

Document:	<u>EB 2008/94/R.21</u>
Agenda:	<u>11(e)(ii)</u>
Date:	<u>6 August 2008</u>
Distribution:	<u>Public</u>
Original:	<u>English</u>

E



Enabling poor rural people
to overcome poverty

Georgia

President's memorandum

Rural Development Programme for Mountainous and Highland Areas

Amendment to the loan agreement and reallocation of loan proceeds

Executive Board — Ninety-fourth Session
Rome, 10-11 September 2008

For: **Approval**

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session:

Henning Pedersen

Country Programme Manager
telephone: +39 06 5459 2635
e-mail: h.pedersen@ifad.org

Queries regarding the dispatch of documentation for this session should be addressed to:

Deirdre McGrenra

Governing Bodies Officer
telephone: +39 06 5459 2374
e-mail: d.mcgrenra@ifad.org

Recommendation for approval

The Executive Board is invited to approve the recommendations for the proposed amendment to the loan agreement and reallocation of loan proceeds for the Rural Development Programme for Mountainous and Highland Areas in Georgia as contained in paragraph 7.

President's memorandum

Rural Development Programme for Mountainous and Highland Areas (Loan No. 543-GE)

Amendment to the loan agreement and reallocation of loan proceeds

A. Introduction and Background

1. Your approval is sought to make amendments to the loan agreement for the Rural Development Programme for Mountainous and Highland Areas in Georgia to reallocate to the social infrastructure rehabilitation component loan resources originally foreseen for other purposes (such as establishment of a development initiatives fund, a risk fund and an equity grant). The amendment must be approved by the Executive Board since it changes the characteristics of the programme as originally approved.
2. The SDR 6.1 million loan was approved by the Executive Board in September 2000. The loan agreement was signed in October 2000 and the programme was declared effective in September 2001. At appraisal, the total programme cost was estimated at US\$9.23 million, comprising a loan amount of about US\$8.00 million from IFAD, US\$0.65 million from the Government of Georgia and US\$0.50 million from the beneficiaries.
3. The proposed amendment to the loan agreement is based on the conclusions of an IFAD review mission that took place in the spring of 2008 and on a formal request for amendment submitted to IFAD by the Government of Georgia.

B. Justification for the amendment request

4. Currently the programme has an undisbursed loan amount of SDR 3.69 million (approximately US\$6.03 million at current exchange rates), equivalent to about 60 per cent of the approved loan amount. This low rate of disbursement is primarily due to political circumstances in Georgia during the last three years that have made programme implementation very difficult and to an overambitious design that did not correspond to the actual implementation capacity. As a result, implementation modalities for a number of components were not developed. The political situation has now improved and the Government is committed to providing quick and much-needed benefits to the programme's target groups. All parties (IFAD, the cooperating institution and the Government) have agreed to focus on small infrastructure development, which will provide a rapid and important flow of benefits consistent with programme objectives, and will complement other ongoing IFAD-financed programmes that support the provision of rural financial services and focus on employment generation.
5. Infrastructure investments will consist mainly of the rehabilitation/construction of roads, bridges and irrigation and drinking water facilities. These investments will provide immediate benefits to rural poor communities and will also address IFAD's strategic priorities in the region – strengthening the capacity of rural poor people and improving their equitable access to productive natural resources, financial assets and markets.
6. The amendment will enable the programme to cater for the design, construction and supervision of about 30 microprojects over an extended 18-month period. Ten of these projects have already been identified, and the Fund has ensured that the implementation capacity is in place to carry out this work. It is estimated that the refocused infrastructure programme will benefit about 9,500 households. This figure

compares favourably with appraisal projections, which estimated around 10,640 beneficiary households. Thus, the refocus on infrastructure development will bring rapid and significant benefits to a substantial number of poor people in the target area and will ensure that programme objectives are met.

C. Recommendation

7. For the reasons indicated above, the request of the Government of Georgia to amend the loan agreement is considered justified and it is recommended that the Executive Board approve the reallocation of funds from other categories under the programme to small-scale infrastructure.

