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Comments of the Independent Office of Evaluation of IFAD on the Country Strategic Opportunities Programme for the Republic of Georgia

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For: Review

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I. General comments

1. In 2017, the Independent Office of Evaluation of IFAD (IOE) conducted a country strategy and programme evaluation (CSPE) in Georgia covering the period from 2004 to 2017. Its objectives were to: assess the results and performance of the previous country strategic opportunities programme (COSOP), which had been approved in 2004; and generate findings and recommendations for the new COSOP. The agreement at completion point for the CSPE was attached as an appendix to the new COSOP for 2019-2024.
2. This second COSOP for Georgia builds on lessons and results from previous programme implementation in the country. The COSOP clarifies IFAD's strategic focus on areas where it has a comparative advantage, which include: (i) targeting productive poor people in remote areas; and (ii) sustainable management of natural resources in the context of climate change.
3. IOE acknowledges that the COSOP builds on the CSPE findings and two of its three recommendations. These are to: (i) establish a strategic focus on rural finance and rural institution-building in line with government priorities; and (ii) radically revise the targeting approach to adopt an explicit strategy targeting rural people at risk of poverty and social exclusion (in close cooperation with other development partners). The CSPE recommendation to establish some form of country presence or limit IFAD's engagement to cofinancing operations led by other development partners was not adopted in the agreement at completion point. The issues underpinning this recommendation have therefore not been addressed, as explained below.

II. Specific comments

4. COSOP as a strategic tool. The CSPE concluded that although IFAD has tried to keep up with the pace of change in the country, it has often been constrained by the limited flexibility of its planning and strategic instruments, and a lack of country presence. The complexity and speed of economic and policy changes in Georgia are likely to be accelerated now that the country has gained European Union association status. It would be useful to clarify how this COSOP will be used in an adaptive manner to support an evolving government agenda. The section on policy engagement (paragraph 37) appears static in this respect.
5. Partnerships. The CSPE concluded that without any country presence, it was difficult for IFAD to remain engaged with the Government in its evolving policy agenda, especially when the Fund introduced new and innovative features that required intensive dialogue and consistent follow-up. Even within the lending portfolio, the two operations cofinanced with the World Bank performed significantly better than those led solely by IFAD. Therefore, the CSPE recommended that IFAD should strengthen its country presence or delegate implementation support to development partners with a presence in the country. This would provide IFAD with space to focus on policy engagement in areas where it has a comparative advantage. The agreement at completion point argues that performance issues will be addressed effectively within the new decentralized set-up.
6. Dairy sector. Under the new COSOP, IFAD will support a project on inclusive smallholder dairy value chains. It is difficult to understand what comparative advantage IFAD has in this sector when it has not previously been engaged in it in Georgia. More importantly, there are at least four other ongoing initiatives within

the dairy sector (see key file 3: complementary donor initiatives), including a US\$5 million grant from the European Union. Other complementary initiatives are supported by Austria, Sweden and Switzerland. The complementarity of these initiatives as well as IFAD's comparative advantage in supporting a stand-alone programme in the dairy sector should have been explained in the COSOP.

7. Rural finance. The CSPE concluded that despite the size of its rural finance portfolio, IFAD had no coherent strategy for rural finance in Georgia. Instead it supported various approaches in a haphazard manner. The CSPE encouraged IFAD to learn from its experiences in this sector, which had seen significant successes and failures. To this end, the CSPE team prepared a working paper that took stock of the Fund's successful partnerships with microfinance institutions. In addition, the impact evaluation of the Agricultural Support Project covered recent experiences with agricultural leasing that were less successful. IFAD has also provided a number of grants supporting innovations within the financial sector. The COSOP does have a focus on rural finance, but could have benefited from the important lessons learned in this sector.
8. Rural institutions. The COSOP provides no answer regarding how the institutional gap within the agricultural sector – a major bottleneck limiting productivity and market access – will be addressed. Furthermore, it seems to question the potential role cooperatives as a form of farmers' organization since they are associated with the past. While there are various forms of cooperation among farmers that build on voluntary membership and individual land ownership, they should not be confused with the former production units. The COSOP could have introduced other forms of farmers' associations that IFAD has successfully supported elsewhere. The observation that farmers' associations are not wanted in Georgia seems at odds with the various initiatives in this area supported by other development partners.

III. Final remarks

9. IOE concludes that the new COSOP is well written and well presented. It clearly describes the upcoming focus of IFAD's programme in Georgia. However, some important concerns and performance issues raised by the CSPE remain unresolved.