strategy for Georgia, the IFC is working to increase the access to MSMES finance, which tries to achieve the sustainable private sector-oriented trade and competitiveness.

Source: <https://data.worldbank.org/indicator/DT.NFL.NIFC.CD?locations=GE>

(The chart shows the dynamics of long-term loans issued by the IFC to the Georgian private sector from 1995 to 2020)¹

In July 2008, the IFC submitted a proposal to the Government of Georgia to establish a local office.

Since 2010, the IFC has been actively cooperating with the Georgian financial sector at the consulting level, and Georgia is involved in the European and Central Asian Resource Efficiency Program. Since 2012, Georgia has been involved in the European Central Asian Corporate Governance Program. Since 2013, Georgia has been involved in the Agribusiness Standards Advisory Program as well as the Climate Development Project with the assistance of the IFC.

On May 18, 2011, the International Finance Corporation (IFC) and the Ministry of Finance of Georgia signed a Memorandum of Understanding. The goal of the International Finance Corporation was to reduce the cost of tax compliance for Georgian micro, small and medium-sized enterprises and expand their tax base. The program was financially supported by the governments of the Netherlands, Austria and Luxembourg. On the other hand, the Ministry of Finance of Georgia was a government body responsible for developing and implementing the country's fiscal policy, which aims to ensure the effective tax administration in Georgia. The project budget was set at \$ 424,000, consisting of the following items:

Cash contribution of the International Finance Corporation (IFC)	200 000 \$
Cash participation of the Ministry of Finance of Georgia	200 000 \$
Non-monetary participation of the Ministry of Finance of Georgia	Estimated 24 000 \$

“Back in early 2014, the Partnership Fund signed an agreement with the World Bank Affiliate International Finance Corporation (IFC) to consult on the development of the Nenskra hydroelectric station project structure, contract and financial documentation, negotiation process with investors, evaluation of the investor's proposal included the preparation of the legal, commercial and financial structure of the transaction.”²

¹private nonguaranteed Is an unsecured long-term loan placed in the private sector by an international financial corporation.

²https://socialjustice.org.ge/uploads/products/pdf/%E1%83%B0%E1%83%94%E1%83%A1%E1%83%94%E1%83%91%E1%83%98%E1%83%A1%E1%83%9B%E1%83%A8%E1%83%94%E1%83%9C%E1%83%94%E1%83%91%E1%83%9A%E1%83%9D%E1%83%91%E1%83%90%E1%83%A1%E1%83%95%E1%83%90%E1%83%9C%E1%83%94%E1%83%97%E1%83%A8%E1%83%98_1568016353.pdf

Construction of hydroelectric station in Svaneti and its impact on human rights

In 2015, the IFC provided a \$ 90 million long-term loan to the Bank of Georgia, one of the largest commercial banks, to improve access to financial resources in the country, which would increase Georgia's economic diversification. \$ 20 million was a 10-year subordinated loan attracted from the European Fund, which was intended to use banking services and improve the micro, small and medium enterprises in Georgia. The Bank of Georgia and the IFC have long been partners in the region. This assistance enabled the Bank to implement its most important strategic direction - to support the industrial sector in Georgia. By 2015, the IFC had supported 51 important projects, with \$ 280 million invested in financing the trade sector. In addition, there were a number of consulting projects.

In 2015, the IFC provided a \$ 2 million loan to Kvareli Nursery. With this, the corporation expressed its support for the plan, which envisaged a significant increase in milk production in Georgia. The project contributed to the development of agribusiness, which had the great importance in terms of economic growth, employment incentives and poverty reduction in Georgia. The IFC loan helped them to purchase the additional equipment, which tripled their milk production capacity. As a result, Kvareli Nursery became the largest natural milk producer in Georgia for that period.

The International Finance Corporation (IFC) provided a \$ 23 million loan in November, 2015 to *m²*'s subsidiary Real Estate, creating an environmentally friendly living space in the Georgian capital for middle-income citizens. The project created the additional jobs and stimulated the economic growth. The elaboration of the project was conditioned by the fact that recent development of Tbilisi has not created the ecologically clean districts. \$ 11.5 million of this loan was raised from the Green for Growth Fund in Southern Europe to build 1,800 apartments.

In relation to the IFC, "Georgia has increased the reliability of its electricity supply by imposing fines on suppliers for the deterioration of the System Average Interruption Duration Index (SAIDI) and the System Average Interruption Frequency Index (SAIFI) compared to the previous year. Land administration has been improved by mapping the privately-owned plots in Tbilisi. Georgia has strengthened the protection of small investors by increasing the rights and role of shareholders in key corporate decisions and by clearly defining ownership and control structures. The improvement of the electronic processing system has made it possible to submit export and import documents faster."³

In 2016, the International Finance Corporation (IFC) actively cooperated with Bank Republic, a subsidiary of the Société Générale Group, one of the largest commercial banks in Georgia, in terms of business incentives, and offered a \$ 30 million loan to finance the small and medium-sized enterprises in Georgia. It is a long-term financing that offers small and medium-sized businesses a wide range of high quality banking services, for international financial corporation. This relationship was motivated by the Global Induction of Competitiveness of the World Economic Forum 2014-2015, which showed that the main impediment to doing business in Georgia was the lack of financial resources and credit resources had the great importance for small and medium-sized enterprises; this direction has a high priority.

In 2016, the International Finance Corporation (IFC) actively cooperated with JSC Medical Corporation Evex and provided it with a loan of \$ 25 million. The assistance helped the company to fund a medical services development program and introduce new services to existing clinics. Evex Corporation manages 35 hospitals, 9 outpatient clinics and 28 express outpatient clinics in Georgia, which has 25% of the total number of beds in the country. The company is one of the largest employers in the

³ <https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=24695>

Georgia is one of the leading countries in the world, new research on doing business

country, employing about 10,000 people. Evex Corporation is wholly owned by the Georgian Healthcare Group, a premium listing company in London.⁴

In 2016, the International Finance Corporation (IFC) cooperated with Georgia's the leading investment group, Bijou, to invest \$ 25 million in Eurobonds. In the international capital markets, these bonds have the longest maturities among the securities issued by the Georgian private companies, they are the first corporate Eurobonds that will enter the CEMBI index.⁵

In 2018, the International Finance Corporation (IFC) hosted the international initiative "Ring the Bell for Gender Equality" with the organization of the Georgian Stock Exchange and other partners. Its purpose was to emphasize the importance of gender equality for economic development and growth. According to international studies, the world's gross domestic product could increase with about \$ 5.3 trillion by 2025 if gender inequality in economic activity is reduced with at least 25%.⁶

In May 2018, the World Bank Group approved a cooperation strategy with Georgia, which aimed at the sustainable development and the living standards raising in the country that was in full compliance with the government's vision for the development of the country. The program implementation is ensured by the World Bank institutions, including the International Finance Corporation IFC, which continues to support the financial sector, the sustainable development of clean energy, job creation, development of export-oriented sectors, and to explore the new opportunities in other sectors of the economy, urban and transport infrastructure.

The International Finance Corporation (IFC) was the first international financial corporation that in 2000 made a decision to become a shareholder in TBC Bank, as its main goal was to support the development of the financial sector in Georgia and to provide the access to finance for businesses. In 2020, the International Finance Corporation (IFC) started the cooperation with the Bank of Georgia Group and signed a 5-year 100 million GEL loan agreement. The investment was supported by the Women in Entrepreneurship Opportunity program, a global initiative of IFC and the Goldman Sachs Foundation, which facilitated women entrepreneurs' access to the capital.

Conclusion

The 21st century market economy-oriented system is characterized with a wide variety of financial instruments and a well-developed capital market. The financial corporations sector includes all corporations and quasi-corporations, whose main function is to act as a financial intermediary. The financial corporations sector includes those corporations and nonprofit organizations that finance and control financial corporations. The sector of financial corporations includes: credit organizations, investment funds, intermediary financial corporations, insurance companies, non-state pension funds, et. The modern financial corporations are universal structures with type of their activities. On a trans-

⁴ <https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=15485>

The International Finance Corporation (IFC) helps to improve the access to high quality medical services in Georgia

⁵ The CEMBI Index is an international standard that assesses US \$-denominated corporate bonds issued by companies in developing countries

⁶ <https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=18297>

The representatives of the International Finance Corporation (IFC), the Georgian Stock Exchange, CiDA, and the United Nations Women discussed the gender equality in Tbilisi

national scale, they are often represented as a combined group of banking, commercial, construction, industrial, and other financial institutions. Such financial corporations determine the ways to solve the world economic problems.

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საერთაშორისო ფინანსური კორპორაცია IFC-ის საქმიანობა საქართველოში

ხატია ლომიძე

საქართველოს დავით

აღმაშენებლის უნივერსიტეტის

ბიზნესისა და ტექნოლოგიების

სკოლის მაგისტრანტი

თბილისი, საქართველო

E-mail: khatia.lomidze@sdsu.edu.ge

ORCID 0000-0001-9029-4476

ნინო ლიპარტელიანი

საქართველოს დავით

აღმაშენებლის უნივერსიტეტი

თბილისი, საქართველო

E-mail: nliparteliani69@gmail.com

ORCID 0000-0002-1301-0238

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აბსტრაქტი. თანამედროვე ფინანსური კორპორაციები თავისი საქმიანობის ხასიათით წარმოადგენს უნივერსალურ სტრუქტურებს. ტრანსნაციონალური მასშტაბებით, რომლებიც ხშირად წარმოგიდგებიან საბანკო, სავაჭრო, სამშენებლო, სამრეწველო და სხვა საფინანსო ინსტიტუტების გაერთიანებულ ჯგუფად. სწორედ ასეთი ფინანსური კორპორაციები განსაზღვრავენ მსოფლიო ეკონომიკური პრობლემების გადაჭრის გზებს. ფინანსური კორპორაციების სექტორში შედიან ის კორპორაციები და არაკომერციული ორგანიზაციები, რომლებიც აფინანსებენ და აკონტროლებენ ფინანსურ კორპორაციებს. ფინანსური კორპორაციების სექტორი თავის თავში აერთიანებს: საკრედიტო ორგანიზაციებს, საინვესტიციო ფონდებს, შუამავალ საფინანსო კორპორაციებს, სადაზღვევო კომპანიებს, არასახელმწიფო საპენსიო ფონდებს და სხვა.

თანამედროვე ფინანსური კორპორაციები თავისი საქმიანობის ხასიათით წარმოადგენს უნივერსალურ სტრუქტურებს. ტრანსნაციონალური მასშტაბებით, რომლებიც ხშირად წარმოგიდგებიან საბანკო, სავაჭრო, სამშენებლო, სამრეწველო და სხვა საფინანსო ინსტიტუტების გაერთიანებულ ჯგუფად. სწორედ ასეთი ფინანსური კორპორაციები განსაზღვრავენ მსოფლიო ეკონომიკური პრობლემების გადაჭრის გზებს. XXI საუკუნის საბაზრო ეკონომიკურ მოდელზე ორიენტირებული სისტემა ხასიათდება ფინანსური ინსტრუმენტების გამოყენების დიდი მრავალფეროვნებით და განვითარებული კაპიტალის ბაზრით.

საკვანძო სიტყვები: საინვესტიციო ფონდი, სადაზღვევო კომპანია, ფასიანი ქაღალდი, სინდიკაცია, დაფინანსება.

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