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Investing in rural people

Georgia

Country strategy and programme evaluation

Note to Evaluation Committee members

Focal points:

Technical questions:

Oscar A. Garcia
Director
Independent Office of Evaluation of IFAD
Tel.: +39 06 5459 2274
e-mail: o.garcia@ifad.org

Johanna Pennarz
Senior Evaluation Officer
Tel.: +39 06 5459 2558
e-mail: j.pennarz@ifad.org

Dispatch of documentation:

William Skinner
Chief
Governing Bodies
Tel: +39 06 5459 2974
e-mail: gb@ifad.org

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Executive summary

Background

1. This is the first country strategy and programme evaluation (CSPE) conducted by the Independent Office of Evaluation (IOE) in Georgia, as approved by the 116th Session of the IFAD Executive Board. The main purpose of this evaluation is to assess the results and performance of the country strategy and programme and to generate findings and recommendations for the upcoming country strategic opportunities programme (COSOP), to be prepared in 2018. The CSPE identifies the factors that contributed to the achievement of strategic objectives and results, including the management of project activities by IFAD and the Government.
2. IFAD's financing of operations in Georgia is in the bottom half of borrowers in IFAD's overall portfolio (79th of 123 countries). In IFAD's Near East, North Africa and Europe Division (NEN), Georgia represents 1.8 per cent of the division's portfolio (17th largest of 26 countries). An important aspect for this CSPE is therefore to review IFAD's strategic positioning and its comparative advantage in this upper-middle-income country, where the Fund has a small portfolio and no country presence.
3. The CSPE assesses the results and performance of the activities conducted since December 2004, when the first COSOP was presented to the Executive Board. The CSPE covers the full range of IFAD support to Georgia, including lending and non-lending activities (knowledge management, partnership-building, and country-level policy engagement), including grants, as well as country programme and COSOP management processes.
4. The portfolio reviewed by this CSPE has a number of characteristics that differ from those evaluated by most CSPEs. It is a relatively small portfolio, with only one ongoing project, and the operations covered have all been previously evaluated by IOE. The value added by this CSPE will, therefore, be to review the overarching strategic issues that will be important for IFAD to address in the new COSOP, as well as lessons on selected crosscutting thematic issues that should inform the design of new projects and activities.

Main findings

5. **Context.** IFAD's engagement was within a challenging context. First, Georgia was a newly independent country and a transition economy at the time when IFAD started its engagement, with a weak institutional and regulatory framework that posed significant challenges for effective and sustainable development support. Second, the following period saw a number of crises, marked shifts in political direction and, later on, an increasing focus on agricultural development that called for constant adaptation and change of support strategies. Third, after a period of strong economic growth, Georgia has recently started implementing the European Union Association Agreement that requires all support to be attuned to the specific challenges of this political agenda, also in the agricultural sector. These challenges have stretched IFAD beyond its comfort zone and, although it has made some valuable contributions over the period, the outcomes were overall mixed.
6. **Government** priorities following independence were primarily focused on governance reform and economic growth. For the agricultural sector the adoption of the 2012 strategy (*Strategy for Agricultural Development in Georgia 2012-2022*) was an important landmark and since then Government commitment and the budget allocated to agriculture increased significantly. There were also significant changes in the management of donor-funded projects in the Ministry of Agriculture (MoA), which affected the performance of the loan portfolio. Quick successions of coordination structures also impacted nearly all projects at that time. The centralization of decision-making in MoA improved project efficiency, but decision-making was at times slow. In spite of these challenges and the frequent changes,

Government fulfilled its fiduciary responsibilities throughout the period. Counterpart funding was overall positive and fiduciary oversight was strong in the centralized project office. Monitoring and evaluation (M&E) was weak, but improved significantly over the period.

7. **IFAD's engagement in the country underwent a steep learning curve over the period.** Despite the obvious weaknesses in the governance structures and the institutional set-up for project implementation during the first part of the review period, IFAD took a rather hands-off approach, which lacked sufficient oversight and experience in the country at that time. After some major crises in the portfolio, including a project suspension, IFAD took on direct supervision of projects in 2009. The more direct engagement during the second part of the review period benefitted portfolio quality and oversight, but above all it led to improved dialogue with Government and other development partners. However, the engagement was usually focused on the immediate needs of project implementation. Although it tried to accommodate Government's requests for adjustments of project designs to the extent possible, IFAD was slow to adapt its overall strategy to the constant changes and rapidly evolving country context.
8. **Relevance of the portfolio was overall good, with a strong poverty focus in the early parts of the review period and increasing policy alignment in the later part of the period.** Activities such as the support to the food safety infrastructure, land privatization and rehabilitation of irrigation channels were prioritized in Government strategies, in particular in the 2015 Agricultural Development Strategy, which is the most comprehensive and detailed strategy on agricultural development to date. Aspects promoted by IFAD earlier, such as food safety, water user associations and agricultural cooperatives, may have been less aligned with Government priorities at that time, but later received Government's due attention. Other aspects, such as the focus on farmers' organizations and microfinance, were not emphasized at all, but are still needed. Strategic priorities were well chosen and IFAD's support focussed on a number of important issues. Relevance on the ground could have been better if participatory approaches had been implemented. Strategies to target poor farmers and women were either missing or not implemented, which was a major gap in the portfolio. Project performance was often disappointing because of weak project designs, with unrealistic objectives and implementation approaches, and poorly linked project components, although these were often corrected through comprehensive redesign at a later stage, which also helped realignment with Government priorities.
9. **Effectiveness did not show much improvement over the review period, due to limited outreach and insufficient links between projects and insufficient links between project components.** Early on in the review period, community-based extension achieved positive results through broad-based participation in activities. Transport infrastructure helped improve access to services and local markets for mountain and highland communities. Microfinance institutions (MFIs) were also highly effective at bringing financial services to rural areas and state organizations improved service delivery for land registration and food safety. Yet later projects did not achieve similar levels of effectiveness. Value chain technologies and agricultural leasing have reached far fewer people than expected and approaches to establish local organizations during the initial period were difficult to implement and were later discarded. Effective irrigation schemes are also yet to be seen. On the other hand, the grants programme has been very successful and made a significant contribution to the emerging institutional and legal framework in the country.
10. **Efficiency was less than satisfactory, yet there has been some improvement.** The portfolio was noted for having low management costs, even if these currently reflect a reliance on sub-contracted partners. Infrastructure costs were also low in comparison to local and international standards, and the

infrastructure was of generally acceptable quality. Disbursement rates were acceptable throughout the period, although delays during start-up were followed by delays during implementation. Management processes and decision-making were streamlined and improved, due in part to a more stable institutional environment. Still there are some negative trends that are affecting portfolio performance, in particular the surge of disbursements towards project completion and lower than expected internal rates of return.

11. **Rural poverty impact was low**, given the amount of investment and the length of support, mainly because there was no strategy for greater outreach among the poor and because investments were insufficiently linked. Above all, notable impacts were achieved on institution building; MFIs and Government agencies have greatly benefitted from IFAD support and continue to deliver some positive impacts in the agricultural and rural sector. Access to finance through MFIs likely had the largest impact in terms of scale and on agricultural investments for beneficiaries. Agricultural production improved in some mountain communities, following the provision of physical access and extension services in the earlier Rural Development Programme for Mountainous and Highland Areas (RDPMHA). Since then, improved market linkages and value chain development was experienced only by a few communities and a small number of enterprises. The recent strategy to indirectly target the poor by funding entrepreneurial farmers and agribusinesses has not yet yielded significant poverty impacts.
12. **Sustainability had been built into the approach of projects that had a clear focus on institution building and where Government ownership was been high**, for example for land registration and food safety agencies under MoA. On the other hand, where there is no functioning institutional framework yet, for example for agricultural extension and irrigation management, prospects for sustainability appear low for the time being. In the rural finance sector, MFIs have demonstrated a high degree of resilience and some healthy growth, which makes it likely that access to rural finance will be sustained even in remoter locations. Other rural finance models introduced by IFAD (e.g. credit unions, agricultural leasing) were not sustainable.
13. **Innovation and scaling up**. IFAD has tried to introduce a number of innovations, often without sufficient analysis or knowledge of the context (e.g. credit unions, community-based extension, farmer houses, agricultural leasing). Only very few innovations were very successful (e.g. the land titling system and microfinance) and, given the overall size of investments, these successes seem moderate. The infrastructure portfolio, which absorbed the bulk of IFAD's investment, did not see any innovative approaches. Institutional innovations were also absent from the approach to technology development, which was done through conventional demonstration plots.
14. **Scaling up**. Institutional innovations introduced at the early stages of the review period (e.g. in the case of Government agencies) were later scaled up. Opportunities were missed for scaling up some successful practices and innovations in the portfolio, in particular in the rural finance sector and there were successful innovations in microfinance, which were not followed up. Instead, new models were introduced which lacked a supportive regulatory framework (in the case of leasing) or competed with other programmes supported by Government or development partners (in the case of matching grants).
15. **Gender equality and women's empowerment**. The approach to gender relied on the assumption that women had held equal social and economic positions to men since socialist times and that, hence, no specific measures to enhance women's participation and roles in IFAD-supported projects were needed. The data on outreach and benefits among women clearly show that self-targeting is not sufficient. Outreach to women was better in the earlier period through institutions

that had a presence in remote areas (e.g. credit unions and MFIs), but progress in addressing gender concerns in the lending portfolio was unsatisfactory and the results in improving women's access to productive resources (such as finance) and decision-making are disappointing in the later part of the review period. Only recently efforts are being made by the ongoing Agriculture Modernization, Market Access and Resilience Project (AMMAR) to strengthen gender concerns and to track outreach to women.

16. **Natural resource management and Climate change.** Almost all project designs incorporated environmental and natural resource management interventions, but were not always implemented, with the exception of RDPMHA which trained a larger number of farmers on natural resource management. Lessons learned from previous programming were considered in the design of AMMAR, which directly deals with soil degradation, amelioration (irrigation and drainage), water supply and infrastructure development. Climate change issues are also well mainstreamed in the design of AMMAR, which promotes climate smart agriculture and value chain development, and supports the preparation of a climate change adaptation plan for the agriculture sector.
17. **Knowledge management.** Important knowledge has been generated through the grants and loans, but there was no systematic approach to documenting and sharing those experiences. The earlier approach to regional knowledge sharing - under RDPMHA - was not continued after its suspension in 2006. The experiences and achievements in the rural finance sector, from both loans and grants, were never documented or harnessed. Besides this, there was a notable lack of systematic learning from project experiences, both from successes and failures. Earlier projects attempted some innovative approaches, but the following projects, rather than building on those experiences, introduced more new approaches. The obvious example is the rural finance sector.
18. **Partnership building has been satisfactory,** given the lack of country presence and the limited investments IFAD has in Georgia. Co-financing partnerships were important and they have added considerable value to the IFAD-supported interventions. Efforts to involve private sector and civil society organizations have been commendable, although more direct interaction would have benefitted mutual learning. Even though IFAD has gained a degree of visibility in relation to other development partners, those same partners would welcome more regular interaction and greater IFAD presence in the country. IFAD is clearly expected to play a role in thematic areas where it has a mandate and expertise, such as rural finance and grass-roots organizations. Partnerships for policy development have been strong with the World Bank in the past, but could have been better with other key players, such as the European Union (EU) and the Food and Agriculture Organization of the United Nations (FAO).
19. **Policy engagement.** IFAD had set itself an ambitious agenda during its early phase of engagement, aiming to tackle major institutional and policy gaps through interventions at local, regional and national levels. IFAD had possibly spread itself too thinly at a time where it had limited experience in the country and did not achieve all the objectives set. Nevertheless, there were some major contributions to institution building and policy processes as a result of effective partnerships with international donors, national non-governmental organizations and financial institutions in the first part of the review period. Unfortunately, these achievements were not followed up, also due to lack of Government interest, and IFAD subsequently had low visibility and leverage in the later part of the period. Opportunities were missed after the first strategy on agricultural development was adopted (2012) and other development partners began re-engaging on issues that are close to IFAD's mandate. Most importantly, IFAD did not position itself to support the Government's priority of EU access. By the time IFAD prepared the country partnership and strategy note (CPSN) (2014), the need for repositioning

itself had become clear, but explicit measures to support the implementation of the EU Association Agreement are still missing. Strong partnerships with important strategic partners, in particular FAO and the EU, would have helped IFAD to gain leverage on themes where it has established a track record in the past, e.g. rural finance and rural institution-building.

Conclusions

20. **IFADs role and strategic niche.** IFAD's strategic niche is well recognized (e.g. poor smallholder farmers, rural finance, gender), but its footprint has been limited so far and it often had difficulties keeping up with the shifts and changes. Some concepts and approaches it introduced were innovative and important, but premature given the context. It introduced some successful practices such as microfinance, which demonstrated that it is possible to reach out to marginal farmers and women. But then there was insufficient attention to studying and scaling up these good practices. In some cases other larger actors later embarked on a similar agenda, albeit on a larger scale, and IFAD was no longer involved. For example the World Bank, which went into support of water user associations, a gap insufficiently addressed in earlier IFAD operations. Similarly the EU, which is now supporting farmer associations and agricultural cooperatives. Important synergies could have been generated with other initiatives if lessons had been systematically learned and shared.
21. **Moderate achievements.** The evaluation found that, despite these challenges, the portfolio was relevant and, with some notable exceptions, well-aligned with Government priorities. IFAD has demonstrated a great degree of flexibility and readiness to adapt to changing Government directions. Yet frequent changes and adjustments in project designs have taken their toll on the portfolio and overall the results achieved were limited, primarily due to limited outreach and weak targeting. Some good results have been achieved with regard to strengthening the institutional and regulatory framework through the earlier lending operations and the grants. The grants were well-aligned with IFAD's priorities and strategies and made a substantial contribution to the achievement of the strategic objective of developing a supportive policy and institutional framework.
22. **Smallholder access to markets has been the overarching theme since IFAD began its engagement in the country,** but the approach to promote access to markets was never clearly defined or consistently pursued. In practice, it included a broad range of activities, including infrastructure, irrigation, training and demonstration plots, which were insufficiently linked and, therefore, did not generate the synergies required to achieve the intended results. Only the ongoing project has a clear theory of change underlying the range of interventions supported. For the closed projects, results were hard to ascertain in the absence of a clear intervention strategy and adequate M&E data. The broader strategy followed the Government's growth agenda, focussing on entrepreneurial farmers and small and medium enterprises. However, the trickle down of benefits to the poorer sections of the rural population did not happen as expected and poverty impact consequently remained minimal.
23. **Infrastructure absorbed the largest share of IFAD investments and created some tangible benefits.** Investments in rural infrastructure were relevant and much needed in the remote and impoverished areas, although they could have been more effective if they had been part of a wider strategy to rebuild and improve people's livelihoods. Often, infrastructure-related interventions were started late into project implementation resulting in lower impact and sustainability at project completion. The positive results of the earlier high mountains project were discarded and not followed up, which was a missed opportunity given the project's unique approach of placing the municipalities in the driving seat. All other projects used a centralized approach to planning and implementing infrastructure projects that was effective in aligning investments with central Government

priorities, but reinforced the disjointed nature of the interventions and limited the prospects for sustainability in the local context. Maintenance issues were also insufficiently addressed in irrigation infrastructure and the missing institutional arrangements at local level (e.g. cooperatives and water user associations) remain a major gap.

24. **Rural finance was the second major area of IFAD investments and included some very successful practices.** The successful introduction of microfinance through the loans and of innovative financial products through the grants (e.g. electronic remittances and mobile money) are among the highlights of the portfolio. Interventions in this area were highly relevant and innovative in the country context, but they had varying success due the gaps in the regulatory framework and limited Government support. Yet IFAD had no coherent strategy for rural finance in the country in general and to institutional capacity building in particular. The portfolio supported a range of different models that were not linked and did not follow a logical progression or evolution in the approach. Earlier successes in microfinance were insufficiently understood and followed up. Yet rural finance is an area which is at the core of IFAD's strategy and where there is a huge demand and appetite for support in the future.
25. **Weak poverty and gender targeting.** In this transition economy, IFAD clearly had difficulties in understanding and addressing issues of inequality, which is multifaceted, multidimensional and fine-grained beyond simple geographic or socio-economic characteristics. After the initial attempts to introduce participatory and pro-poor approaches, IFAD's projects primarily relied on self-targeting mechanisms for individual benefits (loans, grants) with an explicit focus on the more entrepreneurial and better skilled farmers, usually the male household heads. When it moved closer to the Government's growth agenda and focused more on entrepreneurial farmers, it did not refine its strategy to also target the poorer segments of the rural population and in particular women-headed farming households. Without a clear targeting strategy, trickle-down effects to poorer households and women were assumed rather than ensured. For example, there was no specific strategy to monitor or ensure that the enterprises receiving financial support would then generate significant employment benefits for poor women. The actual benefits accrued through indirect targeting were, therefore, significantly below expectations.
26. **Inconsistent strategy.** IFAD was ready to adjust to evolving Government priorities, but at same time often lost sight of its own strategy and purpose in Georgia. This happened in particular between 2008 and 2014, when IFAD moved from a holistic approach to poverty reduction to a more selective approach to accommodate the Government's economic growth agenda, without a clear strategy on what it wanted to achieve in the country. Mainstreaming issues that are at the heart of IFAD's mandate (gender, participation, grass-roots organizations) all but disappeared from the loan portfolio. The move towards shorter project durations, simplified designs and a stronger focus on infrastructure, made operations easier to manage and implement, but did not lead to better results and sustainability. In particular, there has been no strategy to address the issue of weak institutions on the ground.
27. **Need for flexibility.** Although IFAD tried to keep up with the pace of change in the country, it was often constrained by the limited flexibility in its planning and strategic instruments and a lack of country presence. IFAD's strategies were slow to follow the fast-paced development and changes, and there was a significant disconnect at times. The COSOP had been in place without revision or update over a ten-year period which saw significant changes and developments. There was a long period where no strategy was in place at a time when both Government and IFAD priorities underwent some significant changes. The following CPSN was a lean document, prepared in order to respond to these changes, which it did do to some

extent. However, the CSPN insufficiently reflects Government priorities on the EU Association Agreement and the strategic opportunities and potential partnership this would offer for IFAD. A rolling approach to constantly update the country analysis and IFAD's response would have been needed to keep up with the pace of change.

28. **Limited leverage.** New approaches or concepts, although relevant for rural poverty reduction, were often introduced without sufficient understanding of the context. Consequently they met scepticism or plain rejection from Government, and were, therefore, bound for failure (e.g. credit unions and community-based extension services). Without a country presence, consistent follow up was difficult for IFAD, in particular where "sticky issues" were holding up progress. Lack of country presence also limited engagement on non-lending activities. On the other hand, where IFAD worked closely with Government and other development partners, it was able to contribute to some important changes in the policy and institutional framework (e.g. on land registration and on food safety).
29. **Partnerships were overall strong and it was through partnerships that IFAD had some successes in the country.** Co-financing partnerships delivered some good results and were highly beneficial for IFAD's visibility and positioning during the earlier part of the review period, given its lack of country presence. In the later part of the review period IFAD did not invest sufficiently in partnerships for policy engagement, and therefore lost track of policy developments and failed to establish its strategic niche, in particular with regard to the EU Association Agreement.

Recommendations

30. **Recommendation 1. Establish some form of country presence or limit IFAD's engagement to co-financing operations led by other development partners.** Without a country presence IFAD cannot maintain the required flexibility, and at the same time consistency, in its engagement with a country such as Georgia, that is changing at such a fast pace and that is becoming increasingly demanding in terms of the kind of assistance it requires. For IFAD to play to its comparative advantage and add value, it has to leverage influence through partnerships. A consistent strategy for policy engagement and knowledge management – yet to be developed – will require dedicated resources and solid expertise on the ground. If IFAD cannot establish a country presence, it should confine its engagement to co-financing operations led by other development partners. Past experience with co-financed projects has shown that IFAD can achieve good results through strong partnerships. This would enable IFAD to focus its resources on critical areas where it can add value through lending and non-lending activities.
31. **Recommendation 2. Establish a strategic focus on rural finance and rural institution building, in line with Government priorities.** Rural finance is an area where IFAD has built up a body of experience due to experimentation with different access-to-finance models. No other development partner in Georgia has similar experience and IFAD should continue to pursue this niche. Furthermore, now that Government is showing an increasing interest in grassroots institutions and the EU (through the European Neighbourhood Programme for Agriculture and Rural Development) and the World Bank are supporting them, grassroots institutions can be the conduits for the financial products supported by IFAD. In this regard, IFAD should graft on the work of others; there is no need to create parallel institutions unless absolutely necessary. It can also build on its successful relationship with MFIs. In the upcoming livestock project, MFIs should be used to target farmers and livestock cooperatives in the lower mountain regions.

32. **Recommendation 3. Radically revise the approach to targeting, to adopt an explicit strategy for targeting those at risk of poverty and social exclusion within the rural population, in close cooperation with other development partners.** IFAD has an important role to play in Georgia if it focuses clearly on the poorer parts of the rural population and in particular women and youth. For this, IFAD needs to do more to reach out to those parts of the rural population that are economically active, but at risk of poverty and social exclusion.¹ Only targeting entrepreneurial farmers and assuming that the rest will benefit indirectly will not be sufficient. IFAD has to adopt a differentiated targeting strategy that will support direct benefits for the relatively poorer parts of the population. Therefore, it is recommended that in preparation for the new country strategy, and in cooperation with like-minded partners, IFAD should conduct robust poverty and gender analysis to provide the basis for identifying and reaching out to those groups that are at risk of poverty and social exclusion, with a specific focus on women and youth. The outcome of the consultation would be to identify actionable strategies and, where possible, agree on coordinated interventions specifically targeted to rural youth and women, including single women and women-headed farming households. These strategies should inform IFAD's future project designs. Furthermore, any intervention supported by IFAD should ensure that women and youth from poorer households benefit equally. Interventions targeted at entrepreneurial farmers should ensure that entrepreneurial women are mobilized and benefit equally. Every project targeting value chains should include a commensurate set of activities that will give the private sector incentives to include smallholder farmers and also monitoring to ensure the active poor benefit.

¹ Note: this does not include those parts of the population that depend on social assistance

Agreement at Completion Point

Introduction

1. This is the first country strategy and programme evaluation (CSPE) conducted by the Independent Office of Evaluation (IOE) in Georgia, as approved by the 116th Session of the IFAD Executive Board. The main purpose of this evaluation is to assess the results and performance of the country strategy and programme and to generate findings and recommendations for the upcoming COSOP to be prepared in 2018. The CSPE identifies the factors that contributed to the achievement of strategic objectives and results, including the management of project activities by IFAD and the Government.
2. The CSPE assesses the results and performance of the activities conducted since December 2004, when the first COSOP was presented to the Executive Board. The CSPE covers the full range of IFAD support to Georgia, including lending and non-lending activities (knowledge management, partnership-building, and country-level policy engagement), including grants, as well as country programme and COSOP management processes.
3. The CSPE benefitted from other IOE evaluations that have covered Georgia. This includes the evaluations of four closed projects, including the impact evaluation of a recently closed project, as well as country studies prepared as part of the 2016 corporate level evaluation on decentralization and the thematic evaluation of rural finance (2005).
4. The CSPE main mission took place from 12 June to 12 July 2017. It included meetings with a wide range of stakeholders in Tbilisi and in project areas. Field visits to completed and ongoing IFAD-supported projects covered infrastructure, demonstration plots, microfinance institutions (MFIs), credit unions (CUs), and supply chain beneficiaries in the Autonomous Republic of Adjara, and the regions of Guria, and Samegrelo-Zemo Svaneti. The mission teams visited land registration and food safety offices, infrastructure sites, and matching grant beneficiaries in Kvemo Kartili region, and infrastructure in Mtskheta-Mtianeti region. The main mission concluded with a wrap-up meeting in Tbilisi on 11 July 2017.
5. The Agreement at Completion Point (ACP) reflects commitment of the Government of Georgia and IFAD Management of the main CSPE to adopt and implement the CSPE recommendations within specific timeframes. The implementation of the agreed actions will be tracked through the Presidents Report of the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA), which is presented to the IFAD Executive Board on an annual basis by the Fund's Management.
6. The ACP will be signed by the Government of Georgia (represented by H.E. the minister of Finance) and IFAD Management (represented by the Associate Vice President of the Programme Management Department). The signed ACP will be submitted to the Executive Board of IFAD as an annex to the new COSOP for Georgia.

7. **Recommendation 1. Establish some form of country presence *or* limit IFAD's engagement to co-financing operations led by other development partners.** Without a country presence IFAD cannot maintain the required flexibility, and at the same time consistency, in its engagement with a country such as Georgia, that is changing at such a fast pace and that is becoming increasingly demanding in terms of the kind of assistance it requires. For IFAD to play to its comparative advantage and add value, it has to leverage influence through partnerships. A consistent strategy for policy engagement and KM - yet to be developed - will require dedicated resources and solid expertise on the ground. If IFAD cannot establish a country presence, it should confine its engagement to co-financing operations led by other development partners. Past experience with co-financed projects has shown that IFAD can achieve good results through strong partnerships. This would enable IFAD to focus its resources on critical areas where it can add value through lending and non-lending activities.
8. **Agreed follow-up to recommendation 1:** The CSPE has highlighted that despite the challenges, the portfolio was relevant and, with some notable exceptions, well-aligned with Government priorities. While Management fully agrees that consistent with corporate priorities, there is a need to leverage partnerships, strengthen policy engagement and knowledge management, it does not concur with the premises of the recommendation as put forward *i.e. to establish some form of country presence *or* limit IFAD's engagement to co-financing operations led by other development partners.* Corporate level co-financing targets have been established and IFAD is also committed to country selectivity and prioritising investment opportunities for results and impact at scale. The Government and IFAD jointly prepared the Country Strategic Opportunities Programme which scopes the intensity of action and engagement. IFAD will continue to strengthen partnerships in Georgia and maximise opportunities for co-financing and scaling up investments for sustainable rural transformation and rural poverty reduction. While country presence is generally desirable, the current decentralisation plans foresee a Sub-regional hub in Turkey that will cover the Georgia country programme. This will increase proximity to the country and contribute to a closer engagement with the Government and other partners.
9. Responsible partners: Not applicable
10. Timeline: Not applicable
11. **Recommendation 2. Establish a strategic focus on rural finance and rural institution building, in line with Government priorities.** Rural finance is an area where IFAD has built up a body of experience due to experimentation with different access-to-finance models. No other development partner in Georgia has similar experience and IFAD should continue to pursue this niche. Furthermore, now that Government is showing an increasing interest in grassroots institutions and the EU (through ENPARD) and World Bank are supporting them, grassroots bodies can be the conduits for the financial products supported by IFAD. In this regard, IFAD should graft upon the work of others; there is no need to create parallel institutions unless absolutely necessary. It can also build on its successful relationship with MFIs. In the upcoming livestock project, MFIs should be used to target farmers and livestock cooperatives in the lower mountain regions.
12. **Agreed follow-up to recommendation 2:** IFAD Management agrees. IFAD has been engaged in Georgia since 1997. In the early years of engagement, there was a need to develop the mechanisms and institutional framework to allow for access to credit. This has been successfully achieved as also recognised in the CSPE. `

13. Government has recognised that the rural financial markets are robust and have enough liquidity. Government's request to IFAD is to support the organisation of smallholder farmers to enable them to tap into this available financial resource and its value added is to create the demand for the rural financial services; this approach is already in place. IFAD has not established parallel institutions and continues to build on and tap into the successful partnership with MFIs and the government agency, Agriculture Project Management Agency (APMA), as is the case with the ongoing IFAD-funded Agriculture Modernisation, Market Access and Resilience project.
14. Responsible partners: IFAD and Ministry of Environmental Protection and Agriculture
15. Timeline: through the COSOP 2018 and next designs
16. **Recommendation 3. Radically revise the approach to targeting, to adopt an explicit strategy for targeting those at risk of poverty and social exclusion within the rural population, in close cooperation with other development partners.** IFAD has an important role to play in Georgia if it focuses clearly on the poorer parts of the rural population and in particular women and youth. For this IFAD needs to do more to reach out to those parts of the rural population that are economically active, but at risk of poverty and social exclusion.² Only targeting entrepreneurial farmers and assuming that the rest will benefit indirectly will not be sufficient. IFAD has to adopt a differentiated targeting strategy that will support direct benefits for the relatively poorer parts of the population. Therefore, it is recommended that in preparation for the new country strategy, and in cooperation with like-minded partners, IFAD should conduct robust poverty and gender analysis to provide the basis for identifying and reaching out those groups that are at risk of poverty and social exclusion in rural development interventions, with a specific focus on women and youth. The outcome of the consultation would be to identify actionable strategies and, where possible, agree on coordinated interventions specifically targeted to rural youth and women, including single women and women-headed farming households. These strategies should inform IFAD's future project designs. Furthermore, any intervention supported by IFAD should ensure that women and youth from poorer households benefit equally. Interventions targeted at entrepreneurial farmers should ensure that entrepreneurial women are mobilized and benefit equally. Every project targeting value chains should include a commensurate set of activities that will give the private sector incentives to include smallholder farmers and monitoring to ensure the active poor benefit.
17. **Agreed follow-up to recommendation 3:** IFAD Management broadly agrees but recognises that the targeting approaches in MICs will not necessarily be directed at the extreme poor who mostly rely on social assistance programmes and are not economically active. Adopting a differentiated strategy is statutory for all our interventions (COSOP and design). The learning on IFAD operational policies are part and parcel of the engagement process by IFAD to ensure that pro-poor targeting mechanisms and approaches are employed. However, IFAD engages in policy dialogue and ensures alignment with Government

² Note: this does not include those parts of the population that depend on social assistance

strategies and priorities. As a MIC and with imminent EU approximation, Georgian smallholders will have to comply with EU standards if they will continue to exist and participate in the economy. Our investments are intended to help these smallholders organise and graduate from their current situation and comply with EC standards. The fact that we also support enterprises is driven by this imminent development ensuring backward and forward linkages with the poorer segments. In all IFAD projects especially in MICs and particularly investments in VCs, various segments in the value chains provide opportunities for indirect outcomes such as job opportunities and input supplies and services from the youth and women in particular. Resources permitting, we will continue to conduct more feasibility and preparatory studies to develop packages for different segments of the target groups that fit with the overall macro-economic evolution and transformation of the agricultural sector

18. Responsible partners: IFAD and Government of Georgia
19. Timeline: through the COSOP 2018 and next designs

Signed by:

First Deputy Minister of the Ministry of Environmental Protection and Agriculture
Government of Georgia, Tbilisi

Signature: _____



Associate Vice President
Programme Management Department
IFAD, Rome

Signature: _____

A handwritten signature in blue ink is written over a horizontal line.

Georgia

Country strategy and programme evaluation

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Assessing microfinance performance in the Rural Development Project

The appendix is available upon request from the Independent Office of Evaluation of IFAD (evaluation@ifad.org).

Currency equivalent, weights and measures

Currency equivalent

Currency unit = Georgian Lari (GEL)
US\$1.00 = GEL 2.395 (September 2017)

Abbreviations and acronyms

ACDA	Agriculture Cooperatives Development Agency
ADP	Agricultural Development Project
ADPCC	Agricultural Development Projects Coordination Centre
AMMAR	Agriculture Modernization, Market Access and Resilience Project
APMA	Agriculture Projects Management Agency
APLR	Association of Professionals on Land and Realty
AWPB	annual work plan and budget
CBEARC	Capacity Building for Enhancing Agricultural Resilience and Competitiveness
CBO	community-based organization
COSOP	country strategic opportunities programme
CPIS	country programme issues sheet
CPM	country programme manager
CPSN	country partnership and strategy note
CSPE	country strategy and programme evaluation
CU	credit union
CUDC	Credit Union Development Centre
DANIDA	Danish International Development Agency
DCFTA	Deep and Comprehensive Free Trade Area
ECMI	Endowment for Community Mobilization Initiatives in Western Georgia
ECP	Extended Cooperation Programme
EDPRP	Economic Development and Poverty Reduction Programme of Georgia
ENPARD	European Neighbourhood Programme for Agriculture and Rural Development
ERASIG	Enhancing Resilience of the Agricultural Sector in Georgia project
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GEF	Global Environment Facility
GILMD	Georgia Irrigation and Land Market Development Project
GRIPS	Grants and Investment Projects System
IDA	International Development Association
IE	impact evaluation
ILC	International Land Coalition
IOE	Independent Office of Evaluation of IFAD
IOM	International Organization for Migration
IOPID	International Organisations Projects Implementation Department
KM	knowledge management
LDP	Livestock Development Project
M&E	monitoring and evaluation
MFI	microfinance institution
MoA	Ministry of Agriculture
MoF	Ministry of Finance
MTR	mid-term review
NAPR	National Agency for Public Registry
NEN	Near East, North Africa and Europe Division
NFA	National Food Agency

NGO	non-governmental organization
PBAS	performance-based allocation system
PCR	project completion report
PMU	project management unit
PPA	project performance appraisal
RDP	Rural Development Project
RDPMHA	Rural Development Programme for Mountainous and Highland Areas
RICC	Regional Information Consultation Centre
SCCF	Special Climate Change Fund
SMP	Smallholder Modernisation Project
SO	strategic objective
SOF	special operations facility
SUSOP	sub-regional strategic opportunities paper
UASCG	United Amelioration System Company of Georgia
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
USAID	United States Agency for International Development

Map of IFAD-supported operations in Georgia

Georgia

IFAD-funded ongoing projects

Country strategy and programme evaluation



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 21-04-2017

Georgia

IFAD-funded closed projects

Country strategy and programme evaluation



10



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 21-04-2017

Georgia

Country Strategy and Programme Evaluation

I. Background

A. Introduction

1. In line with the International Fund for Agricultural Development (IFAD) Evaluation Policy and as approved by the 116th Session of the IFAD Executive Board, the Independent Office of Evaluation (IOE) conducted the first country strategy and programme evaluation (CSPE) in Georgia. The main purpose of this evaluation was to assess the results and performance of the country strategy and programme and to generate findings and recommendations for the upcoming country strategic opportunities programme (COSOP) to be prepared in 2018. The CSPE identifies the factors that contributed to the achievement of strategic objectives and results, including the management of project activities by IFAD and the Government. It also reviews IFAD's strategic position in Georgia, in particular its comparative advantage and positioning in an upper-middle-income country where the Fund has a small portfolio and no country presence.
2. IFAD's engagement with Georgia began in 1995 with a project preparation advance funded by a World Bank loan that eventually led to IFAD co-financing the Agricultural Development Project (ADP), which became effective in 1997. The portfolio came under the guidance of the sub-regional strategic opportunities paper (SUSOP) for Azerbaijan and Georgia in 1999. The SUSOP proposed focussing IFAD interventions in both countries in areas that contained the highest percentage of the poor. The SUSOP was replaced by a Georgia-specific COSOP in 2004. The COSOP was reviewed and updated in 2014 when IFAD prepared a country partnership and strategy note (CPSN).
3. IFAD's financing of operations in Georgia is in the bottom half of borrowers in IFAD's overall portfolio (79th of 123 countries). In IFAD's Near East, North Africa and Europe Division (NEN), it represents 1.8 per cent of the division's portfolio (17th largest of 26 countries).

Table 1
Snapshot of IFAD operations in Georgia since 1997

Number of approved loans	5 loans. 1 st loan approved in 1997; 1 ongoing loan
Total portfolio cost*	US\$123.4 million; includes US\$50.5 million of IFAD lending; US\$29 million counterpart funding (Government and beneficiaries); US\$39.1 million co-/parallel financing.
Lending terms	Highly concessional (1997-2007); Intermediate (2008-09); Ordinary (2010-11; 2015-17); Hardened (2012); Blended (2013-14);
Main co-financiers	IDA, DANIDA, GEF, Government of Japan
COSOPs	1999 SUSOP (joint with Azerbaijan), 2004 COSOP; 2014 CPSN.
Country programme managers	Dina Saleh (2012-2017); Lorenzo Coppola (2010-2012); Henning Pedersen (2008–2009); Pietro Turilli (2006-2008); Abdalla Rahman (2004-2005); Mohamed Hassani.
Main Government partners	Ministry of Agriculture; Ministry of Finance

*includes funding from domestic financiers worth US\$3.3 million and IFAD grant funding worth US\$1.5 million

B. Objectives, methodology and processes

4. The main objectives of this CSPE are to: (i) assess the results and performance of the IFAD-financed strategy and programmes in Georgia; and (ii) generate findings and recommendations for the future partnership between IFAD and Georgia for enhanced development effectiveness and rural poverty eradication. The findings, lessons and recommendations from this CSPE will inform the preparation of the new COSOP in 2018.
5. The CSPE benefitted from other IOE evaluations that have covered Georgia. This includes the evaluations of the four closed projects, including the impact evaluation of a recently closed project, as well as country studies prepared as part of the 2016 corporate level evaluation on decentralization and the thematic evaluation of rural finance (2005).
6. The portfolio reviewed by this CSPE has a number of characteristics that differ from those evaluated by most CSPEs. It is a relatively small portfolio, with only one ongoing project, and the operations covered have all been previously evaluated by IOE. The value added by this CSPE will, therefore, be to review the overarching strategic issues that will be important for IFAD to address in the new COSOP, as well as lessons on selected crosscutting thematic issues that should inform the design of new projects and activities.
7. **Scope.** The CSPE assesses the results and performance of the activities conducted since December 2004, when the first COSOP was presented to the Executive Board. The CSPE covers full range of IFAD support to Georgia, including lending and non-lending activities (knowledge management, partnership-building, and country-level policy engagement), including grants, as well as country programme and COSOP management processes. The CSPE rates the performance of the lending portfolio and the non-lending activities according to the applicable evaluation criteria.³

Table 2

Projects covered by the 2017 CSPE

<i>Project name</i>	<i>Board approval</i>	<i>Entry into force</i>	<i>Completion</i>	<i>Total project finance US\$ millions (at design)</i>
Agricultural Development Project (ADP)	30/04/1997	13/08/1997	30/06/2005	27.1
Rural Development Programme for Mountainous and Highland Areas (RDPMHA)	13/09/2000	04/09/2001	30/09/2011	9.2
Rural Development Project (RDP)	19/04/2005	22/05/2006	31/12/2011	34.7
Agricultural Support Project (ASP)	17/12/2009	08/07/2010	30/09/2015	22.2
Agriculture Modernization, Market Access and Resilience Project (AMMAR)	01/09/2014	28/05/2015	30/06/2019	35

8. **Multi-level approach.** The CSPE assesses the performance and results of the country strategy and programme through a multi-level approach. At the level of operations and activities, the CSPE conducts a comparative analysis of the different approaches and models used, to identify trends over time as well as factors for success and failure. At the level of the country programme the CSPE reviews how key strategic issues were addressed throughout the different lending and non-lending activities. At the level of the country strategy the CSPE will also analyse how IFAD has defined and implemented its strategy to reduce rural poverty in partnership with the Government and what results it has achieved and how. The analysis does not just look at compliance with the COSOP document, but also

³ IOE Evaluation Manual, 2nd Edition, 2015.

explores what IFAD could have done differently, given the context of the country and the strategies deployed by other development partners, and how it could have been more effective in achieving its corporate-level goals.

9. **Theory of change.** The methodology for the CSPE is theory based. The programme theory describes the results chain linking COSOP and programme outputs to outcomes and impact taking into consideration the contextual factors within which the programme was designed and implemented (see annex VIII). The COSOP (2004) intended to contribute to the empowerment of the rural poor (strategic goal 1) and the expansion of gainful economic opportunities for the rural population (strategic goal 2) through a two-pronged approach which includes (strategic objective 1) developing coherent and supportive national policies and a conducive institutional framework for smallholder development, and (strategic objective 2) providing critical investments to support rural households and entrepreneurs in enhancing their productivity and improving their incomes. The COSOP intends to empower the rural poor by strengthening their organizations for marketing and natural resource management. Economic opportunities were to be enhanced through provision of improved production technology and knowledge, market linkages and access to finance for smallholder farmers and small and medium enterprises (SMEs).
10. **Evaluation process.** The CSPE was conducted in several phases. After an initial desk review, the draft approach paper for the CSPE was sent to the Government for comments in May 2017. A preparatory mission to Tbilisi took place from 8 May to 12 June 2017 for initial meetings with CSPE stakeholders. The main mission took place from 12 June to 12 July 2017. The mission met with a large number of stakeholders in Tbilisi and in project areas (see annex VI). It then divided into three teams to visit completed and ongoing IFAD-supported projects that included infrastructure, demonstration plots, microfinance institutions (MFIs), credit unions (CUs), and supply chain beneficiaries in the Autonomous Republic of Adjara, and the regions of Guria, and Samegrelo-Zemo Svaneti. The mission teams visited land registration and food safety offices, infrastructure sites, and matching grant beneficiaries in Kvemo Kartili region, and infrastructure in Mtskheta-Mtianeti region. The main mission concluded with a wrap-up meeting in Tbilisi on 11 July 2017. The final (desk-based) phase of this CSPE involved a further documents review and extensive analysis of primary and secondary data obtained during the in-country missions. The resulting draft report was peer reviewed within IOE. It was thereafter shared with NEN and the Government of Georgia.
11. **Evidence.** In addition to the available project documentation (loans and grants) the CSPE used the following sources of evidence:
 - (a) *IOE evaluations.* All four closed projects were previously evaluated by IOE soon after they completed. While the assessment of project performance primarily draws from those evaluations, this CSPE mission also provided an opportunity to revisit some of the projects closed earlier and review them particularly in aspects of sustainability and impact. The CSPE also observed that some of the contextual, social and gender aspects previously evaluated deserved revisiting in the projects under review. In this respect the wider range of expertise available in the team and the comprehensive coverage of project sites were an advantage of the CSPE mission. Another advantage was that this mission has been able to benefit from the IOE impact evaluation of the Agricultural Support Project (ASP) in 2017.
 - (b) *Phone interviews.* The mission interviewed 50 beneficiaries from 5 participating MFIs through telephone calls. The mission obtained complete beneficiary data from the MFIs towards the end of the mission, so that physical interviews were no longer possible. Based on the data, the mission

created a standard questionnaire to ask each sampled beneficiary, whose phone numbers were obtained from the MFIs (see annex VII box 1.1). The mission drew a sample based on the number of loans in proportion to the MFIs stratified by gender.

- (c) *Asset verification.* The mission verified 13 infrastructure projects completed under the closed and ongoing projects.⁴ Nine assets were visited for infrastructure built under Rural Development Programme for Mountainous and Highland Areas (RDPMHA) and ASP (out of 24 interventions completed under both projects), and another four were visited under the ongoing Agriculture Modernization, Market Access and Resilience Project (AMMAR) (out of 11 planned). See annex VII table 1.1 for a table presenting the outcomes of this exercise.
 - (d) *Stakeholder meetings and interviews.* The mission met with a wide range of stakeholders, including decision makers and project managers at the Ministry of Agriculture (MoA) in Tbilisi and the heads of the municipalities that were visited. Other stakeholders met included national agencies: the National Agency of Public Registry of the Ministry of Justice (NAPR); and the National Food Agency (NFA); implementing partners: the Agriculture Projects Management Agency (APMA); and the Agriculture Cooperatives Development Agency (ACDA); MFIs, and banks; major multilateral and bilateral development partners: the Food and Agriculture Organization (FAO); GIZ; the United States Agency for International Development (USAID); the Swiss Agency for Development and Cooperation; non-governmental organizations (NGOs) (such as ELKANA); and beneficiaries.
 - (e) *Thematic focus groups.* Two focus group discussions were held at MoA covering rural finance, and land registration and management respectively. Land registration and management has been an important theme under the earlier projects and has absorbed approximately seven percent of the total portfolio costs. The focus group discussion on rural finance provided an opportunity to reflect on the challenges and opportunities for the different approaches and financial institutions promoted by IFAD over time (CUs, MFIs, commercial banks, leasing companies and matching grants).
 - (f) *Case studies.* Seven case studies were produced covering a range of lending and non-lending activities. The case studies provided a more in-depth analysis of salient issues that have affected the portfolio, and also cover thematic areas of interest identified in the approach paper (See annex IX).
 - (g) *Field visits* provided a useful reality check. Feedback from beneficiaries and implementing organizations visits were used to crosscheck findings from documents review and monitoring and evaluation (M&E) data.
 - (h) *Web survey.* A stakeholder web survey was launched in May 2017 to obtain feedback on IFAD's performance from Government and other partners. The response rate was low (25 percent) and, apart from the qualitative comments, the data were not used.⁵
12. **Limitations.** Overall the evidence available for this evaluation was better than in many other CSPEs, with all closed projects previously evaluated by IOE. Also access to data, informants and field sites in the country was good. The limitations were, therefore, rather minor.

⁴ For this exercise the mission used an asset verification form to record the exact location (GPS), the condition (picture) and the construction costs as well as the current use and maintenance of the asset.

⁵ Thirty-two stakeholders, comprising Government, donor and civil society partners, were invited, but only 8 stakeholders responded, representing a response rate of 25 per cent.

13. Because of the length of the review period and the frequent turnover of staff on the side of IFAD, the institutional memory for this portfolio was limited, more within IFAD than on the side of the Georgian counterparts. Some of the former country programme managers (CPMs) were not available for interviews.
14. For the cofinanced projects the reports prepared by the World Bank were not readily accessible and it took time to track them down. Some United Nations Office for Project Services (UNOPS) supervision reports and the mid-term review (MTR) report for RDPMHA were not in the electronic records management system of IFAD. For the grants, evidence of sustainability and long-term results was hard to come by mostly due to the continuous turnover of project staff (e.g. CPMs) and lack of follow-up on closed projects.
15. There was no documentation to identify where demonstration plots had been laid during the Rural Development Project (RDP) or who had attended the demonstration trainings. Visits were, therefore, limited to those demonstration plots that could be recollected by project staff. Representatives or beneficiaries of defunct CUs from ADP could also not be visited due to the absence of records on locations and names.
16. M&E data were primarily on outputs, less on outcomes. The only significant outcome-level information being collected was during RDPMHA phase 1, and that too was mostly on rises in agricultural yields of demonstration plots, not on wider scale adoption of improved yields or benefits of infrastructure development such as improved market access. This limited the possibility of evaluating higher level changes in terms of effectiveness and impact. In particular, gender-disaggregated data has only begun to be collected in a comprehensive manner in the final two projects.

Key points

- This is the first CSPE for Georgia. IOE has previously evaluated the four closed projects.
- IFAD's engagement with Georgia began in 1995. In terms of volume of borrowing, Georgia is 79th out of the 123 countries in IFAD's overall portfolio.
- There is no country presence in Georgia.
- This CSPE benefits from multiple sources of data, including IOE project evaluations, phone interviews, asset verification, stakeholder meetings and interviews, thematic focus groups and case studies.

II. Country context and IFAD's strategy and operations for the CSPE period

A. Country context

17. Georgia is a lower-middle-income country in the Caucasus.⁶ It stretches from the Black Sea and across the Great Caucasus Mountains to the north and the Lesser Caucasus Mountains to the south. It is bordered by Turkey to the south-west, Armenia to the south, Azerbaijan to the south-east, and Russia to the north and east. Its total land area is just under 70,000 km². Due to the range of landscapes comprising mountain ranges, lowlands, and river basins, Georgia boasts a number of micro-climates and rainfall patterns. There is a mix of sub-tropical and continental climates.
18. Georgia's **population** has steadily been decreasing due to emigration. During the period under evaluation (2004-2016), average population growth was -1.3 per cent.⁷ Conflict and economic uncertainty were the drivers of emigration during the 1990s.⁸ The principal driver of emigration is currently the search for employment.⁹ The most recent estimate of the rural population was 1.71 million in 2015 (46 per cent of the total population) and has declined faster than the national rate since 2003.¹⁰ Population density is greatest in the valleys running through the centre of the country and along the coast, and lowest in mountain regions.¹¹
19. Nearly half the territory of Georgia is agricultural land which also includes pastures and meadows, while most of the other half is forested. Georgia's wide variety of ecological, altitudinal and climatic zones allows for the growth of cereals, early and late vegetables, melons and gourds, potatoes, commodity crops, grapes, subtropical crops, varieties of fruit, and cattle-raising.¹²
20. Georgia declared independence in 1991 following the break-up of the Soviet Union.¹³ The period prior to and following independence was marked by internal strife, civil war and political assassinations, with conflict breaking out in South Ossetia and Abkhazia in 1991 and 1992 respectively. To address issues of weak governance, high corruption and poverty, the country implemented several waves of reforms. Georgia underwent significant economic transformation in the following, as a result of more efficient economic governance and strengthened executive powers.¹⁴
21. Georgia and **the European Union (EU) signed an Association Agreement** in June 2014, which came into effect in July 2016. The agreement included the Deep and Comprehensive Free Trade Area (DCFTA) preferential trade regime. This regime aims to create a closer economic integration of Georgia with the EU based on reforms in trade-related areas. It removes all import duties on goods and provides for broad mutual access to trade in services. It allows Georgian trade-related laws to generally match selected pieces of the EU legal framework. It is expected that Georgia's adoption of EU approaches to policy-making will improve governance, strengthen the rule of law and provide more economic opportunities by expanding the EU market to Georgian goods and services, and that it will also

⁶ From 1999 to 2002, Georgia was classified as low income. From 2003 to 2014 Georgia was classified as lower middle income (World Bank n.d.). For the financial year 2018 Georgia is classified as a low-income country by the World Bank.

⁷ There is debate regarding the methodology used for compiling population statistics,⁷ but from its peak of 4.91 million in 1994, population decreased to 3.68 million in 2015 (the last year on record). (IWPR 2015)

⁸ IWPR. 2015

⁹ OECD/CRRRC (Georgia). 2017. pg. 29

¹⁰ World Bank. 2017

¹¹ World Bank. 2009b. pg. 2

¹² FAO. 2017.

¹³ Matveeva, A. 2002. pg. 9

¹⁴ Kavadze and Kavadze. 2015. pg. 33

attract foreign investment.¹⁵ In the short-term agribusiness would need to adjust to EU requirements, but in the long-term access to EU markets is expected to boost agricultural exports.

22. **Private remittances** sent by migrant labourers serve a vital function as they are the only source of income for many families and play a significant role in reducing poverty. The volume of remittances has been increasing every year and amounted to US\$1.268 billion in 2011, representing 8.9 per cent of GDP.¹⁶

B. Economic, agricultural, and rural development

23. Following the break-up of the former Soviet Union, Georgia experienced one of the **sharpest contractions in output** among transition economies. By 1995, real GDP shrunk to 28 per cent of its 1990 level, as widespread economic disorder and civil conflict took hold. A brief period of macroeconomic stability followed and intermittent structural reforms enabled the economy to rebound and stabilize from highly depressed levels. Growth averaged 5.2 per cent during the period 1999–2003, although GDP was still at only 46 per cent of its 1990 level in 2003.¹⁷ The transition to a market economy was characterized by decentralization of economic decision-making processes, liberalization of prices and wages, and exposure of enterprises to competition.¹⁸
24. Following the transition, Georgia has enjoyed **strong economic growth**¹⁹ with GDP growth rates averaging 7 per cent between 2000 and 2008, and averaging 5.1 per cent from 2010 to 2015. Sectoral drivers of growth since 2004 have mainly been manufacturing and services.²⁰ More recently, growth has been faltering due to weakened external demand for exports with traditional partners,²¹ slower-than-expected adjustment in imports, and a decline in remittances.²²

Table 3
Main economic indicators 2006-2015*

Indicator name	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP growth (annual %)	9.4	12.3	2.3	-3.8	6.3	7.2	6.4	3.4	4.6	2.8
GNI per capita, Atlas method (current US\$)	1,790	2,240	2,670	2,800	3,000	3,300	3,870	4,240	4,490	4,160
GDP per capita, PPP (constant 2011 US\$)	4,992	5,833	6,164	6,054	6,598	7,315	8,027	8,542	9,216	9,600
Inflation, consumer prices (annual %)	9.2	9.2	10.0	1.7	7.1	8.5	-0.9	-0.5	3.1	4.0
Agriculture, value added (% of GDP)	12.8	10.7	9.4	9.4	8.4	8.8	8.6	9.4	9.3	9.2
Population, Total (million)	4.14	4.08	4.03	3.98	3.93	3.88	3.83	3.78	3.73	3.68
Rural Population (% of total population)	47.5	47.4	47.4	47.3	47.1	47.0	46.8	46.7	46.5	46.4
Life expectancy at birth, total (years)	73.2	73.4	73.6	73.8	74.0	74.2	74.4	74.5	74.7	73.2

*Years are selected based on availability of data
Source: World Bank Development Indicators (World Bank. 2017)

25. **Unemployment** has historically been above 10 per cent, but has been decreasing over the past 9 years, from a high of 16.9 per cent in 2009 following the global

¹⁵ European Commission Directorate-General for Trade. 2017.

¹⁶ UNDP. 2013. pg. 23

¹⁷ World Bank. 2013b. pg. 2

¹⁸ World Bank. 2009a. pg. 15

¹⁹ Georgia was classified as an upper middle income country in 2015, though as recently as 2002 it was a low income country.

²⁰ World Bank 2013b. pg. 3

²¹ Russia and Turkey (World Bank. 2013b. pg. 57)

²² World Bank. 2015b. pg. 2

financial crisis, to 11.8 percent in 2016.²³ Demographic trends drove the decline in unemployment, as a large number of workers are approaching retirement age. However, youth unemployment has been above 30 per cent since 2007.²⁴ The overall unemployment rate for women is below the national rate, but young women are more likely to be unemployed than young men. Within the agricultural sector, the increase in subsidies since 2013 led to employment rising by more than 20 per cent by the first half of 2015.²⁵ However, 57 per cent of the employed were categorized as self-employed in 2015, of which a large share practices subsistence farming.²⁶ International migration has also eased pressure on the domestic labour market.²⁷

26. **Rural finance** faces challenges regarding affordable long term loans for SMEs, and particularly for rural and agricultural clients who face greater financing constraints. The greatest of these is the lack of fixed assets that can be used for collateral.²⁸ As of 2015 there were 15 CUs which service rural areas, making-up less than 0.04 per cent of the Georgian financial sector. These function as non-profit organizations and are funded entirely through their members' deposits.²⁹ There is unmet demand for financial services in rural areas, and this is expected to increase as the agricultural sector expands. Commercial banks do not have outreach to rural areas, where MFIs are partly filling this gap.³⁰

C. Poverty characteristics

27. The break-up of the Soviet Union and the end of economic support, ethnic conflicts, the closure of markets, and the re-orientation of the economy to a market system greatly increased poverty in the country. Strong economic growth has ameliorated poverty, yet as of 2014, poverty in Georgia is high.
28. Recent **positive economic performance and state social transfers** have driven poverty reduction in Georgia. The extreme poverty rate fell from 36 per cent to 32.3 per cent,³¹ mainly because of the increases in pension benefits and targeted social assistance, and to increased income from agricultural sales, rising employment and higher wage rates. Longer term poverty reduction (2010-2014) is attributed to wage and social assistance factors, whereas increases in employment and agricultural income were less prominent.³² Before 2010, reductions in poverty were attributed to increased incomes from social transfers. These schemes continue to play a significant role in poverty reduction.³³
29. **Inequality** as measured by the GINI coefficient has been decreasing since historical highs of 42.1 in 2010 to 40.1 in 2014. Yet Georgia has the second highest coefficient³⁴ in the IFAD Central and Eastern Europe and Central Asia sub-region.³⁵ Poverty differences are stark between urban and rural areas as well as across regions. In 2014 the rural poverty rate of 41 percent was almost double the urban rate of 21 percent.³⁶ Regional distribution of poverty is concentrated in central

²³ World Bank. 2017.

²⁴ World Bank. 2017.

²⁵ World Bank. 2015b. pg. 4

²⁶ ETF. 2017.

²⁷ ILO. 2016. pg. 60

²⁸ EIB. 2013. pg. 28

²⁹ EIB. 2016. pg. 14

³⁰ EIB. 2013. pg. 21

³¹ Extreme poverty is measured at US\$2.50 per day and moderate poverty at US\$5.00 in 2005 purchasing-power parity terms (World Bank. 2015. Footnote 4)

³² World Bank. 2015. pg. 4

³³ World Bank. 2016b

³⁴ World Bank. 2017

³⁵ As of March 2017, the IFAD Central and Eastern Europe and Central Asia sub-region is composed of the following countries: Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, Kazakhstan, Kyrgyzstan, the former Yugoslav Republic of Macedonia, Moldova, Romania, and Tajikistan

³⁶ World Bank. 2015. pg. 4

Georgia. The 2014 Georgia millennium development goals report found that nearly 66 per cent of the poor live in rural areas.³⁷

30. **Mountain areas.** The main sources of income in mountain regions in Georgia are agriculture, in particular animal husbandry and crop and vegetable production, and timber and firewood collection. Migration from the rural northern mountain regions is particularly acute, leaving these areas inhabited only by the elderly. Access to services such as healthcare and secondary education is poor. The vulnerability of inhabitants in mountain regions is seen in the fact that only two mountain regions (Racha-Lechkumi, Kvemo Svaneti regions, and Mtsketa-Mtianeti) accounted for 45 per cent of beneficiaries who received social allowance in 2011.³⁸
31. **Gender equality and women's empowerment.** In 2016 Georgia ranked 90th out of 144 countries in the Global Gender Gap index, having slid from 84th out of 145 countries in 2015 due to a widening economic participation and economic opportunity gap.³⁹ Women's political empowerment is particularly low. Women's economic opportunities outside the agricultural sector are limited, with 56.5 per cent of employed women working in agriculture, compared to an average of 16 per cent in Europe and Central Asia. Most women in this sector are engaged mainly in subsistence or small-scale activities. Nearly 27 per cent of the population lives in households headed by a woman. Poverty appears to have fallen less among people living in woman-headed households than among people living in man-headed households.⁴⁰ There are also strong traditions of sex discrimination, leading to a highly skewed sex ratio at birth (111 boys to 100 girls).⁴¹

D. Rural development policies

32. **Agricultural development in the 1990s and 2000s** was marked by a lack of any defined state policy or strategy for the sector.⁴²
33. The **2003 Georgia Poverty Reduction Strategy Paper (PRSP)**, also called the Economic Development and Poverty Reduction Programme of Georgia (EDPRP) included agriculture as one of the economic priorities; the others being energy, transport and communications, industry and tourism. Recognizing that agricultural land was an important source of income and that the majority of the Georgian workforce was engaged in agriculture, it also acknowledged that most agricultural households have insufficient land, technical equipment, knowledge, credit and other resources. In the EDPRP, focus in agriculture was on the completion of land reforms, including privatization and the establishment of a land market and a land cadastre geographic information system, development of infrastructure in rural areas and adoption of modern technologies.
34. Over time and especially in the last five or so years, this focus has broadened to include emphasis on value chains. Attention to enhancing the technical capacities of farmers, the ministry and its extension services has also increased. Since signing the EU Association Agreement (2014), and in line with global trends, climate change and climate smart agriculture has begun to be emphasized, along with issues associated with trade and the EU-Georgia Association Agreement namely food safety, animal health and phyto-sanitary controls.
35. The adoption of the **Strategy of Agriculture Development of Georgia (2012-2022)** in February 2012 was a landmark achievement in the agricultural sector. For the first time, the country had elaborated such a strategy for the agricultural. Government commitment and the budget allocated to agriculture increased

³⁷ Government of Georgia. 2014. pg. 22

³⁸ UNDP. 2013. pg. 22, 29, 33

³⁹ World Economic Forum. 2016. pg. 19

⁴⁰ World Bank. 2016a. pg. 2

⁴¹ Dudwick. 2015. pg. 3

⁴² FAO. 2012. pg. 9

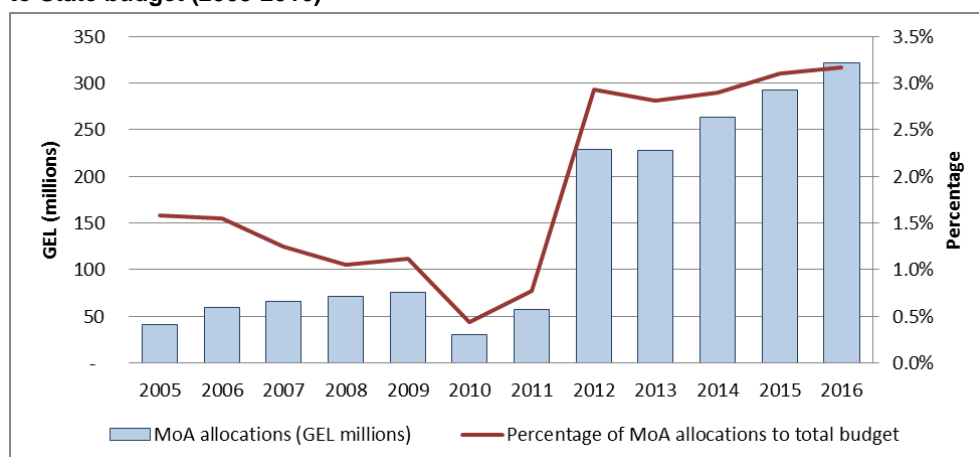
significantly since then. Soon the strategy was found not being detailed enough, and being superficial in its analysis and the proposed methods of implementation its objectives and it was replaced by an improved strategy in 2015.⁴³ **The Strategy for Agricultural Development in Georgia 2015-2020** included similar areas of focus except that food security gained greater attention, and climate change, environment and biodiversity were also made a strategic direction. There was little mention of gender issues, but poverty reduction did receive more prominence (the 2012-2022 document did not mention poverty at all).

36. The second **Socio-economic Development Strategy or Georgia 2020** was adopted in 2014. As this document focuses on all socio-economic sectors, the elaboration of agriculture and rural development issues is relatively brief. It lays emphasis on closer cooperation with the EU and specifically mentions that agricultural export potential would be increased through the development of food safety, and the veterinary and phyto-sanitary systems under the obligations of the Association Agreement. It also states that roads would be developed as well as irrigation and drainage systems. Regarding improving access to investments, the Georgia 2020 document talks of the development of the land market, availability of financial instruments (particularly leasing systems) as well as insurance. In addition, the Strategy states the Government will also facilitate the establishment of farmers' groups and farming co-operatives as a means of making agricultural financing easier.
37. Other relevant documents guiding the development of the agricultural sector are the Rural Development Strategy (2016), prepared with support from the EU and the United Nations Development Programme (UNDP), and the High Mountainous Areas Law (2016), implemented through a special fund and with support from various donors (e.g. Austria, Switzerland).
38. **Government budgetary allocations to the agriculture sector** are a reflection of changing political priorities. Between 2005 and 2011 allocations were low, on average GEL 57 million or 1.1 per cent of the state budget. As a result the number of MoA employees dropped by 87 per cent between 2005 and 2007. This has significantly reduced MoA's ability to carry out even its most basic statutory responsibilities. As seen in figure 1, budgetary allocations of MoA saw a dramatic increase from an all-time low of GEL 30.6 million (0.4 per cent of Government budget) in 2010 to GEL 228.4 million in 2012. From 2012 onwards Government consistently exceeded GEL 200 million (or 2.8 per of the state budget).⁴⁴

⁴³ Agriculture Transformation in Georgia: 20 year of independence by European Institute Liberal Academy Tbilisi (2012)

⁴⁴ Strategy for Agricultural Development in Georgia 2015-2020 table 4; Ministry of Agriculture of Georgia: Annual Report 2014 pg. 16

Figure 1
Evolution of state budget allocation to MoA (GEL millions) and percentage of allocation compared to State budget (2005-2016)



Source: Strategy for Agricultural Development in Georgia 2015-2020 table 4; Ministry of Agriculture of Georgia: Annual Report 2014 pg. 16; Ministry of Agriculture of Georgia: Annual Report 2015 pg. 10

39. **Agricultural cooperatives.** As of 2014, cooperatives are regulated by the 2008-12 Law on Entrepreneurs, the 2013 Draft Law on Farmers Groups and the 2013 Law on Agricultural Cooperatives.⁴⁵ This last law saw the establishment of the ACDA within MoA to regulate cooperative registration and execute monitoring activities. Its aims also include the promotion and development of agricultural cooperatives, consultation services, and coordination with development partners, among others.⁴⁶ According to its website, 1,544 agricultural cooperatives have been registered with the ACDA.
40. **Rural finance.** In 2007 the Government initiated the 'Cheap Credit' programme that provided up to GEL 80 million in loans on preferential terms to SMEs over two years.⁴⁷ The 2012 Agricultural Development Strategy listed the development of credit, leasing and insurance markets within the agricultural sector as one of its main objectives noting that leasing was of particular importance in regard to providing farmers with funding, facilitation of their activities and introduction of new technologies, and could become a significant alternative to commercial loans. The successor strategy of 2015 merely mentioned the Concessional Agro Credit Project of the Government that was initiated in 2012. Neither of the strategies seems to favour a particular type of intervention in rural finance i.e. a preference for banks, MFIs, CUs or other intermediaries.

E. International development assistance

Official development assistance

41. Between 2004 and 2015 Georgia received US\$5.9 billion in constant 2015 US\$ prices in Country Programmable Aid (CPA), on average 4.4 per cent of GDP at current US\$ rates.⁴⁸
42. The largest donors over the 2004-2015 period have been the USA, the International Development Association-World Bank, the EU, the Asian Development Bank (ADB), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the Government of Japan. In 2015, the EU and the ADB overtook the USA as the largest donors to Georgia in terms of country programmable aid.

⁴⁵ FAO. 2014. pg. 9

⁴⁶ Government of Georgia. 2013.

⁴⁷ EIB. 2013. pg. 24

⁴⁸ Country Programmable Assistance is the proportion of aid that is subjected to multi-year programming at country level. It excludes spending which is unpredictable, entails no flows to recipient countries, aid that is not discussed between donors and governments, and does not net out loan repayments (OECD 2016)..

43. Between 2005 and 2015, social and economic infrastructure and services⁴⁹ accounted for 30 per cent of Official Development Assistance (ODA) flows by sector. The production sectors have only accounted for 2 per cent of ODA flows in the same period, with agriculture, forestry and fishing being the largest recipients.⁵⁰ During the same period, bilateral donors have provided nearly US\$114 million to the agriculture, forestry and fishing sectors. Amounts have fluctuated significantly, with a peak of funding worth US\$53.6 million between 2009 and 2011. Another peak occurred in 2013, after the first Strategy of Agriculture Development of Georgia (2012-2022) was adopted and bilateral donors provided US\$16.7 million for its implementation. The most important bilateral donors funding the agriculture, forestry and fishing sector have been the USA, Austria, Denmark and Switzerland.⁵¹ USAID has, as of January 2017, directed US\$3.6 billion of aid to Georgia, which included US\$129 million for agriculture (3.6 per cent of total flows).⁵² The World Bank has to date provided financing for six projects in the agriculture and forestry sector worth US\$117.8 million.⁵³
44. The **EU** engages with Georgia within the framework of the European Neighbourhood policy and the Eastern Partnership. The current financial instrument is the European Neighbourhood Instrument (ENI) which covers the 2014-2020 period. Aside from Country Action programmes, Georgia also benefits from EU regional and multi-country Action Programmes.⁵⁴ Within its agricultural and rural development priorities, the EU aims to stimulate the diversification of the rural economy, and identify and implement climate change adaptation and mitigation measures including disaster risk reduction. Ongoing projects in the agriculture and rural development sectors include the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD Georgia) worth EUR 40 million, a regional development Sector Policy Support Programme worth EUR 19 million, and a follow-up programme worth EUR 30 million.

F. IFAD's strategy and operations for the CSPE period

Country strategies

45. IFAD started its operations in Georgia in 1997, with the effectiveness of the World Bank co-financed ADP; whereas its first (sub-regional) strategy covering Georgia was approved in 1999.
46. **Sub-regional strategic opportunities paper (SUSOP) (1999).** The SUSOP was approved by the IFAD Executive Board in March 1999, covering the period 1999-2004. The SUSOP acknowledges the cultural and ethnic differences between the two countries - Azerbaijan and Georgia. It aimed to address the issues of endemic poverty in the region that have resurfaced after the removal of state-controlled production and distribution systems. The SUSOP highlights common problems, such as weak institutional support, incomplete liberalization of the agricultural sector and slow implementation of land reforms in the two countries. It identifies the need to redefine the role of public and private institutions in the agricultural sector, which includes strengthening those Government institutions that will have to play a role in a market economy, e.g. in research, extension and public infrastructure, while developing private sector organizations for production, marketing and trade. The regional approach was expected to create synergies in effectively removing common constraints and addressing mutual policy concerns without compromising national priorities. Policy dialogue, mutual exchange of

⁴⁹ Social infrastructure and services include education and water supply and sanitation. Economic infrastructure and services includes transport and communications.

⁵⁰ This has been nearly consistent on an annual basis, aside from 2011 when trade and tourism overtook the primary sector.

⁵¹ Calculated from OECD DAC data 2017

⁵² USAID. 2017.

⁵³ These are the Irrigation and Land Market Development Project and the Regional Development Project.

⁵⁴ European Commission. 2016.

experiences and regional collaboration were integral parts of this strategy. RDPMHA was the first project designed and managed by IFAD and was the only project that had an explicit focus on mountainous areas. RDPMHA was approved under the SUSOP in 2000 (together with its sister project in Azerbaijan).

47. **Country strategic opportunities programme (COSOP) (2004).** The SUSOP was replaced by a COSOP, which was approved by the IFAD Executive Board in December 2004. The COSOP was prepared in response to the Government's poverty reduction strategy (EDPRP) issued in June 2003. The COSOP covered the period 2004-2009; it was neither reviewed nor extended after it expired in 2009.⁵⁵ The strategy intended to address issues of pervasive rural poverty that emerged after the closure of processing industries and the collapse of product markets. Issues identified in the COSOP include the deterioration of production systems due to the breakdown of the input supply systems, poor farm management capacity and farmers' inability to obtain technology support or credit. The strategy focuses on improved market access for small farmers, improved on-farm productivity, diversification of the non-farm economy, better access to rural financial services and support to grass-roots organizations, in line with the Government's EDPRP. The RDP, approved in 2005, was the second World Bank co-financed project. IFAD's loan and grant focussed on rural financial services; the World Bank's interventions were on supply-chain development and institutional strengthening. The following Agricultural Support Project (ASP) was the second project designed and managed by IFAD. It also envisaged co-financing at the stage of design, which, however, did not materialize. The project provided support to agricultural leasing and small-scale infrastructure. ASP was approved in 2009 and closed in 2015.
48. **Crises period.** The period from 2006 to 2008 saw a number of internal and external crises representing a watershed in IFAD's engagement in Georgia. First there was the suspension of RDPMHA (2006 – 2007). The suspension was triggered by the suspected misappropriation of project funding reported by the audit company. The suspension was lifted in 2007 after investigations had been launched by the Government and a satisfactory audit report provided to IFAD. However, the reasons for these allegations remain unclear; no evidence of fraud or corruption had ever been presented. The accusations coincided with the change of government (2004) after the Rose Revolution and, in the following year, reorganization of MoA(2005). The new Government was critical about the initiatives and activities of its predecessor and took a strong stance against corruption.
49. These events had a direct impact on IFAD's engagement and indirectly led to some strategic reorientation. First of all, they caused a significant slowdown and serious disruptions during implementation. They also set off a process of restructuring as a result of which IFAD's projects were then being managed by a central management unit within MoA in Tbilisi, together with the World Bank-funded projects. Furthermore Government priorities shifted decisively, following the crises, towards a narrower focus on economic recovery through access to market, private sector initiatives and infrastructure rehabilitation. Finally, without the required Government interest and support some themes previously advocated by IFAD, such as participatory community development, farmers associations and CUs, disappeared from the portfolio. These changes will be further explained in the report. It is important to note that although there was no new COSOP prepared at the time, the crises have de facto led to a strategic reorientation, evidenced in the redesigned RDPMHA (2008), the restructured RDP (2009) and the new design of the ASP (2011). At the same time, IFAD took over project supervision from UNOPS (2009) and as a result became more directly engaged in Georgia.

⁵⁵ The current CPM stated that COSOP review took place at the time of preparing the 2014 CPSN. A COSOP was not mandatory for countries where there was only one active project supported by IFAD.

50. **Country partnership strategy note (CPSN) (2014).** The 2014 CPSN was prepared instead of a COSOP. The decision to only formulate a CPSN was taken to reduce transaction costs at a time where IFAD had only one ongoing operation in the country. The CPSN covers the period 2015–2020. It responds to the Government’s Strategy for Agricultural Development 2015–2020 and focuses on inclusive rural market development hinged on growing private sector investments. The CPSN recognizes the policy shifts towards a more pro-active approach in tackling the challenges in the agricultural and rural sector. The paper notes that the highly ambitious objectives of the COSOP were not backed up by adequate analysis, implementation details, and a commensurate level of resources (CPSN 2014, p.1). It also found that Government’s prior reliance on a purely market-based approach to agriculture has clearly limited the effectiveness of IFAD’s investments in terms of co-financing, complementary investments and support, and ultimately institutional sustainability. The ongoing AMMAR was conceived under this CPSN. IFAD’s loan and grant under AMMAR provides investments into climate-smart value chains.

Table 4
Country/sub-regional strategies

	<i>SUSOP 1999</i>	<i>COSOP 2004</i>	<i>CPSN 2014</i>
<i>Strategic objectives</i>	<p>SO1: Sustain agricultural and food production under difficult economic conditions and enhance the competitiveness of the agricultural sector.</p> <p>SO2: support transformation in agriculture and food processing from a centrally planned to a market oriented economy.</p> <p>SO3: Realign role of Government and institutional capacity building in the agricultural sector.</p>	<p>SO1: Develop coherent and supportive national policies and a conducive institutional framework for smallholder development</p> <p>SO2: Provide critical investments to provide support to rural households and entrepreneurs, individuals and groups to enhance productivity and improve incomes</p>	<p>SO1: Promote competitive and climate smart value chains.</p> <p>SO2: Improve access for farmers and agri-business to key markets</p> <p>SO3: Promote financially and environmentally sustainable rural economic infrastructure, critical for increasing productivity, post-harvest management and improving resilience</p>
<i>Geographic focus and coverage</i>	Mountain areas	Livelihood systems of the mountainous areas and the lowlands lying between the Greater and Lesser Caucasus	All major agro-ecological zones ; areas with highest concentration of rural poverty, and highest potential for agricultural development
<i>Strategic thrusts</i>	<ul style="list-style-type: none"> • Strong policy and institutional framework for rural poverty eradication • Decentralized decision-making and community participation • Producer incentives, land market, privatisation, infrastructure rehabilitation. • Access to rural finance • Off-farm income generation • NGOs working with the poor • Natural resource management 	<ul style="list-style-type: none"> • Market linkages • Improved on-farm productivity • Support of the non-farm rural economy • Develop rural financial services • Creation of farmer associations • Community development 	<ul style="list-style-type: none"> • Inclusive rural market development • Climate smart agricultural value chains • Private sector investment • "Public good" productive and value chain infrastructure
<i>Loans approved</i>	<ul style="list-style-type: none"> • RDPMHA (1999) 	<ul style="list-style-type: none"> • RDP (2005) • ASP (2009) 	<ul style="list-style-type: none"> • AMMAR (2014)
<i>Policy dialogue</i>	On enabling administrative system for communities; facilitation of grass-roots participatory organizations; NGO participation in development process; poverty alleviation within rural development	On access to financial markets (credit, collateral, CBO participation) and access to markets (value addition in key crops)	On enhancing support for financing supply chain development and other off-farm production and services , which hold high potential to generate employment and income for poor households.

Portfolio composition

51. Georgia's Performance-Based Allocation System (PBAS) allocation since 2005 has grown steadily, but the approved loans have lagged behind during the crises period (2007-2013). Recent increases for IFAD9 (2010-2012) and IFAD10 (2013-2015) were driven by higher rural sector performance assessments within the PBAS formula.

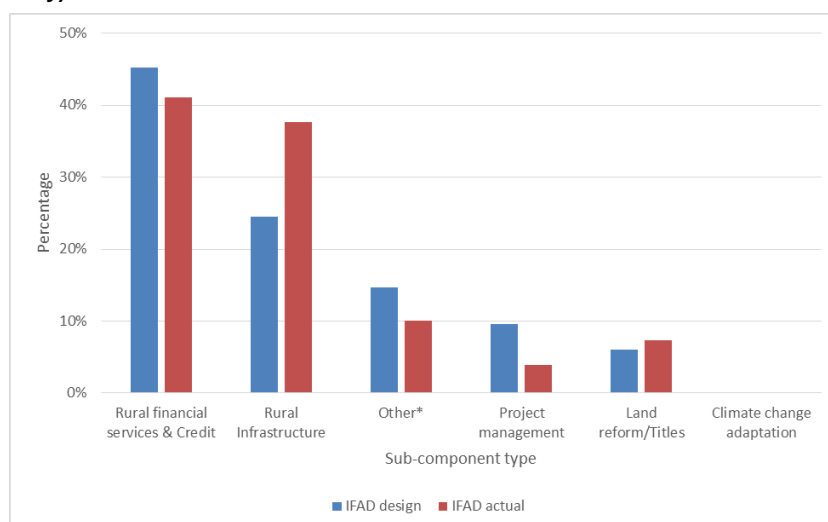
Table 5
Georgia PBAS allocation and loan approval (US\$ million)

Years	PBAS allocation	Approved loans	Rural Sector Performance averages
2005-2006	3	10	4.4
2007-2009	6	8.7	4.2
2010-2012	10.6	5	4.7
2013-2015	13.8	13.8	4.7
2016-2018	19.2	n/a	n/a

Source: IOE CLE on IFAD's Performance-based Allocation System, annex IX

52. Since 1997, IFAD has committed US\$50.5 million in loans⁵⁶ to Georgia to support rural poverty reduction and agricultural development. Out of the five agricultural development programmes and projects, four have been completed and one is ongoing. There is also one project currently under design. Three projects under design were not further pursued due to lack of Government interest. The programmes have revolved around development of institutions and frameworks, rural finance and rural infrastructure. Rural financial services and credit has absorbed the largest share of IFAD funding (41 per cent), followed by rural infrastructure (38 per cent).⁵⁷ Another 12 per cent of funds were dedicated to land reform and titling, food crop production, community development, animal health, marketing and forestry.

Figure 2
Proportion of sub-components (in design and actual spending) in closed portfolio (IFAD funding only)



* Includes: community development; forestry; marketing: inputs/outputs; food crop production; animal health
 Source: annex VII tables 1.8 & 1.9

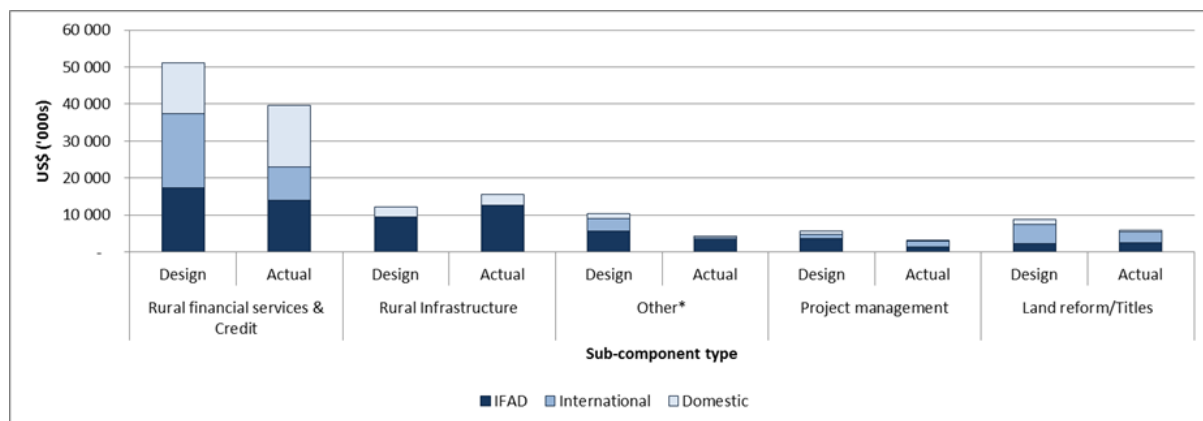
53. The **total portfolio cost over the last 13 years** amounted to US\$123.4 million. IFAD contributed US\$52 million, and the Government counterpart contribution was US\$8.2 million. Beneficiaries, domestic financial institutions and local private institutions contributed US\$24.2 million. Co-financing has been an important theme in this portfolio, with international donors contributing US\$39.1 million in three projects (ADP, RDP, AMMAR). Sub-component analysis shows that co-financing was specifically leveraged into rural financial services and credit. In rural infrastructure

⁵⁶ US\$1.5 million in loan component grants were attached to 2 projects

⁵⁷ Rural finance and credit accounted for 33 per cent of IFAD funding

it was IFAD that contributed the lion’s share. A smaller but significant amount of international co-financing (World Bank) went into land reforms and land titling.

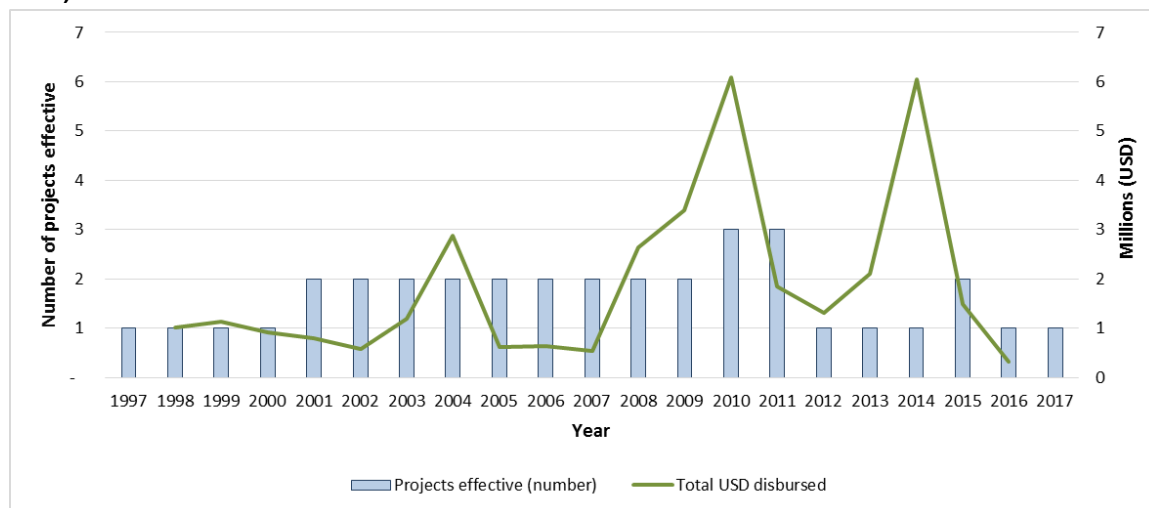
Figure 3
Design and actual costs of sub-component type financing by financier type in closed portfolio (in US\$ '000)



* Includes community development; forestry; marketing: inputs/outputs; food crop production; animal health
 Source: annex VII tables 1.8 & 1.9

- 54. **Disbursements.** Average annual disbursements amounted to US\$2.3 million, though highs were recorded in 2010, when three of five projects were disbursing, to lows of just over US\$300,000 in 2016. Disbursements slowed down markedly during the suspension of RDPMHA (2005-2006) and then again during the restructuring of project management under MoA (2011-2012). The 2004-2011 period saw on average of 2.3 projects effective, while since 2012 there has been only one active project for most of the time.

Figure 4
Number of projects effective per year and cumulative disbursements of all projects in US\$ (1997-2017)



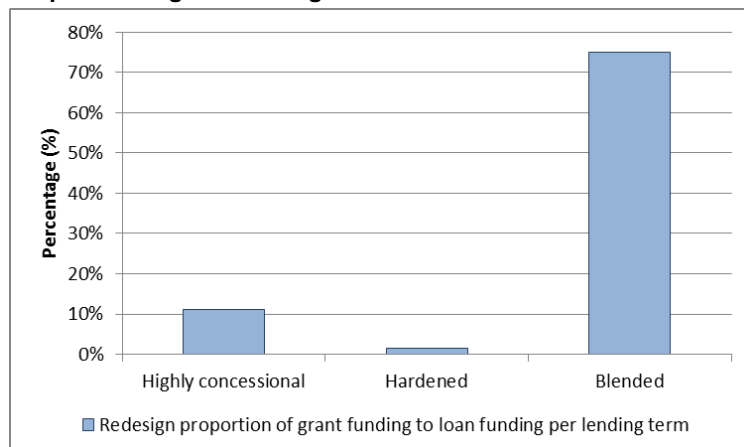
Source: IFAD Flexcube 2017

- 55. **Lending terms.** Over the period, lending terms moved from highly concessional (ADP, RDPMHA, RDP) to hardened (ASP) and finally blended (AMMAR).⁵⁸ IFAD loan programmes have become increasingly mixed in terms of funding sources since 2015 (Figure 5). Grant funding (both IFAD and other sources) under AMMAR is US\$10 million and represents 75 per cent of total loan funding, having been sourced from the Global Environment Facility (GEF) at project design and from the

Danish International Development Agency (DANIDA) during implementation. The loan-grant blend clearly offers a more palatable deal for Government to take on increasingly expensive loans.

Figure 5

Proportion of grant funding from IFAD and co-financiers in loan operations per lending term



* Redesign takes into account AMMAR's DANIDA grant

Source: annex VII table 1.2

56. **Grants.** Georgia has benefitted from 18 grants focussing on a wide range of thematic areas, of which 16 fall within the evaluation period. Four of these grants are directly integrated into the lending portfolio as loan component grants.⁵⁹ Of the 12 IFAD-funded grant projects, financing windows have been largely diverse, including grants from the global-regional, country-specific, supplementary funds,⁶⁰ special operations facility (SOF),⁶¹ and the IFAD/NGO Extended Cooperation Programme (ECP)⁶² sub-windows. For IFAD-financed grant projects, the value of the grants has been US\$6.2 million since 2004, but included only two country specific grants worth US\$0.5 million. The remaining US\$5.7 million covered six global-regional grants which included Georgia amongst other countries (worth US\$5 million), two ECP grants, one supplementary grant, and one SOF grant. The grants were primarily used to complement the lending portfolio (i.e. RDPMHA, RDP, ASP, AMMAR). Thematic areas included rural finance, horticultural value chains, gender and institutional capacity building.

Main partners

57. **IFAD counterpart agencies.** Since 1997, IFAD's main counterpart in Georgia has been MoA. Implementing structures were set up within MoA, although those changed over time. Initially MoA had set up a project management unit (PMU) for the implementation of RDPMHA. Following the redesign of RDPMHA in 2008, the IFAD funded projects were transferred to the management structure set up for World-Bank funded projects in the Ministry (the Agricultural Development Projects Coordination Centre (ADPCC)). The ADPCC was liquidated in 2011 and the assets were transferred to the International Organisations Projects Implementation Department (IOPID) in 2012. Following the Government decision in 2015 to mainstream the functions of the ADPCC into the regular civil service of MoA, the World Bank and IFAD-funded projects are now managed by the joint Donor Projects

⁵⁹ These include IFAD-funded loan component grants for RDP and ASP, and a GEF and a DANIDA grant for AMMAR.

⁶⁰ From The Netherlands, Luxembourg and Spain

⁶¹ Two grants were funded through the Special Operations Facility (SOF) window. The facility was approved to support grants requested by the countries directly in support of loans. SOF is no longer operative.

⁶² The IFAD/NGO ECP has made valuable contribution to enhancing IFAD- NGO operational partnerships and through this NGO-Government partnerships. It has also increased institutional exposure to participatory approaches for poverty alleviation and helped in their promotion and internalisation during the implementation of IFAD projects (OE, 2000, IFAD website).

Implementation and Monitoring Division. Other partner agencies based in MoA include the APMA, the Rural and Agricultural Development Fund, and the United Amelioration System Company of Georgia (UASCG).

58. Partnerships with other ministries include the Ministry of Finance (MoF), as the borrower of IFAD loans, and as overseer of particular activities such as its role of CU regulator. Partnerships with other Government agencies have been more sporadic. IFAD's first project, the ADP, helped establish the State Department of Land Management which subsequently became the NAPR based in the Ministry of Justice. This agency was supported again in another IFAD project, the RDP.
59. **Non-governmental organization (NGO) and private sector partners.** The IFAD-managed projects involved some NGOs as implementing partners, for example the Mountain Area Development Institute (MADI) in RDPMHA and ELKANA and Caucasus Environmental NGO Network (CENN) in AMMAR. Five MFIs, and in its earlier stage four banks, were involved during RDP. An important private sector partner was TBC Leasing in ASP. IFAD projects have supported a number of SMEs.
60. **International co-financing partners.** The main international partner was the World Bank which co-financed ADP and RDP. The RDP was also co-financed by the Government of Japan. The ongoing AMMAR is co-financed by GEF and Danida.

Key points

- The period since independence (1991) has been marked by crises and conflicts, and the following economic slowdown.
- After the change of Government in 2012 Georgia adopted its first agricultural development strategy.
- Georgia and the EU signed an Association Agreement in 2014, which is expected to boost agricultural exports in the longer term.
- IFAD prepared its first COSOP in 2004. It was replaced by a Country Partnership Strategic Note in 2014.
- 2008 presents a watershed moment in IFAD's engagement. Following the poor performance of its projects during the previous years and in response to changing Government priorities, IFAD adjusted its project designs to focus more narrowly on infrastructure and rural finance.
- Investments in rural finance services and infrastructure have absorbed 79 percent of the portfolio funding.
- International co-financing was a strong feature of the portfolio. Two projects were co-financed with the World Bank. Other major co-financiers include DANIDA and Government of Japan.
- Lending terms have hardened over the period. The proportion of grants in investments has increased significantly under blended lending terms.

III. The lending portfolio

A. Project performance and rural poverty impact Relevance

(i) Policy relevance

61. Broadly, all five projects have been in line with both the Government's strategies and those of IFAD, with a strong focus on access to markets and engagement of the private sector. Food safety has been an area supported since 2006, although it was not until 2015 that Government, in the context of the EU Association Agreement, gave it priority. While the project objectives were relevant, the designs had some major weaknesses, particularly in rural finance where the choice of financial institutions was either inappropriate in the context or had to be abandoned during implementation.
62. The **Agricultural Development Project (ADP)** was implemented from 1997 to 2005. Its main objectives were to increase agricultural production and the efficiency of production through access to finance, registration of land titles, private sector farming and agriculture processing. This was during the time that the strategy, as espoused in the SUSOP, was being pursued by IFAD and the implementation of the poverty reduction strategy by Government had just been approved two years before the project's end. Both strategies were broad, trying to address a range of issues in the rural sector. Registration of land titles was important to encourage private smallholdings and investment in agriculture by the private sector, especially given Georgia's history as an essentially planned, state-owned economy. Limited access to finance was considered an impediment, and particularly agricultural processing was seen by the Government as a way of boosting exports thereby encouraging socio economic development.
63. CUs were chosen as they would introduce a sustainable system of providing financial services to the rural sector; a sector neglected by the majority of financial intermediaries.⁶³ They would also accelerate the rate of resource mobilization in the rural sector, thereby providing higher returns on capital to members of CUs, and lower costs of borrowing. However, after the political changes of 2002 Government was not supportive of agriculture generally and this included agricultural CUs. Setting up a large number of new financial institutions was also unrealistic in a country like Georgia, which had a weak financial sector, a weak banking sector, lack of experience of CUs, lack of focus of CUs on development of agriculture and of the involvement of poor farmers. Besides the institutional costs for targeting individual poor farmers, which are considerable for small financial institutions, had not been taken adequately into consideration at design (see IOE Thematic Evaluation 2007). During the MTR (2000), the component was re-designed and down-sized and the number of CUs being supported was reduced from 120 to 55.⁶⁴
64. The **Rural Development Programme for Mountainous and Highland Areas (RDPMHA)** aimed to sustainably improve the livelihood of the population in the high mountain areas of the Greater and Lesser Caucasus in Georgia. It was the first project designed and financed by IFAD. RDPMHA was implemented in two phases from 2001 to 2011. The project was designed and implemented during the SUSOP period which had a strong focus on mountainous areas in Georgia and Azerbaijan. The SUSOP had emphasized the engagement of the rural communities in the identification and prioritization of their needs. The following COSOP also foresaw

⁶³ Under an IDA Project Preparation Facility (PPF), pilot activities of ADP had commenced in December 1995 and ten credit unions were already being supported. PPF's progress was deemed to be promising by the Appraisal Report of the World Bank in 1997.

⁶⁴ This component cost was revised downwards to US\$6.585 million. The amount provided by IFAD was left unchanged, but the amount from IDA was reduced to SDR 1.9 million.

the promotion of local development initiatives. That the project ventured into servicing the social needs of the communities is reflective of that approach.

65. At that time there was no long-term Government strategy formulated for high mountainous regions. The objectives were not especially aligned with Government priorities in the period, as agricultural development in general and that of the high mountain regions in particular were not a Government developmental priority.⁶⁵ The project, therefore, suffered from a lack of political commitment and support, further compounded by political uncertainties and lack of a clear agricultural strategy at that time. However, from the current perspective, the phase 1 goals and specific objectives were in full conformity with the Georgia Agriculture Development Strategy 2012-2020 as well as its successor, the Rural Development Strategy 2015-2022.
66. Until 2006, RDPMHA (phase 1) encompassed a range of actions relevant to address rural poverty and improve incomes of poor farmers. These actions included a comprehensive set of economic and social sector interventions, including community capacity building, community mobilization, boosting agricultural productivity, environmental conservation, agro-enterprise development, and social and economic infrastructure. After 2007 the reformulated project had its scope reduced to financing rural infrastructure rehabilitation in four districts, as prioritized by central Government. The complete re-design happened only one year before the expected closure of the project and caused a disruption of activities already started on the ground in phase 1. In practice, this led to RDPMHA being implemented as a different project under phase 2, without adjustments to the project goal and objectives. In hindsight it would have been appropriate to conclude the ongoing activities and close the project as planned, but this would have resulted in a significant part of the project budget (approximately US\$2 million) remaining undisbursed.
67. The **Rural Development Project (RDP) was implemented from 2006 to 2011** in partnership with the World Bank. The project's objectives were sustained rural income growth and poverty reduction through: (i) facilitating the access of Georgia's mainly small and medium-scale farmers to commodity supply chains; (ii) improving the competitiveness of agribusinesses and the associated supply chains; and (iii) strengthening the capacity of selected agricultural and financial institutions serving private-sector agricultural market activity. The project's focus on food safety issues was important and relevant although the Government had still not articulated an agricultural development strategy, and issues aimed at achieving the obligations in agriculture under the European Union Association Agreement had not yet gained prominence. Similar to RDPMHA, this project was designed and implemented in a critical transition period in Georgia. The project design underwent two adjustments (in 2009 and 2011), to simplify the design and maintain relevance at a time when Government was reshaping its priorities and strategies to restore economic stability.⁶⁶
68. The **Agricultural Support Project (ASP)** was implemented from 2010 to 2015. It was the first project that was financed and supervised by IFAD. The project objectives were: (i) to increase assets and incomes among economically active poor rural women and men willing to move towards commercial agriculture and associated rural enterprises; and (ii) to remove infrastructure bottlenecks. The project objectives were in line with the Agriculture Development Strategy 2012-2022 and IFAD's COSOP. Construction or rehabilitation of roads, bridges and irrigation networks, and rural finance through leasing were the main activities under this project. Rehabilitation of infrastructure had become a Government

⁶⁵ The most significant policy articulation at that time was the 2003 Georgia Poverty Reduction Strategy Paper, also called the Economic Development and Poverty Reduction Programme of Georgia (EDPRP).

⁶⁶ See: Government of Georgia. Basic Data and Directions 2007 – 2010 and 2009 – 2012.

priority since 2008.⁶⁷ The Government's agricultural development strategies of 2012 and 2015 focus on amelioration (irrigation and drainage) infrastructure.

69. Agricultural leasing was pursued as an option to channel investments into the agricultural sector that offered various advantages to the clients, including simpler security arrangements, financing of a higher percentage of the capital cost of equipment than bank borrowing, faster processing, greater flexibility in leasing contracts to meet the cash flow requirements of the clients and use of the purchased equipment as collateral. It was assumed that Georgia's experience with leasing and the existence of adequate legislation would enable agriculture-related leasing to be directed to reducing rural poverty through both leasing companies and MFIs. These assumptions made at design proved to be over-optimistic; demand for this product was not as high as expected and there was little interest on the side of the banks and MFIs to join the project.
70. The **Agriculture Modernization, Market Access and Resilience Project (AMMAR)** started in 2015 and is expected to complete in 2019. Main activities include demonstration plots (including wind breaks) and farmer trainings, provision of matching grants for innovative agricultural projects targeting smallholder farmers, and infrastructure construction and rehabilitation, including irrigation channels, roads and bridges. AMMAR has built on the opportunities created by the policy shift and the renewed interest in the revitalization of the agricultural sector since 2012, in particular with respect to irrigated agriculture and value chain development. The project is in line with the current Agricultural Development Strategy of Georgia (2015–2020) which focuses on increased competitiveness of entrepreneurs, improved access to finance, irrigation, introduction of windbreaks, value chain development and environmental sustainability. The project is also in line with all three objectives of the IFAD's 2014 CPSN.

(ii) Coherence of project designs

71. For the closed projects coherence between components was weak. In a number of cases, the project design included an array of interventions without clear linkages. For example, support on land registration was being provided along with infrastructure building of the Food Safety Agency and loans to rural enterprises through MFIs. The exception was RDPMHA, which in the first phase had a holistic vision of rural development and a rather open menu of interventions based on community priorities to be implemented within a clearly defined geographic area. However, the scope of work for phase 1 was far too ambitious, given the difficult situation in mountain areas, and it was too demanding for one single NGO to be implemented.
72. In the case of ADP, the project intervention logic suffered from a lack of linkages between the four components of the project, e.g. there was a small agricultural services component, designed principally to prepare for other World Bank interventions, with different objectives. The two components wholly or partly funded by IFAD were also insufficiently linked. For example, there were no CUs established in the two districts selected to house the land registration offices. The four ADP components had their separate objectives and worked in parallel. As the IOE completion evaluation (2007) noted, "If the CUs had served to finance the production of milk, grapes, hazelnuts, citrus fruits which then provided the raw material for the agro-processing enterprises supported by ADP, the impact of the project as a whole might have been more impressive. In that case, a system of zonal targeting would have been required which was not apparently considered."

⁶⁷ In ASP out of six irrigation projects, four were implemented in Shida Kartli Region. A large part of Shida Kartli is under Russian occupation and the existing irrigation schemes are partly under control of Russian troops, who cancelled water supply to the Georgian population. Moreover, a big part of the existing irrigation schemes was destroyed during the Russia–Georgia war in 2008.

73. Between 2008 and 2012, but also since then, a number of developments (e.g. food crisis, financial crisis) have occurred which have necessitated IFAD to develop greater coherence within its programmes and simplify its operations. The projects designed or re-designed during this period (RDPMHA, RDP, ASP) have significantly reduced the number and range of interventions, with an increased focus on infrastructure.
74. The RDP design had shown similar lack of coherence to ADP. It supported a range of interventions, e.g. the construction of offices of the Food Safety Agency, promotion of agricultural supply chains through trainings and demonstration plots, and access to credit for small farmers through MFIs and commercial banks. The components were insufficiently linked both during design and implementation. Following Government requests, the design was revised and streamlined several times, for improved focus and cohesion.
75. ASP was from the beginning a two component intervention composed of five sub-components namely irrigation schemes, drinking water pipe, bridges, leasing to farmer groups and leasing to agro-processor companies. The project design drew from past project experiences of over-complex plans and infrastructure sustainability issues by supporting a reduced menu of interventions. Yet without a geographic focus, interventions were scattered and insufficiently linked. The IOE impact evaluation (IE) (2017) found that the impact has been minimal because sub-components were implemented as a discrete set of activities with little synergy amongst them and that the geographic areas of interventions of these sub-components did not overlap.
76. With the adoption of its Agricultural Development Strategy in 2012, Government became eager to streamline foreign investments into strategic priority areas and improve the coherence of donor-supported programmes. The latest project, AMMAR, is distinctively more cohesive than the previous operations. Its design follows a theory of change, with all components striving towards improved access to markets and it targets a number of different actors along selected value chains. This has made the design of the project more integrated and holistic, but added to its complexity. There is also emphasis on adaptation to climate change under GEF funding, and an additional component on job creation for rural youth under DANIDA funding. AMMAR is attempting to tackle a multitude of issues hindering value chain development; some better integrated with each other than others. While this is laudable, it appears too ambitious given the limited technical capacities within the project management unit.

(iii) Targeting strategies

77. **Direct targeting of the rural poor** has been limited over the CSPE review period. This was not an aberration from the project designs, which clearly stated that commercialization and value-addition in agriculture was the focus, not poverty alleviation. The designs did refer to poverty alleviation and implied that this would be done by promoting the growth of agricultural enterprises; these enterprises would seek to source supplies from small farms or employ rural labour. While all the projects may have intended to contribute towards poverty reduction, they did not directly target the poor. Even RDPMHA focussed on the entire mountainous communities it targeted, without distinguishing between poor and better-off farmers.
78. **Specific targeting through CUs.** In ADP, specific targeting was attempted in the CU component. The loan agreement of ADP included two targeting mechanisms to ensure that the CU component would: (a) be concentrated in poor areas; and (b) reach the poorest groups. The first stipulated regions with a large proportion of households living below the poverty line, a high incidence of food insecurity, poor education facilities, poor communications, inadequate health facilities, poor

agricultural potential, and issue of displaced people. The second stipulated that a new CU should demonstrate that a significant proportion of individual members (around 30 per cent) could be classified as 'vulnerable' (box 1). Vulnerability was defined in terms of landholding, income, food insecurity and health status. It was envisaged that three rapid rural appraisals would be carried out in 'representative vulnerable areas' in order to arrive at a definition of vulnerable groups and refine component strategies. However, during the hasty expansion of CUs after the first two years, the targeting criteria were entirely ignored, and the prescribed rural appraisals were never carried out. The early experiments with loans to the poorest, initially encouraged by the Credit Union Development Centre (CUDC), were soon abandoned.

Box 1

The poor and the poorest in Georgia

The IFAD completion evaluation mission (2017) found that the majority of CU members were from the relatively poor categories, not from the poorest or better off categories. However, CU perceptions were that the poorest were those 'not engaged in agricultural activities; receiving state pensions or charitable support as their main source of income; elderly couples; landless or without labour capacity.' The poor, meanwhile were 'engaged in minor agricultural activities, with land plots up to 1 hectare; produce mainly for home consumption; possess little cash in the form of state pensions/allowances; own few livestock (one cow, pig or sheep).'

79. **Geographic targeting** has not been a strong feature in the portfolio. In principle all projects, with the exception of RDPMHA, covered the whole of Georgia and followed a demand-led approach. For example, the infrastructure projects selected for support by the central project units only covered six municipalities in ASP. Under AMMAR, the selected value chains are implemented in four regions. Only RDPMHA had a focus on rural communities living in mountainous and high altitude areas – communities considered to be poorer and marginalized. The project targeted four high mountainous municipalities: Shuakhevi, Aspindza, Ambrolauri and Dusheti. This project used a geographic targeting approach and different groups of poor farmers or internally displaced people (IDPs), also present in the project area, were not specifically targeted.
80. **Targeting entrepreneurs.** By and large, the focus of the IFAD interventions has been on small and medium sized farmers with potential for (further) commercialization, or medium to large agro-processing or exporting businesses. After ADP and RDPMHA, there has been no direct targeting of poor farmers. The original design of the RDP was targeted to small farmers and underemployed rural people in order to increase their income-earning potential. According to the IFAD project completion report (PCR), in its design, the project targeted the country's agriculture and agribusiness sectors, ranging from small and medium-size farmers, to agricultural processors, as well as other private, supply chain-integrated entities. ASP also targeted agriculture-related producers and processors and farmers willing to move towards more commercial production; again not the poorer segments of the population. The rural leasing activities were supposed to reach out to the commercially oriented and economically active poor, with an upper limit for leasing companies of US\$300,000 per client and for MFIs of up to US\$30,000 – clearly not targeting the lower economic rungs of the rural population. The currently active project AMMAR follows the trend and again focuses on tapping into the entrepreneurial potential of rural farmers and enterprises, rather than directly addressing issues of poverty or vulnerability.
81. **Gender-specific targeting.** None of the closed projects have used gender-specific targeting strategies. In ADP gender issues were not addressed specifically in any way even though the majority of the members of CUs were women. RDPMHA made an effort to develop gender-specific targeting, but this was discontinued after the

re-design. RDP did not specifically target women although half of the MFIs' clients taking out loans were women. The ASP design included a minimum target of 30 percent for women in all categories of project investments, but the project did not have a strategy to target women. AMMAR is the first of all the five IFAD-funded projects to proactively target women; a target of 30 percent minimum representation of women across AMMAR activities has been set.

82. **Community participation.** Participatory and community-driven approaches were envisaged in several projects, but none of them were realized or, where they were attempted, sustained in the end. In RDP it was expected that the project would involve almost 300 community groups throughout Georgia in the implementation of the agricultural supply chain development component. Later however, this component was completely modified and the involvement of local communities was very limited. RDPMHA was designed as a fully-fledged community development project, which involved the preparation of participatory village development plans, but none of them were ever implemented.
83. **Overall.** All the projects, including the current active project AMMAR, were broadly in line with Government strategies. Many activities undertaken such as the support to the food safety infrastructure, land privatization and rehabilitation of irrigation channels were prioritized in Government strategies sooner or later, including in the 2015 Agricultural Development Strategy that can be considered as the most comprehensive and detailed of the documents relating to agricultural development produced so far. Some aspects supported by IFAD such as food safety, water user associations or agricultural cooperatives received Government's due attention with some delay. Other aspects such as the focus on farmers' organizations or microfinance were not emphasized at all, but are still needed. Strategic priorities were well chosen and IFAD's support focussed on a number of important issues. Shortcomings in the portfolio were weak project designs, with unrealistic objectives and implementation approaches, and poorly integrated project components. Those were often corrected through comprehensive redesign at some point of implementation. Relevance on the ground could have been better if participatory approaches had been implemented. Strategies to target poor farmers and women were either missing or not implemented in the closed projects, which was a major gap in the portfolio. Yet because of the overall strength of the portfolio in addressing salient issues of agricultural development in a dynamic and adaptive way, the CSPE rates overall relevance as *moderately satisfactory* (4).

Effectiveness

(i) Achievement of objectives

84. According to IOE evaluations **overall project effectiveness was rather low**, mainly because some components failed to achieve their set objectives and targets. In ADP effectiveness was low because no effective CU network was set up. However, land registration procedures improved and land transactions increased as a result, and credit to enterprises achieved its objectives by increasing credit flows to rural areas. The main reason for the low performance was that the financial, economic and political environment altered significantly between 2000 and 2006. Further, political support for the concept of CUs faltered once they failed to perform.⁶⁸ Effectiveness of RDPMHA was uneven, with a poorly performing phase 1 and a better performing phase 2. However, this was the only project that IFAD supported in Georgia that has provided some broad-based benefits to poor farmers, as further explained below, and it has been effective in this respect. Effectiveness was low in ASP because the overall outreach was below target, the objective of attracting financial institutions to the leasing sector was not achieved,

⁶⁸ ADP completion evaluation 2007

and the irrigation infrastructure had not delivered the anticipated benefits at the time of project closure.⁶⁹

85. RDP was more satisfactory under effectiveness. It successfully devolved rural financial services to a large number of rural households, with access increased from 28 percent in 2005 to 41 per cent in 2011. Achievement in terms of agricultural production and market access was moderately satisfactory while achievements under the supply chain development and institution building (food safety and property registration) were found to be limited at the time of the project performance evaluation.

(ii) Production technology

86. Introduction of improved production technology was expected to make a major contribution to the transition to more market-oriented agriculture. Community-based extension service provision was applied holistically and had promising results under RDPMHA's phase 1. This was cut short and subsequent value chain approaches were initially applied in a rather rudimentary manner in RDP. Some results were achieved, but those were modest and primarily limited to field trials and demonstration plots. The main limiting factor was the absence of an institutional framework for extension to guide and execute the activities.
87. In RDPMHA no outcomes were reported. However, **community-based extension service provision** activities in support of income generation were relatively successful at the point of mid-term, introducing improved potato seed and supporting apiculture, livestock improvements, and pasture management.⁷⁰ These were applied through a Farmer House concept, which acted as a focal point and 'one stop shop' for technical advice and quality crop and livestock inputs in each participating municipality. In apiculture, the programme provided 748 improved hives in 2004 with expansion to over 6,000 units in 2005.⁷¹ One hundred tonnes of improved potato seeds⁷² were distributed to farmers in mountain areas, and the 2004-2005 growing season had 1,059 farmers from 55 villages in 4 municipalities involved in field trials. In 2005, a total of 220.4 tonnes of potato seeds had been produced of which 106 tonnes was certified.⁷³ Livestock productivity enhancement was promoted.⁷⁴ The project provided training and inputs to 88 farmers to improve production of pastures.
88. RDP supported the setting up of **value chains**, albeit with limited success. Of US\$4.27 million allocated to the component, only US\$1.08 million (25 per cent) of this was utilized.⁷⁵ The number of beneficiaries – one enterprise, 43 farmers – was very modest, but targets were also set low (table below). Only three of the proposed five supply chains were realized.⁷⁶ The project set up 17 hazelnut and 26 citrus demonstration plots in Adjara and Samegrelo regions, and during the 2006-2011 period, 43 direct and 604 indirect beneficiaries were trained in pruning, weeding and spacing of hazelnuts and citrus. Sectoral research and strategy activities included research on value chains involving soil analysis and the development of agronomic guides. Under ASP, 237 farmers were able to supply raw

⁶⁹ This was mainly an issue of unrealistic target setting on irrigation. For example, the target for irrigated land assumed that water would be delivered to the entire catchment area by the end of the project, but tertiary canals would still have to be built in order to deliver the water after project completion. In another case the target area covered an area where a lot of construction was going on as a result of the economic development near Tbilisi.

⁷⁰ RDPMHA MTR, 2005

⁷¹ Adapted types of hives were introduced, breeding and distribution of queen bees was undertaken, and technology and training provided

⁷² A1 and B type of potato seed were imported for the Netherlands based on research undertaken into potato production

⁷³ RDPMHA UNOPS Supervision Report (2006); PMU Progress Report (2005)

⁷⁴ Activities included introduction of superior breeds, improved availability of feed, veterinary services, and artificial insemination.

⁷⁵ Component activities included supply chain promotion, linkages to farm communities, and technology transfer

⁷⁶ Wine, hazelnuts and citrus

materials to enterprises (including wineries) benefitting from the rural leasing component. Assumed backward linkages were strengthened, with no new linkages generated. At best, leasing was successful in filling funding gaps for enterprise investment.⁷⁷ Under AMMAR, farmers are being trained in pruning, harvesting, and drip irrigation. Until now, the service provider has provided training to almost 600 farmers, the majority of whom are men. This has been done on six demonstration sites. It is also undertaking training of trainers of MoA staff in the Regional Information and Consulting Centres in order to improve the prospect of sustainability of availability of technical advice for farmers.

Table 6

Direct beneficiaries receiving agricultural improvement services

<i>Project</i>	<i>Targeted (individuals)</i>	<i>Actual (individuals)</i>	<i>Actual/Target (%)</i>
RDPMHA*	n.a.	1,059	-
RDP	35	43	123
AMMAR	1,400	676	48
Total	735	1,699	

* To avoid double counting, the evaluation uses the largest single activity (technical support to potatoes) provided under RDPMHA phase 1. Otherwise, 3,585 beneficiaries benefited from potato, livestock, beekeeping and pasture management activities

Source: RDPMHA PMU progress report 2005 pg. 7; RDP World Bank RDP ICR section F; AMMAR RIMS March 2017

(iii) Rural infrastructure

89. A significant share of IFAD's investments went into infrastructure with mixed results. Notable results have been achieved by RDPMHA on transport infrastructure through appropriate selection of sites and constructors. Irrigation and social infrastructure were completed, yet these too are limited by weak institutional capacities on the ground to manage and maintain the systems.
90. **Irrigation infrastructure.** To improve water availability, irrigation channels have been or are being constructed or rehabilitated under three of the five projects. The results were unsatisfactory, for different reasons. In RDPMHA, investments were made in six irrigation schemes, of which three were completed and three partly completed due to the project suspension.⁷⁸ ASP assisted in the rehabilitation of six irrigation schemes, all of which have been completed. However, by project completion, limited incremental benefits had accrued due to the delayed completion of irrigation schemes,⁷⁹ slow take up of newly available irrigable lands by landowners, and inability of many small farmers to afford critical factors of production to take advantage of new irrigation potentials. For those reasons, just 1,420 ha, or 13 per cent of the potential command area, had been registered for water supply by UASCG and brought under irrigated cultivation by 3,390 households (24 per cent of the target) in 2015, although there is potential for significant higher coverage.

⁷⁷ ASP IE para. 86-87

⁷⁸ RDPMHA supervisions from 2009 onwards do not discuss the irrigation works' effectiveness or impact

⁷⁹ Delays were caused by: long participatory site selection process (160 schemes submitted in 2012); reassessment of geographical targeting for irrigation schemes (ASP supervision mission 2012); and lack of capacity at MoA and the Donor Projects Implementation and Monitoring Division to fulfill all procedural steps to assure participation, quality control, and clearance for scheme implementation (ASP MTR para. 38)

Table 7
Irrigation schemes built/rehabilitated and functioning (hectares)

<i>Project*</i>	<i>Target (ha)</i>	<i>Actual (ha)</i>	<i>Actual/Target (%)</i>
ASP**	11,042	1,420	13
AMMAR	4,750	360	8
Total	15,792	1,780	11

* RDPMHA does not provide the extension in coverage of hectares of the partially completed irrigation schemes it worked on under phase 2

** ASP data comes from the IOE Impact Evaluation, which validated the effectiveness of the intervention a year after completion, rather than from the PCR

Source: ASP Impact Evaluation para. 54 & 74; AMMAR RIMS March 2017

91. **Transport.** The construction of roads and bridges, although limited in scale, brought about important changes at local level. Under RDPMHA, and with the participation of municipal authorities, seven rural roads spanning a total of 75.7 km were rehabilitated, four new bridges were constructed and five existing bridges rehabilitated, benefitting 9,820 people.⁸⁰ Cumulatively, 16 of 30 targeted infrastructure projects were completed. Rural infrastructure development continued under ASP. Three subprojects were financed consisting of the rehabilitation of two deteriorated bridges and roads designed to facilitate transport and communication of agricultural products and the movement of livestock to the summer pastures (table below). The CSPE mission visited 13 infrastructure projects, and found the bridges to be in good working condition. Roads built under RDPMHA were more worn down but still in working condition. Based on beneficiary responses to the evaluation mission, an estimated 6,755 households have improved transportation with benefits including access to local social and Government services, to local markets, and to summer pastures (see annex VII table 1.1).

Table 8
Road and bridge infrastructure built/rehabilitated

<i>Project</i>	<i>Roads</i>			<i>Bridges</i>		
	<i>Target (km)</i>	<i>Actual (Km)</i>	<i>Target/Actual (%)</i>	<i>Target (number)</i>	<i>Actual (number)</i>	<i>Target/Actual (%)</i>
RDPMHA*	n.a.	75.7	-	n.a.	9	-
ASP	0.13	0.14	108	2	2	100
Total	-	75.8	-	-	11	-

* RDPMHA figures differ substantially between IFAD supervision mission and PCR. The mission elected to use IFAD supervision mission

Source: RDPMHA supervision mission July 2011; ASP RIMS 2015

92. **Social infrastructure.** As RDPMHA was designed to be an integrated rural development programme, unlike the other four projects, it also implemented activities focussed on improving the health and social well-being of the inhabitants. The project invested in ten health centres across the four programme areas, one domestic water supply system and a micro hydro-electric power station. However, the power station had design problems and was never operational, and health services have been absorbed into municipal centres. Under ASP, one drinking water supply system to make better use of available water resources from four springs was constructed.

(iv) Access to finance

93. Over the period, IFAD has supported different models to improve access to rural finance, with variable results. The performance of MFIs stands out, as they

⁸⁰ IFAD Supervision Mission July 2011 para. 11

significantly extended financial services to rural areas through targeted loans and low collateral needs. Outreach through CUs has not been sustained due to poor institutional capacity and loss of political support. Banks have participated in IFAD credit lines, but outreach was modest and not sustained due to the global recession and them not wanting to take on the risks of agricultural leasing. AMMAR started using matching grants with a new executing agency, APMA.

94. Under ADP, **credit unions** were expected to be participatory institutions where members would save in a common pool and undertake internal lending. Initial success at CU formation – 164 in 1999 with a membership of 10,668 - was not sustained and only 21 CUs, with a membership of 2,890 people were operating by the end of the project. The crash in the number of CUs was due to the high incidence of low or non-performing CUs, and the loss of support of Government for the concept.⁸¹ There was also an issue of elite capture: in less successful CUs managers chose the members, often leaving out the progressive and change-oriented segment of a village. Furthermore there was a lack of emphasis on training and capacity building by the project. The CUDC only trained managers of CUs, and this training was largely focused on financial management and accounting issues, while all CU members should have received some kind of training.⁸² CU components in RDP/MPHA and RDP were ultimately abandoned.
95. In RDP, **MFIs and commercial banks** were selected as conduits to deliver financial services to the poor. Five MFIs⁸³ joined the programme in 2009-2010 and issued 10,822 microfinance loans (out of a target of 1,000) valued at US\$9.54 million benefitting about 10,000 clients. Four banks⁸⁴ approved 27 sub-loans to 25 companies with total loans of US\$5.7 million.⁸⁵ Compared to the banks, MFIs had greater outreach in rural areas and even though their operating costs and interest rates were higher, they performed very well.⁸⁶ Half of the loans were also reported by the PCR to have been taken out by women. MFI data and interviews with MFI clients suggest that the microfinance credit line allowed MFIs to pick up new clients and that the vast majority of the microfinance loans were used for productive purposes (see annex VII box 2.1).⁸⁷

⁸¹ This could probably have been reduced by placing more emphasis on the early phases and start-up of a credit union, and by a closer and pro-active involvement in the initial stages of developing a pool of potential founding members of a new village savings and credit cooperative

⁸² IOE Thematic Evaluation (2007)

⁸³ Credo, Lazika Capital, Finca, Crystal, and FinAgro

⁸⁴ TBC Bank, Basis Bank, Bank Republic, Qartu Bank

⁸⁵ RDP World Bank ICR section F

⁸⁶ Credit lines to commercial banks were stopped due to deteriorating compliance conditions caused by financial crisis. All credit lines were fully repaid to IFAD/IDA and all project loan resources from the commercial bank credit line were reallocated to the MFI credit line, which had disbursed their allocated amounts and were willing to increase their use of project resources. MFIs did not fall under the same conditions as the banks. For further information see annex VII tables 2.7 & 2.9

⁸⁷ The data collected covers the 2009-2016 period, but the findings are applicable to the project implementation period too

Box 2

Outreach through MFIs – addressing the issue of collateral

Although the loan products are similar across the MFIs, their requirements differ with regard to collateral. Credo and Lazika have developed the expertise to manage the risks of agricultural loans; they focus on *sound loans* rather than *safe loans*. Financing products for the procurement of equipment require more sophistication in processing; Crystal introduced this in 2013 and Lazika in 2015. Credo and Crystal have been able to finance agricultural loans without collateral very successfully (at 94 per cent and 71 per cent respectively) at the same time having lower costs of loans than those with predominantly collateralized loans. The average share of the loan value without collateral was 48 per cent for all MFIs. Credo has achieved the highest share of loans (28 per cent) allocated to high mountain regions. This is only partially explained by the internal capacity of the MFI, and its presence in the high mountain regions. Finca and Lazika, for instance, have branches in the higher mountains regions, however their risk appetite for business in those regions seems to be low.

96. The success of **agricultural leasing** under ASP was limited primarily due to design assumption flaws.⁸⁸ Leasing was supposed to have been availed of both by MFIs and leasing companies.⁸⁹ Success depended on smallholders joining together in associations, and was designed to use existing institutions and involve the private sector (banks and MFIs) used in prior projects. Ultimately, only TBC Leasing was willing to participate in the project. MFIs were not encouraged to enter the agro-leasing market due to a variety of factors including the unclear regulatory framework,⁹⁰ how to deal with second-hand equipment, storage, taxes, and competition from other Government and donor programmes. The absence of MFIs meant that smallholder farmer and individual rural entrepreneurs with need for micro-loans did not benefit from the project directly. TBC Leasing, the sole participant in ASP, does not cater to the lower segment of the market. Its interest lies primarily in financing small and medium enterprises. It financed 15 of 18 targeted medium-large agro-enterprises (the largest outlay being to wineries) with a total cost of US\$3.02 million.⁹¹
97. In the current active **matching grants** component under AMMAR, 57 grants had been approved at the time of this evaluation out of which 20 have been disbursed (out of a target of 220). At the time of this evaluation, the approval of grants was still being hindered by the ongoing reorganization of the executing agency (APMA), difficulty in application procedures, and limited staff capacity allocated to the AMMAR portfolio in APMA.⁹² The grants issued so far are not fully in line with the IFAD guidance on matching grants which stipulates that they can be used as an interim instrument to co-finance productive investment if they can complement and support the expansion of sustainable financial services.⁹³ Although most of the grant beneficiaries have been able to secure additional loans to cover the greater part of their contribution, there was no systematic engagement to attract rural finance institutions to the financing of value chains, as noted by the 2016 supervision mission. The grants are also not exclusively being targeted at “riskier, climate-smart investments”, for which they were designed.

⁸⁸ The ASP IE found that the working paper prepared for the component was not clear in some of its extrapolation of data (ASP IE para. 80)

⁸⁹ Rural leasing activities were supposed to reach out to the commercially oriented and economically active poor, with an upper limit for leasing companies of US\$300,000 per client and for MFIs of up to US\$30,000.

⁹⁰ Reportedly among the issues that had prevented the MFIs from taking up leasing activities were the tax implications.

⁹¹ The ASP project provided US\$1.8 million from its resources, TBC Leasing provided US\$0.56 million and the beneficiaries contributed US\$0.745 million

⁹² Confirmed by institutional visits and stakeholder feedback.

⁹³ IFAD 2012. Matching grants – technical note

(v) Rural institutions

98. The support to establishing functioning rural institutions was a major thread in the country strategy, though results are uneven. Successful implementation and effectiveness benefitted state organizations through capacity building and building refurbishing. This allowed them to improve and expand service provision. The major weakness however, has been to set up effective institutions at the local level. This was only attempted by RDPMHA. While there were some immediate results, these were not sustained.
99. The **National Agency for Public Registry (NAPR)** was supported through construction and rehabilitation of first two and then nine more of its regional offices under ADP, and then development and operationalization of a land registration software under RDP. Land registration was proceeding but was being hampered due to incomplete or missing documentation, incorrect land parcel referencing, and land disputes. Land titles were assumed to also improve access to credit by providing a more secure form of collateral if needed for larger capital investments. Therefore the capacity of two regional land registration offices in Mtskheta and Gardabani was strengthened. Although the overall component cost incurred was almost the same as that planned at appraisal, achievements were substantially higher than targeted. Eleven regional land registration offices were established, compared with the appraisal estimate of only two. Altogether the project refurbished and computerized NAPR's 11 regional and 37 district registries countrywide. NAPR regional and district offices are successfully operating to date. The appraisal plan of 130,000 land titles being issued was exceeded by 16 per cent.
100. The second agency supported was the **Food Safety Agency (FSA)**, again under RDP. In this case also, the regional offices were constructed enabling the agency to undertake its work more efficiently and effectively. This was considered a step towards the safety and marketability of Georgian products and to enable Georgia to meet its international sanitary and phyto-sanitary obligations. In the context of the EU Association Agreement and the DCFTA, this was also relevant. The MoA food safety lab was rehabilitated and equipped. Six regional centres were constructed and training was provided to FSA staff.
101. The main **private sector institutions** that were strengthened were the MFIs. The five RDP MFIs were provided with over US\$11.5 million at subsidized rates under RDP in 2009-2010. In turn, this facility allowed them to strengthen themselves, opening more branches, recruiting more staff, and gaining more experience in rural lending. This also benefitted rural clients as it increased outreach by individual MFIs – by 2016, Credo MFI had issued loans to clients in all 9 regions of Georgia.
102. Along with the CUs, ADP facilitated the establishment of the **Credit Union Development Centre (CUDP)** for supervision and technical assistance, and funds for on-lending to CU members. The thematic evaluation (2007) noted there were no prospects for sustainability of CUDC, based on the inflows of fees and charges at that time. Expenditures for salaries and operating costs alone exceeded incomes already 4.5 fold at the time of the evaluation.
103. Less has been achieved with regard to **farmer groups and associations**, whether they be water users associations, livestock associations or groups for the maintenance of rural infrastructure. This is unusual for IFAD given that participatory grassroots organizations are a preferred mode of implementation in its work elsewhere. The CUs in its earliest project are the only example of a continued, large-scale effort at farmer groups and the bitter experience of that may be one reason why subsequent projects did not prominently promote similar institutions. The exception is phase 1 of RDPMHA where six water user

associations, 17 farmers associations and 8 farmers unions were legally established. They, like the CUs, have since collapsed.

104. In terms of **grassroots organizations**, none of the IFAD projects in Georgia put as much emphasis on beneficiary participation as did RDPMHA phase 1. Community participation processes would underpin the prioritization and selection of the project, and communities would be assisted by NGOs in forming appropriate user groups for the implementation of activities. Consequently, according to the 2006 UNOPS supervision report on phase 1, under RDPMHA, 26 producer associations were registered.⁹⁴ Municipalities also benefitted from increased participation and engagement with communities during phase 2 infrastructure work consultations.

(vi) Outreach

105. Beneficiary outreach seems overall modest given the resources deployed. Tangible results in terms of outreach were substantial and on target early on, achieved through transport infrastructure benefitting communities and quantifiable results from land registration activities. MFIs were also successful in increasing outreach of rural finance. Nonetheless, productive technologies have had limited success in extension trainings, and the current focus on irrigation schemes has yet to prove effective.
106. By project, ADP reached the largest number of beneficiaries through the expansion of land title issuance activities by NAPR, and supported through World Bank co-financing. RDPMHA phase 2 reached its outreach target through good implementation of infrastructure works, which allowed more community members to access high mountain areas. While RDP did not officially calculate its outreach, 10,000 MFI clients reached would have represented one third of the project's target. Contribution by value chain productive technology development was negligible however. ASP reached less than a third of expected beneficiaries, due to late implementation of irrigation works and over-estimation of the supply and demand of the agricultural leasing market for poor farmers. AMMAR is due to have its MTR in September 2017, but has achieved less than a tenth of planned outreach.

Table 9

Project design and actual direct beneficiary outreach

<i>Project</i>	<i>Design</i>	<i>Actual</i>	<i>Design/Actual</i>
ADP	130,000	157,890	121.5
RDPMHA	9,500	9,816	103.3
RDP	30,000		
ASP	19,631*	6,376*	32.5
AMMAR (ongoing)	40,000	3,160	7.9
Total	230,271	177,524	77.1

Source: annex VII table 2.10

*includes indirect beneficiaries (benefitting from employment and supply chains created)

107. **Infrastructure outreach** has been highest in RDPMHA, where over 9,816 households benefit from better transport. Benefits accrue to entire communities, with women also able to participate in income generating activities in summer pastures, and families having better access to health and education services. ASP irrigation infrastructure investments only benefitted 3,390 households, which

⁹⁴ Includes 6 vegetable producers' associations, 5 potato producers' associations, 4 cereal producers' associations, 4 livestock producers' associations, 4 beekeepers' associations, 2 fruit producers' associations and a grape producer's association

according to the IE mainly comprised existing irrigation users, medium-large sized farms, and absent landowners.⁹⁵

108. Outreach through **rural financial services** was best achieved by RDP's MFI credit lines (table below), which took advantage of financial support provided, training, and sectoral guidelines adopted and legislative changes made. Half of the 10,866 loans issued went to women. Some of ADP's 2,890 CU members remained in stable institutions and had access to savings and loan services. Seventy-three enterprises benefitted from credit lines and 15 from leasing services.

Table 10

Client outreach of financial models used in portfolio (individuals or enterprises)

<i>Client type</i>	<i>Project</i>	<i>Target</i>	<i>Actual</i>	<i>Target/Actual (%)</i>
Enterprise	ADP	48	48	100
	RDP	n.a.	25	
	ASP	18	15	83
	Total		88	
Individuals	ADP	n.a.	2,890	
	RDP	n.a.	10,000	
	Total		12,890	

Source: ADP Completion Evaluation; RDP ICR section F; ASP PCR Appendix V: Actual physical progress

109. **Production technology** was weakest to contribute to portfolio outreach. The biggest contributor was RDPMHA phase 1 through its community-based approach, which trained 1,147 farmers in improved potato cultivation and pasture management. This was achieved through localized extension services and the farmer house concept. Value chain trainings under RDP were extremely modest in scale in comparison to RDPMHA, though they were intended to be replicated by indirect beneficiaries. AMMAR has set higher targets and to date has trained at least 172 people in pruning, drip irrigation, and training of trainers.
110. Outreach to **women** throughout the portfolio has not been recorded. Only AMMAR has begun to systematically track women's participation in the project. The most successful outreach was through RDP in which, as mentioned, approximately half of RDP MFI loans went to women though the exact number of women taking loans is not known. Women have likely benefited from the infrastructure investments in RDPMHA phase 2. A small number have attended production technology activities in RDPMHA phase 1, with 239 (33 per cent of total) attending cattle breeding demonstrations and 92 (9 per cent of total) using consultative services of beekeepers' unions. Under AMMAR 116 women have been trained in value chain facilitation, extension, and training of trainer activities. There is no evidence on the extent to which youth or internally displaced people have benefitted.
111. **Overall** effectiveness has been patchy. Achievement of objectives has been assessed low in three of four projects by prior IOE evaluations due to weak results in some components. There are notable successes despite this. Early on, community-based extension achieved positive results in the breadth of and participation in of activities (RDPMHA). Transport infrastructure helped improve access to services and local markets for mountain and highland communities. MFIs have proven to be the most effective at bringing financial services to rural areas. State organizations have improved service delivery for land registration and food safety. Yet later projects did not sustain positive models or performance, or achieve

⁹⁵ ASP IE para. 91

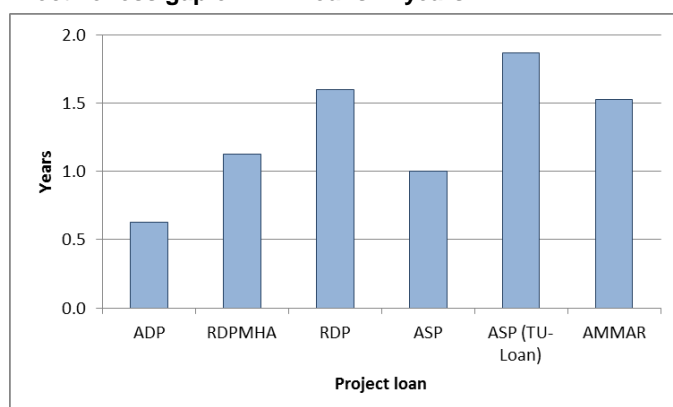
progress at creating and sustaining new ones. Value chain technologies have reached far fewer people. Agricultural leasing did not emerge as a viable market for banks, MFIs, or the rural poor. Local forms of organization have been discarded as approaches. Effective irrigation schemes are yet to be seen. Outreach has suffered in the later projects, and even then the scale is modest. The CSPE rates overall portfolio effectiveness as *moderately unsatisfactory* (3).

Efficiency

112. **Effectiveness gap.** The time lag between approval of projects and first disbursement has been between one and two years (see figure below). Two of the five projects started in a year or less of their approval. Both RDP and AMMAR witnessed a prolonged gap of around one and half years. Yet there were some significant delays during start up and implementation.

Figure 6

Effectiveness gap of IFAD loans in years



Source: IFAD GRIPS 2017

113. **Slow start-up** reduced the implementation window across the portfolio leading to multiple extensions. RDPMHA was designed for two phases, intended to run over a period of 7.5 years (table below). The following projects (RDP, ASP, AMMAR) were designed for significantly shorter durations of 4-5 years, but all of them overran the original implementation period, following a slow start up. The time lag between effectiveness and first disbursement, which was on average five months, considerably reduced the implementation period to 3.6-4.4 years. The short duration also allowed less time for reformulation to take effect such as in the case of RDP and ASP. Changes in project management have led to further delays in RDPMHA, RDP and ASP. AMMAR is currently at least one year behind schedule.

Table 11

Design and actual implementation periods for portfolio taking into account time lag between effectiveness and first disbursement (years)

Project	Original duration(A)	Time lag between effectiveness* and first disbursement (B)	Original effective implementation period (A-B)	Extensions	Actual duration (C)	Actual effective implementation period (C-B)
ADP	4.7	0.3	4.4	3 (3.2 years)	7.9	7.5
RDPMHA	7.5	0.6	6.9	2 (2.6 years)	10.5	9.9
RDP	4.1	0.5	3.6	1 (1 year)	5.1	4.6
ASP*	4.2	0.4	3.8	1 (1 year)	5.2	4.8
AMMAR**	4.1	0.1	4.0		4.1	4.0

Source: annex VII table 3.1

114. **Redesigns** were needed, to adapt to the evolving context, but they nevertheless were one factor contributing to slow implementation progress. RDP and RDPMHA underwent some substantial redesigns. While RDPMHA has seen one radical redesign, RDP underwent three restructurings, some of which were well-founded. The first redefined the project development objective to make it less ambitious, and reallocate funds between the various components. The second restructuring in March 2011 was to reallocate the remaining International Development Association (IDA) funds away from the commercial bank credit line towards MFIs following the 2009 bank crisis. The third restructuring removed the limit to maximum lending to the five partner MFIs, and increased their borrowing limit from 50 per cent to 70 per cent of their equity. These adjustments were to accommodate growing demand for credit resources from MFIs for rural-based lending.
115. **Institutional restructuring** has been a major factor leading to implementation delays. Responsibility for the management of the IFAD-supported projects shifted from a PMU set up under MoA (2001) to the ADPCC in 2009, to the IOPID in 2011 and from there to the Donor Projects Implementation and Monitoring Division in 2013. This has caused disruptions e.g. for RDPMHA and RDP in 2011, when ADPCC⁹⁶ was liquidated and its functions were being transferred to a newly established department within MoA, the IOPID. The transfer to the IOPID was intended to improve institutional links and donor coordination within MoA, but it also enhanced the trend towards a more centralized approach to project management. All decisions and signatures were subject to ministerial approval, which at times slowed down decision-making and implementation. A final restructuring took place in 2013, when the ASP was transferred to the Donor Projects Implementation and Monitoring Division in MoA, which also reduced the pace of implementation.
116. **Slow decision-making and approvals** were the downside of centralized project management that have in particular affected RDP. MoA moved very slowly on the approval of specific component activities, and failed to approve the operational manual for the agricultural supply chain development fund, as well as, following the component's formal revision, the operational manual for the competitive grant programme, contributing to poor implementation.⁹⁷ The rural finance services component suffered from delays in the approval of guidelines for commercial banks and MFIs.⁹⁸ Activities related to the food safety agenda were significantly delayed by the delayed approval of a food safety training programme and action plan prepared with support from the project that would have set the strategic and institutional framework for further investments and technical assistance to be provided by the project.
117. **Project extensions.** All the four closed projects were granted extensions, partly to consolidate results achieved (ADP, RDP) or to complete activities (RDPMHA, ASP). ADP's extensions were linked to the continuation of implementation activities (to accommodate project-specific legislative changes as well as changes in Government following the Rose Revolution) and to build on the successes of the NAPR activities. Under RDP, extensions were granted to allow time for the implementation of MFI credit line activities. RDPMHA and ASP were both extended to complete delayed infrastructure works; in the case of ASP caused by the liquidation of the ADPCC.

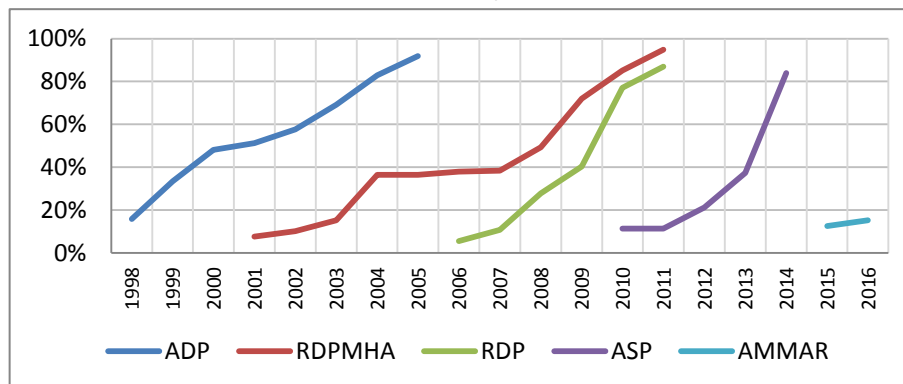
⁹⁶ The ADPCC was deemed efficient and successful project service delivery was largely attributable to ADPCC's capacity and efficiency, according to the RDP ICR. Audit reports highly commended the financial management of RDP.

⁹⁷ Only 1 grant was issued, to support the marketing of oranges (1 enterprise and 43 farmers)

⁹⁸ The Rural Credit Guidelines for commercial banks and the Rural Credit Guidelines for nonbank financial institutions took 12 and 18 months respectively to be approved, despite the latter being largely the same document.

118. While **disbursement rates** had reached over 80 per cent of the loans by project completion (figure 7), time trends reflect slow start-up, implementation delays and extensions affecting the projects. Of the four closed projects, the lowest disbursement was in ASP (84 per cent) while RDPMHA and ADP managed to disburse over 90 per cent of their allocated funds. ASP's lower performance is attributed to limited demand for agro-leasing and the devaluation of the Georgian Lari made more funds available due to exchange rate gains.

Figure 7

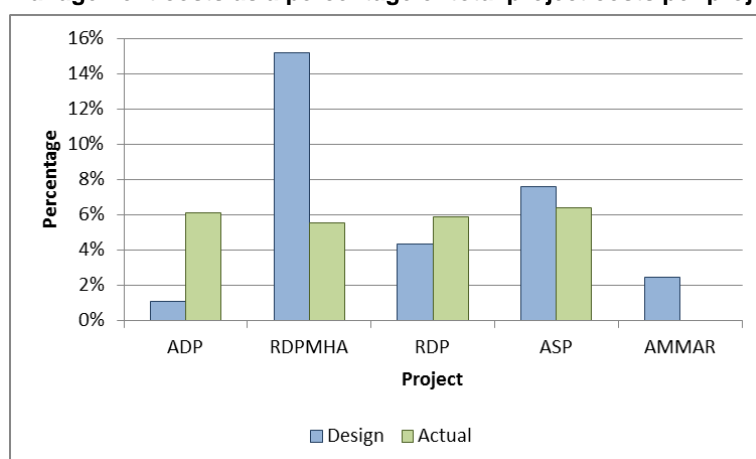
Disbursement rates for IFAD loans per project (1998-2016)

Source: IFAD Flexcube 2017

119. For all projects implemented since 2004, there was a surge of disbursements towards project completion, the main reason being the shorter implementation periods. This is seen in 2003-2004 for ADP, 2008-2010 for RDP and RDPMHA, and 2013-14 for ASP. Redesign of RDPMHA with a focus on selected infrastructure projects accelerated disbursements after 2008. Infrastructure similarly boosted ASP disbursement in a bid to complete irrigation scheme works. RDP's surge is attributed to the effects of a loan amendment that transferred credit line funds for banks to MFIs, and these were quick to utilize them. In the case of the currently active project, AMMAR, most project activities started late and only 12 per cent of total budget was utilized by June 2017.
120. **Management costs** have decreased significantly with the move towards a centralized and lean project management structure, with an average of 6 per cent of actual total project costs (figure 8). In RDPMHA the transfer to a central management office significantly reduced the management costs compared to the design. Overstaffing was still observed as a problem of the Project Coordination Unit and the CUDC under ADP and in RDP. In the following period, issues were more related to the lack of qualified staff (ASP). In ASP and AMMAR use of part-time staff⁹⁹ is efficient, but also led to greater reliance on the technical expertise of sub-contracted partners (APMA and ELKANA under AMMAR; UASCG under ASP).

⁹⁹ The project manager and the coordinators in the three regions are part time engaged on the project.

Figure 8
Management costs as a percentage of total project costs per project



Source: annex VII table 3.2

121. **Infrastructure costs** have been acceptable, though cheaper irrigation works under ASP required minor adjustments. Roads in RDPMHA had actual unit costs of US\$64,000 per kilometre of gravelled road and US\$252,000 per renovated or new bridge. These costs compare well with International Bank for Reconstruction and Development construction estimates for road improvement in the range US\$34,000 to US\$1.09 million per kilometre of road, and US\$253,000 for bridge reconstruction. Irrigation scheme construction costs were generally low and comparable to others both with and without the replacement or rehabilitation of head works. Under ASP, the average cost per hectare of rehabilitating the irrigation schemes was GEL 1,980 per hectare.¹⁰⁰ This compares favourably with UASCG's own cost of rehabilitation which is an average GEL 2,020 per ha and the World Bank's average costs of GEL 2,150 per ha.¹⁰¹ Despite these low costs, the various supervision missions judged that the schemes were of acceptable quality.
122. **Cost per beneficiary.** Due to the limited outreach in several projects, costs per beneficiary increased significantly in RDPMHA and ASP. ADP stands out for having the lowest costs per beneficiary at design and completion, and a decrease in costs from design to completion, due to the large number of beneficiaries reached (157,890 of 130,000 targeted) through its land title registration activity. In comparison, RDPMHA and ASP had higher costs in absolute terms, and an overrun in costs. It can also be expected that RDP suffered the same effect even if it did not calculate final project outreach. The largest overrun was in ASP, with cost per beneficiary more than doubling.

¹⁰⁰ GEL 1,244 for sub-projects without head works and GEL 2,713 for schemes with head works

¹⁰¹ In schemes where the relatively low cost rehabilitation approach of UASCG was adopted which entailed rehabilitating the most urgent sections of a scheme, the average cost of construction was even lower at GEL 1,244.

Table 12
Cost per beneficiary at design and completion in portfolio

<i>Project</i>	<i>Design cost/beneficiary (USD) (A)</i>	<i>Completion cost/beneficiary (USD) (B)</i>	<i>Difference Design-completion (A-B)</i>	<i>Percentage difference completion-design (B/A)</i>
ADP	206	170	36	82.5%
RDPMHA	868	1,036	-168	119.4%
RDP	1,157	n.a.	n.a.	
ASP*	874	2,010	-1,136	230%
AMMAR	888			

* Revised cost at design

Source: Compiled from data in annex VII table 3.3

123. **Rates of return** are possibly lower than anticipated for a number of reasons, and inextricably linked to other efficiency indicators discussed above. The only ex-ante and ex-post comparisons in the portfolio (RDPMHA and ASP) show a decline in actual IRR from design (table below). All projects had extensions, thereby postponing benefits by at least one to three years. Furthermore, both RDPMHA and ASP had an increased cost per beneficiary which also reduces benefits. Both ADP and RDPMHA had a higher number of beneficiaries, but RDPMHA's was marginally higher. Project costs have also increased for Government, with lending terms shifting from highly concessional (ADP, RDPMHA, RDP), to hardened (ASP), and finally to blended (AMMAR), which lowers the overall IRR for the newer projects.

Table 13
Internal rates of return at design and completion per project

<i>Project</i>	<i>Design</i>	<i>Actual</i>
ADP	n.a.	n.a.
RDPMHA phase I	20-33 per cent for farm models (transhumance, maize, potatoes) and 2 scenarios ¹⁰²	
RDPMHA phase II		14.4 per cent but benefits accrued through health and transport improvements not included, so likely higher. Sensitivity analysis also showed benefit lags of 2 years would lead to IRR being negative.
RDP	Between negative – 46 per cent for 6 models	Not calculated for methodological reasons (few ex-post financed investments actually fitting to ex-ante models, and youth of investments)
ASP	20 per cent	20 per cent but likely lower due to less beneficiaries and command areas than planned and faulty model assumptions ¹⁰³
AMMAR	25.7 per cent	

Source: ADP staff appraisal report pg. 39; RDPMHA Appraisal report para. 153; RDPMHA PCR pg. 24; RDP World Bank appraisal document pg. 74; RDP World Bank ISR pg. 42-44; ASP design report 2010 para. 142; ASP PCR para. 67; ASP IE para. 96; AMMAR design report 2014 para. 145

124. **Overall**, efficiency has been low yet with some improvements. The portfolio was noted for having low management costs, even if these currently reflect a reliance on sub-contracted partners. Infrastructure costs were also low in comparison to local and international standards and of generally acceptable quality. Disbursement rates were acceptable throughout the period. Delays during start up and the following implementation delays did not reduce. Management processes and decision-making was streamlined and improved due in part to a more stable

¹⁰² Scenario I only includes the benefits derived from the funds allocated under the credit line; Scenario II assumes that the resources available under the Development Initiatives Fund are also utilized for credit

¹⁰³ ASP IE para. 96

institutional environment. Still there are some negative trends that are affecting portfolio performance, in particular the surge of disbursements towards project ends and lower than expected internal rates of return. Given the overall performance and trend, efficiency is rated *moderately unsatisfactory* (3).

Rural poverty impact

125. The IOE evaluations assessed project impacts as overall low. It should be noted that those assessments are, with the exception of ASP, not based on rigorous impact evaluations. No systematic impact evaluation of ADP or RDP was undertaken. RDPMHA evidence on project outcomes and impact is available from various sources, including an MTR towards the end of phase 1 and an impact assessment at the end of phase 2.¹⁰⁴ ASP was assessed using baseline and endline surveys administered to both treatment and control groups. In addition, IOE recently conducted an impact evaluation with a large survey of 3,190 households in both control and treatment areas. The CSPE has carefully reviewed the credibility of the available data and in the following draws from evidence gathered either through impact evaluations, supervision missions or project completion missions.
126. **Theory of change.** The project designs were based on major assumptions regarding poverty impact and a fairly long impact chain, involving direct and indirect benefits. Only the CU component of ADP and RDPMHA, with its geographic focus on higher mountains, directly targeted the poorest or marginalized farmers. The remaining projects assumed that with the growth in agro-enterprises indirect benefits would trickle down to the poor. A key assumption was that, as demand for agricultural produce grew, agro-enterprises would create more backward linkages with smallholder farmers for supplies or create employment within their own concerns for poorer households. This was to be achieved through: (a) encouraging agro enterprises to grow; (b) providing access to credit to small and medium sized, commercially oriented farmers, c) providing grants and training for commercial production of fruits and vegetables; and (d) promoting linkages of agro-enterprises with the market. There is evidence that this has happened, but on a very limited scale. During the field visits by the CSPE team, it was observed that some backward linkages had been created but very little labour absorption.
127. **Missing synergies.** The theory of change underlying the COSOP (see annex VIII) assumed that rural poverty impacts would be created through a combination of interventions. Improved access to rural finance and production technology would enable farmers to increase their production. This, in combination with improved infrastructure, would enable better access to markets, thus leading to higher volumes being sold. These results would be supported by functioning rural organizations providing essential services to farmers. In practice these synergies did not occur because components were not well linked (see Relevance) and interventions took place in isolation in different locations. For example, the impact of the successful land registration component (in ADP) could have been much more significant, if the project had promoted CUs in the same communities where land titles were issued. Without an approach to targeting communities or geographic units with an integrated set of activities, benefits were scattered and synergies that would have enabled more significant impacts on people's livelihoods were not possible, as shown by the ASP IE (2017).

(i) Household incomes and assets

128. For the closed projects some impacts are reported with regard to improved productive assets (ADP, RDPMHA), production technology (RDPMHA), access to finance (ADP, RDP), market linkages (RDP) and value chains (ASP). Some income

¹⁰⁴ Outcome-level information is also available in the progress reports of 2004 and 2005, and in the supervision mission reports conducted by UNOPS, the supervision agency of RDPMHA at that time

gains were reported for RDPMHA, RDP and ASP. These impacts, however, appear patchy when compared to the overall mix and scale of investments.

129. **Access to pastures.** Under phase 2 of RDPMHA, the improved rural infrastructure was intended to provide immediate access to productive natural resources, in particular pasture land. The CSPE visited 9 of 16 roads and bridges infrastructure projects which were implemented under phase 2. The Tselati-Chirukhi-Ginali road section was the only case where access to summer pastures has provided tangible benefits in terms of income. Similarly for ASP the IE (2017) found that improved access to pasture through bridges did not result in higher livestock numbers or increased incomes. However, even if impact of bridges is hard to ascertain, they are important in providing safe access to summer pastures, thus enabling a continuation of transhumance livelihoods.

Box 3

Improved production in Adjaran summer pastures

These summer pastures are used by the population of three adjacent regions of Adjara (Shuakhevi, Qeda and Khulo) as a place where seasonal production of dairy products takes place. According to the head of the Tselati community every year more than 200 tonnes of cheese, 100 tonnes of cottage cheese and 50 tonnes of butter are produced and sold in Adjara region and other markets. As a result of better transport infrastructure, local wholesalers visit the villages in the pastures to purchase surplus dairy produced by women.

130. **Access to finance** has improved to some extent through the CUs and MFIs supported under ADP and RDP. The 2007 IOE thematic evaluation found that CUs did reach a number of poor farmers and rural women while the project was still under implementation. The ADP CUs' end-target was to provide 35 per cent of rural households with access to finance from a baseline of 28 per cent. The actual reported rate in 2011 corresponds to 41.4 per cent. Women were the main borrowers for personal and commercial loans, while men are the main borrowers for agricultural and livestock activities.¹⁰⁵ There were cases of elite capture and the majority of members were civil servants, but the evaluation concludes that at least some members were part of the traditional IFAD target group.¹⁰⁶
131. Under RDP, the MFIs have provided a significantly higher number of poor people with access to finance, even beyond the project's duration. At project completion, the MFIs had financed 10,000 clients for a total amount of US\$9.54 million. The majority of the issued loans were used for the stated purposes: primary agriculture, animal husbandry, processing and trade.¹⁰⁷ After the project completion, the MFIs have continued to expand their outreach and strengthen themselves as institutions. Between 2009 and 2017 over 24,000 clients have been served by MFIs, of which over 15,000 were new clients. MFIs issued 28,580 loans with a value of just under US\$38 million. However, the uptake of loans did not lead to a significant increase in reported jobs: 205 new jobs were created through MFIs' lending.¹⁰⁸ This number is modest in scale, but the indicator does not capture self-employment generated through MFI lending.
132. **Market linkages.** With the exception of RDP, the closed projects provide no evidence that market linkages had been fostered. In RDP, the five enterprises that undertook study visits were reportedly able to increase their access to markets.

¹⁰⁵ Credit unions have also helped women to set up and operate micro-enterprises, mostly in trading, but also possibly in manufacturing or food processing (Thematic Evaluation 2007)

¹⁰⁶ The IFAD funded CUs include some very poor farming households who are not even able to satisfy their subsistence needs through agricultural activities.

¹⁰⁷ Phone interviews conducted during the CSPE

¹⁰⁸ Out of 50 jobs targeted (410 per cent achievement) (RDP PCR Digest p.6). Numerically the target was overreached but it must be pointed out that the initial target (50 jobs) was very low

They widened their supply base and procured more produce from farmers, including smallholder farmers. Figures for two of the enterprises show that in one case the entrepreneur increased his suppliers from 1,000 to 1,500 farmers. In the other case the increase was from 2,000 to 3,000 farmers, and the same entrepreneur (interviewed by the CSPE mission) exported 300 tonnes of hazelnuts to Italy.

133. **Value chains.** Evidence on successful value chains is only reported for ASP. Here, enterprises were able to pay the 237 local suppliers a price 50 per cent higher¹⁰⁹ than before acquiring leasing assets. Both the IOE IE (2017) and IFAD PCR found that those farmers living in close vicinity of the wineries in Kakheti were satisfied, thanks to very low transportations costs, higher prices, and no payment delays when selling their products to these enterprises. According to the IE, the project directly benefitted just 15 enterprises which created only an addition 612 jobs compared to the baseline (1,152). Only 993 additional backward linkages were created by the project. The PCR reported that enterprises have created more than 1,152 jobs and established linkages with 2,700 farmers and enterprises, but neither the IE nor the CSPE found sufficient evidence to confirm this. For AMMAR CSPE field visits observed cases when beneficiaries created effective distribution channels in order to guarantee the necessary volume of production. In the case of greenhouse businesses, the majority of farmers created full value chains (from primary production to delivery to hotels and restaurants).
134. **Household incomes.** There is hardly any credible evidence reported on household incomes. According to the RDPMHA preliminary impact assessment report and the PMU progress report, household incomes increased during the implementation of RDPMHA phase 1 as a result of new technologies and higher yields. For RDP, the World Bank's ICR reported (and the project performance appraisal [PPA] 2014 confirmed) that incomes of farmers and enterprises from activities supported under RDP had risen 28.3 per cent against the targeted 10 per cent. However, the number represented a change of income in only one enterprise and 43 farmers directly supported by the project, and are therefore not representative of the targeted project beneficiaries. During the CSPE mission, six RDP farmers were interviewed out of which only one reported any rise in income from the demonstration plot.¹¹⁰ For ASP, the IE (2017) found positive results in relation to agricultural incomes only among the leasing component's indirect beneficiaries.¹¹¹

(ii) Food security and agricultural productivity

135. Increase in agriculture productivity was one of the main goals of the IFAD interventions, but there has been less emphasis on food security. The COSOP had assumed that the majority of smallholders depend entirely on their own farms for subsistence and that a typical household consumes 73 per cent of what it produces.¹¹² The emphasis was thus on increasing the surplus production for marketing purposes rather than improved food security. As a result there is hardly any evidence on how food security has improved as a result of IFAD interventions.
136. **Improved production technology.** Benefits from improved production technology were reported mainly for RDPMHA (phase 1). RDPMHA promoted improved crop and livestock production and pasture management through the introduction of improved seed varieties, trainings and demonstrations, crop diversification, and improved technology and mechanization. The potato seeds introduced from the Netherlands helped increase yields (from 7-10 tonnes/ha to

¹⁰⁹ around US\$400,000 (on average US\$1,700 per person annually)

¹¹⁰ The CSPE team visited those demonstration plots. They were neglected and unlikely to produce high returns.

¹¹¹ Enterprises that have purportedly created increased linkages included those related to agricultural production, wine making, food processing, poultry production, farm mechanization and the introduction of some innovative technologies such as the use of hydroponics in a greenhouse environment for uninterrupted supply of water.

¹¹² COSOP 2004 para. 13

30-32 tonnes/ha).¹¹³ Beekeeping support has been extremely popular and through the new technologies and breeds,¹¹⁴ honey production is reported to have increased by 25 per cent where used. Farmers who adopted improved pasture management technologies, such as reseeding and fertilizing, reported significantly higher yields¹¹⁵ of fodder grasses (50 to 300 per cent increases) with the return of investment ranging from 30 to 490 per cent.¹¹⁶ This relatively wide-spread impact is in contrast with RDP where little impact is left from the demonstration plots. The demonstration plots visited by the CSPE were in a state of disuse, abandoned and overgrown, and there was little evidence that any knowledge transfer to surrounding farmers had actually occurred.

(iii) Human and social capital and empowerment

137. The portfolio had very minor impacts in this domain. RDPMHA was the only project to initiate a participatory approach and create grassroots organizations, but none of them had survived beyond the project. Social infrastructure was supported by RDPMHA and ASP, but no impacts are reported.
138. **Participatory development.** RDPMHA aimed to mobilize the communities and to assist them to prioritize their development needs, formulate and execute development proposals and build appropriate community institutions to manage the implementation. However, none of these institutions are operational today.¹¹⁷ ASP did not use a participatory process in the selection of irrigation schemes and conflicts on water were not addressed at the community level. According to the ASP IE conflicts continue to exist, mainly because the implementing partner, UASCG was not capacitated to address the issue of irregular water availability.¹¹⁸
139. **Health centres.** Ten healthcare centres were constructed under RDPMHA, equipped and handed over to the local municipalities. According to the Shuakhevi municipality, the healthcare centres were fully functional before the start of the Government's healthcare reforms in 2007-2008. As a result of the reform, some of the small health centers were integrated and merged with regional hospitals.
140. **Drinking water.** In ASP, in 2012-2013, a potable water supply system was built in Chrebalo village of Ambrolauri district where a water main and 500m³ capacity water reservoir were built in addition to an access road, a chlorination plant, wells, connections to houses, taps and intake structures. The system is still operational and serves 500 households in two villages, and a school, and other public buildings, as well as about 20 commercial entities.

(iv) Institutions and policies

141. Out of the range of institutions supported over the review period, very few survived. Among the closed projects it was the World Bank co-financed RDP which had the greatest impact on institution building. No impacts at policy level are reported for the lending portfolio.¹¹⁹
142. **Credit unions.** At their peak, in 1999, there were 164 CUs operating, with a total membership of 12,231 people. This performance was not sustained. At the time of the ADP completion evaluation, there were 21 CUs operating. At the time of the

¹¹³ 1,059 farmers were provided improved potato seed varieties in 2005 (PMU Progress Report 2005; UNOPS Supervision Report)

¹¹⁴ 350 honey producers were involved in the intervention. During the CSPE, it was confirmed by the Shuakhevi Municipality that approximately 50 per cent of farmers who were provided with bee hives under RDPMHA are still engaged in beekeeping

¹¹⁵ 88 farmers were involved

¹¹⁶ UNOPS Supervision Report 2006

¹¹⁷ Verified through field visits to Adjara and Shuakevi

¹¹⁸ ASP IE 2017 para. 143

¹¹⁹ RDP also supported the preparation of the Georgian Wine Strategy and Action Plan with the support of the World Congress of Vine and Wine hosted in Georgia. Around five scientific technical articles were prepared for this event but the Strategy and Action Plan were never approved by the Ministry of Agriculture.

CSPE, that number had dwindled to two. These two - “Khutsubani” and “Menjistskali” Credit Unions - survive with a membership of 905 and 800 each. Both the CUs lend relatively little for agricultural purposes. In the case of Khutsubani CU, only 12 per cent of its total portfolio is invested in agriculture, benefitting 170 farmers (18 per cent of the membership). By 2016, the loan portfolio of Menjistskali CU in the agriculture sector was only 8.6 per cent of its total portfolio. The number of borrowers there is 34, which is only 4 per cent of the total membership.¹²⁰

143. **MFIs.** Lending under RDP significantly increased the technical and organizational capacities of all participating MFIs (Credo, Finca, Lazika, Crystal, and FinaAgro). Their staff received additional knowledge and experience in different fields of agro lending, giving them opportunities to improve their loan products and adopt them to the market requirements. All MFIs use a system of stimulus for loyal, repeat clients in the form of rate discounts and discounts on other services (i.e. money transfer and credit purchases, among other services). After the closure of RDP, the participating MFIs were able to triple their portfolio between 2012 and 2015. By 2011, the outstanding loan balance in agriculture for participating MFIs increased almost 2.9 times, while the increase in total loan portfolio was 1.8; (ii) the number of agro-borrowers increased 3.4 times, while the increase of total number of borrowers was 2.1 times; (iii) the share of agro-borrowers before the project was 34 per cent, and increased to 55 per cent; (iv) the share of agro-portfolio in total portfolio before project was 30 per cent, and increased to 47 per cent.¹²¹

Box 4

MFIs increasing outreach

MFIs used experts to teach loan officers and the risk management unit on agricultural cycles of individual crops. Loan officers then provide necessary information to the client during the monitoring visits or at the request of the client. Through the successful lending activities, MFIs increased their portfolios, which stimulated the creation of 79 additional branches. Credo has the strongest presence of such technical expertise in every region. Lazika operates only in West Georgia and uses such expertise. Based on the phone responses, Finca seems to be more revenue focused. Besides the agricultural loans, Crystal has the highest share of consumer loans that do not require any technical advice.

144. **Food safety agency.** Under RDP, the project rehabilitated and equipped the MoA Food Safety Laboratory, and constructed six regional food safety centres, which are all fully operational (as confirmed during the CSPE mission).
145. **Land registration.** Building on the achievements under ADP, RDP has served as a catalyst for donor support (WB, GIZ and USAID) for the establishment of a network of 68 territorial centres for land registry. The project enabled NAPR to develop an operating reference system for land and moveable property registry and land cadastral databases and enhanced the capacity of the NAPR staff to utilize the system. This system is still being used. By 2016 approximately 25 per cent of all agriculture lands were registered, which has since seen a significant rise due to the current easing of some restrictive legislative provisions, regarding land registration, on a temporary basis (source: Ministry of Justice). In August 2016, the Government announced new initiatives for simplifications of land registration procedures. According to NAPR, during this one-year period, more than 300,000 new applications have been received.

¹²⁰ Based on interviews by CSPE mission

¹²¹ WB ICR RDP (2011) section F(a)

(v) Overall poverty impact

146. Agricultural production has improved in some mountain communities, following the provision of physical access and extension services in RDPMHA. Improved market linkages and value chain development was experienced only by few communities and a single number of enterprises. Access to finance through MFIs likely had the largest impact in scale and on agricultural investments for beneficiaries. Measures to improve participation in development processes, extension structures and health were not sustained. Potable water only serves one community and irrigation systems were not operational at the time of this CSPE. At an institutional level, participating MFIs and Government agencies have greatly benefitted from IFAD support and continue to deliver some positive impacts in the agricultural and rural sector. Rural poverty impact is rated *moderately unsatisfactory (3)*.

Sustainability of benefits

147. **Government ownership** in the portfolio has been mixed. It has been positive with regards to Government institutions in ADP and RDP, particularly NAPR and the FSA. In ADP Government enacted a Land Registration Law in 1996, and has continued its engagement with the land registration issue in RDP. Regional Land Registration offices are still being used. In terms of its institutional and administrative set-up, NAPR has financial autonomy.¹²² In addition, recent reforms in 2016 have made it easier for farmers to get their lands registered. The FSA also demonstrated good ownership through provision of necessary operations and maintenance resources. The Food Safety Agency is now a fully functioning institution. FSA regional offices were opened in all regions of Georgia and well equipped. Government ownership was low in other cases, and some institutions were not sustainable as a result. In particular the CUs saw Government support waver after their poor performance.
148. **Municipalities** are responsible for maintaining local infrastructure. However, they have had decreasing levels of engagement with IFAD projects. Under RDPMHA phase II, these were consulted on infrastructure selection and placement, and have responsibility for maintenance. Despite a shortage of resources, at least one municipality has already engaged in maintenance of constructed infrastructure. The following projects had taken a centralized approach to selecting infrastructure and municipalities were not adequately engaged as a result.¹²³
149. **RDPMHA**¹²⁴ results observed by the mission in Shuakhevi district are still sustainable. Potato seeds imported from the Netherlands during the project are now cultivated across Adjara region. Because of the successful pilot activities under RDPMHA, MoA of Adjara again imported 100 tonnes of potato seed from the Netherlands in 2017, to be distributed to farmers in Adjara through the Government support programme. During phase 1, in total 16 infrastructure projects were implemented. Based on visits of the CSPE and information received from the beneficiaries (annex VII table 1.1), it can be concluded that all infrastructure development projects are sustainable. Of the nine bridges built the CSPE visited three bridges (two in Shuakhevi and one in Dusheti). All three bridges are in good condition, and maintenance works are not yet needed. Of the seven

¹²² While formally funded from the state budget, NAPR in practice operates like a private business and covers its own costs through income from its fees. Currently, NAPR reliably registers most of the nation's land parcels as well as pledges, mortgages and other land-related information

¹²³ As reported for example from Senaki and Martvili during the CSPE.

¹²⁴ The IOE evaluation of RDPMHA (2014) includes a very negative assessment of the sustainability of the project because of the supposed lack of results from Phase 1. However, this assessment was not confirmed by the site visits conducted during the CSPE mission.

gravel roads, the CSPE had an opportunity to visit six of them. In general, roads are in satisfactory condition.¹²⁵

150. **Demonstration plots** have suffered from institutional neglect, particularly since there has been no effective framework in place that can best operationalize the concept until recently. RDPMHA demonstration plots were under the responsibility of the farmer houses, which were subsequently closed down. The RDP PCR (2014) highlighted as a concern for sustainability the absence of a public or private extension service in the country that could either build up on the project's engagement with farmers and rural businesses or continue with the dissemination of the knowledge created under the project to a larger audience of farmers.

Box 5

The limited sustainability of demonstration plots under RDP (case study 7)

The evaluation mission visited 10 per cent of the all demonstration plots set up by RDP, all of which were laid out during the period 2006-2011. The demonstration plots were not being maintained, had overgrown weeds, no pruning, diseased leaves, and poor yields. Demonstration plots were located in hard-to-access locations, and on lands of farmers who were not interested. It was also evident that no replication of the improved practices taught has occurred amongst other farmers in the communities or who had been present on training days.

151. Under AMMAR, implementation has been handed to ELKANA, a well-regarded service provider, with years of experience in promoting agricultural technology advancement. In addition to setting up the demonstration plots, it provides training to indirect beneficiaries and organizes exposure visits. However, beyond this project-financed arrangement there is no systemic solution to ensure sustained provision of technical services. AMMAR's supervision mission noted the limited attention to the economic viability of demonstration plots and linking them with appropriate financial models.¹²⁶ While demonstrations and grants are expected to create wider demand and adoption, there is as yet no link between the AMMAR demonstration plots to the existing extension framework.¹²⁷
152. **Credit unions.** The rapid expansion of CUs under ADP was premature and there was little emphasis on savings mobilization or sustainability. It was reported that some of the CUs emerged primarily from local money lending operations to take advantage of the legal protection offered by the cooperative law. Out of more than 160 CUs established from scratch, only 32 received a license from the central bank, in many cases in spite of them not fulfilling some of the criteria at the time of licensing. (IOE thematic evaluation 2007). According to the latest information, only two CUs had survived by 2017.
153. **MFIs** performance since the beginning of their participation in RDP (2009) to the period of the CSPE has been very strong. During the whole 2009-2017 period, the total number of clients served was over 24,000. Their existing loan portfolio allows MFIs to use reflows in the following years. Financial indicators over the 2009-2016 period show that, with the exception of FinAgro, all MFIs overall experienced healthy growth (annex VII tables 2.6 & 4.1). The gross loan portfolios were rising, with the portfolio at risk below 3 per cent, and portfolio yield above 30 per cent.¹²⁸ Each MFI loan obtained from IFAD has a maturity of ten years with a two-year

¹²⁵ However, two road sections were rehabilitated in violation of standards and will require substantial rehabilitation in the coming 1 or 2 years.

¹²⁶ AMMAR supervision mission 2016

¹²⁷ The AMMAR supervision mission's draft TORs for AMMAR regional coordinators includes the provision that coordinators' responsibilities include establishing and keeping regular working connection with the representatives of regional Information and Consultation Centers of the Ministry of Agriculture.

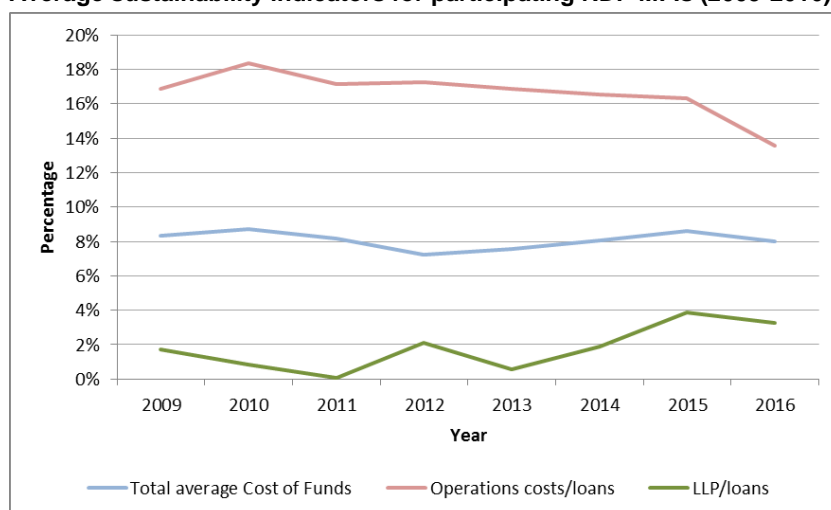
¹²⁸ FinAgro experienced 30 per cent capital reduction and significant downsizing in its lending activities. This MFI has not disclosed the exact causes of these changes

grace period. One MFI (Crystal) fully repaid its credit line loan in 2016, before its maturity, as it obtained a lower cost loan from another microfinance source.

154. Review of sustainability indicators shows that institutional health for participating MFIs has improved (figure 9). Average cost of funds was declining from 2010 and started rising back from 2013 until 2015. This pattern is generally consistent with the dynamics of the loan issue activity, when all tranches from IFAD were received and before the grace period ended. Operating and administrative costs, the biggest expense item for four of the MFIs,¹²⁹ declined by 3.3 percent points over loans outstanding, over the period during which MFIs participated in RDP, from an average of 16.9 per cent in 2009 to 13.6 per cent in 2016. Over the same period, average provisions for loan losses increased from 1.7 percent in 2009 to 3.3 percent in 2016.¹³⁰ Average cost of funds for lending declined marginally by 0.3 per cent. The loan portfolio growth of these MFIs thus helped them to become slightly more efficient, but these gains have until now not been considered sufficient enough to pass on to clients.

Figure 9

Average sustainability indicators for participating RDP MFIs (2009-2016)



Source: compiled from data in annex VII table 4.1

155. Yet some benefits have not been sustained at the same level. Since RDP closure, the number of **loans issued to women** has decreased. As of August 2017 loans issued to women amounted to 32 per cent in number but only 25 per cent in value. Also, the share of loans without collateral to women is over 20 per cent lower than for men and mostly attributable to Credo.
156. **Leasing companies.** All 15 leasing projects have demonstrated good financial and economic sustainability. The close screening and scrutiny of the proposals by TBC Leasing and its internal risk management measures ensured careful examination of the economic feasibility of the selected enterprises, Institutional sustainability is assessed as good for TBC Leasing which is owned by one of the leading banks in Georgia, TBC Bank (90 per cent) and the European Bank for Reconstruction and Development (10 cent).
157. **Irrigation infrastructure** is not yet sustainable. Efforts are currently being made to limit risk and implement smooth functioning and continuation of irrigation functions and their expansion. Firstly, AMMAR has continued rehabilitating the irrigation schemes that were initiated under ASP and plans to further expand land

¹²⁹ Due to a substantial reduction of its capital during the period of study, one MFI (FinAgro) had to be excluded from the analysis

¹³⁰ There was significant fluctuation (range from 0.1% to 3.9%), most of which can be attributed to cyclical changes and variable performances of the economy

under irrigation. Secondly, several infrastructure development projects have been also initiated in different regions, which may maintain Government commitment to the sector. Thirdly, the World Bank's Georgia Irrigation and Land Market Development Project (GILMD) directly addresses the institutional, human capacity and financial aspects related to the operation and maintenance of irrigation networks and infrastructure in Georgia. These efforts face considerable institutional challenges which make the long-term sustainability of irrigation uncertain (see box below). There is little evidence of farmer involvement in improving the tertiary on-farm systems themselves. The sustained maintenance of irrigation schemes will also depend on a fair and well organized distribution of water amongst users and on good water management efficiency on-farm. In the absence of effective water user associations, this is difficult to achieve.

Box 6

The United Amelioration System Company of Georgia

UASCG is responsible for the maintenance of all main, primary and secondary canals without beneficiary involvement, but its capacity is limited. It has encountered challenges in recovering part of its costs through user charges, because without reliable water supply water users are often reluctant to pay this fee. Given the current water charge tariff of 75 GEL per ha,¹³¹ compared to an estimated actual cost of 250 GEL, irrigation operations and maintenance are heavily reliant on Government subsidy of UASCG operations and thus subject to financial risk. There is no legislation or regulatory basis for development of irrigation systems yet.¹³²

158. **Replication** has been weak, with few instances found in the portfolio. ADP's 11 regional land registration offices were established with project support. However, the creation of the NAPR was the Government's initiative and was supported by the donor community, and the same is true of land registration. Consequently, ownership and commitment of the central Government and local administration remain high after project completion. Aspects of land registration were continued further in RDP. The NAPR's regional land registration offices are fully operational not only in Mtskheta-Mtianeti and Gradabani regions but in more than 60 districts of Georgia. Under RDPHMA, after construction of infrastructure projects (especially roads) only minor rehabilitation works have been implemented by local municipalities. The local municipalities do not have budget for rehabilitation of other local roads and bridges.
159. **Overall**, sustainability had been built into the approach in those earlier projects that had a clear focus on institution building and where Government ownership has been high, for example for land registration and food safety agencies under MoA. In the later part of the review period there was less emphasis on establishing a functioning institutional framework, e.g. for agricultural extension and irrigation management, and therefore prospects for sustainability are low for the time being. In the rural finance sector, MFIs have demonstrated a high degree of resilience and some healthy growth which makes it likely that access to rural finance will be sustained even in remoter locations. Other rural finance models introduced by IFAD (CUs, agricultural leasing) were not sustainable. Overall, sustainability is mixed and therefore *moderately unsatisfactory* (3).

B. Other performance criteria

Innovation

160. Overall IOE assessment of innovations was low for almost all IFAD completed projects. The portfolio has spent considerable resources on conventional infrastructure investments, without introducing any innovative approach.

¹³¹ For political reasons, the water price is currently fixed at a flat rate of GEL 75 per hectare per annum.

¹³² A new strategy has been recently approved and a new law on irrigation and drainage will be adopted next year. A new tariff will also be introduced as well as the redevelopment of the water user association concept.

Innovations were absent from the approach to technology development. The demonstration plots were operating within an institutional void, without a broader vision on how extension services could be provided in the longer term. These were clearly some missed opportunities. On the other hand, there were some innovative approaches in the rural finance sector, although not all of them were successful in the long run.

161. At the local level, RDPMHA phase 1's **participatory approach** was highly innovative in the Georgian context, though it proved to have been too early to be taken up. Community-based extension service provision was the most successful to reach out to farmers in geographically difficult areas, and its success is exemplified by Adjara Government's continuation of RDPMHA's potato replication. Consultation with municipalities on site selection for infrastructure under phase 2 is also unheard of anywhere else in the portfolio.
162. **Credit unions** can be considered the major innovation of ADP, in its attempt to set up a village-based network of financial institutions in a country where there was virtually no access to formal credit in rural areas. This was a bold initiative in a country with a generally negative attitude towards cooperatives in the wake of the Soviet experience. However, these initiatives were premature considering the low level of preparedness and capacity of rural communities, financial institutions, banks, as well as the Government. While their introduction was too early, this model today is more appreciated both among the partners and within Government, and group-based approaches are once again gaining favour.
163. **Microfinance**. MFIs brought about highly innovative practices to deliver microcredit to rural clients. RDP provided an opportunity for MFIs to grow and upgrade services and scale in servicing rural clients. Similarly, by providing credit lines to five competing MFIs, it allowed these to experiment with different ways to reach out to rural clients and build a new client base. The use of non-collateralized loans (see box 2) is highly innovative in this regard, since lack of collateral is often assumed to be a limiting factor to smallholder development, and it opens the door for the landless to access rural finance. Unfortunately these practices have not been well documented.
164. **Agricultural leasing** was a new concept introduced by ASP. The project anticipated that leasing operations would be channelled through farmer groups and MFIs. However, the design was done without a sufficient and robust analysis of the MFI rural leasing model. Uptake was limited during the project, with no participation from MFIs and only one leasing company engaged as a partner who servicing rural enterprises. Yet it has drawn the focus of that particular leasing company onto this previously neglected sector. Focus group discussions with development partners on rural finance also showed considerable interest in the concept.
165. The most influential innovation was the **successful modification and strengthening of the national institutions** responsible for land titling and registration of land transactions. ADP was a pioneer in providing assistance to the Government in the creation of an electronic cadastral database, which was further expanded and transformed under RDP. The project facilitated the orderly emergence of the NAPR from the initial Government established State Department of Land Management. Land management and land registry services were separated, and both the State Department of Land Management and the Bureau of Technical Information were liquidated in an orderly way. The software has been updated through the years and is now, in a modified form, used throughout the country in NAPR offices.
166. **Climate smart practices**. AMMAR's climate smart practices are expected to be technically innovative (landscape restoration, investments in developing climate-

sensitive plans and introducing efficient irrigation technologies). Yet there are no institutional innovations embedded in the project design that would allow technical innovations to be sustained in the long term (e.g. collaboration with extension services, water user associations).

167. **Overall**, innovation has been *moderately unsatisfactory* (3). IFAD has tried to introduce a number of innovations, often without sufficient analysis or knowledge of the context (CUs, community based extension, farmer houses, agricultural leasing). Only very few innovations were very successful (land titling system, microfinance) and, given the overall size of investments, these successes seem moderate. Where IFAD has spent most resources on infrastructure, this was done without introducing any innovative approach. Institutional innovations were also absent from the approach to technology development, which was done through conventional demonstration plots.

Scaling up

168. There is some evidence that Government, other development partners or the private sector, assessed IFAD interventions, invested resources into replicating and multiplied them. Yet as with innovation, there were some missed opportunities to build on the positive experiences in the past, in particular in the rural finance sector.
169. **Expansion of Government agencies networks** was the only scaling up in the portfolio. IFAD supported the establishment and strengthening of land registration offices and FSA offices, and this did help the Government in its aim of opening up more branches across the country. While Government would have ultimately opened these offices with its own or other resources, IFAD support enabled the Government to spread its resources more widely. Ultimately, land registration offices were established in each region of Georgia. The land registration software purchased and installed in NPR with the support of RDP is widely used by the NAPR and regional offices. The food safety laboratory was further strengthened by the Ministry and regional branches were established.
170. In relation to **rural finance**, a considerable omission was the failure to recognize the MFI's potential for scaling up their lending practices, e.g. in ASP or AMMAR. MFIs in Georgia lacked experience in leasing, and thus there was hesitation from their side and from the project's to engage them. The financial models supported in ASP and AMMAR in fact competed rather than complemented ongoing Government programmes. As far as agricultural leasing is concerned, Government has been implementing several state programmes in support of small farmers and agricultural-based SMEs which promoted the free-of-charge use of agriculture machinery, e.g. tractors, state grants for procurement of necessary agriculture production or processing equipment and heavily subsidized loans through APMA. This is a disincentive for farmers and SMEs to consider leasing. Similarly the matching grants promoted under AMMAR offer less favourable conditions than those provided by Government or other development partners.
171. **Scaling up by other donors** occurred after ASP. The World Bank's GILMD project, approved in 2015, utilized the institutional and management arrangements for irrigation command area rehabilitation tested and implemented under ASP, and through the project's small scale infrastructure implementation manual, established effective operational modalities useful in the design of GILMD.
172. **Overall**, important opportunities were missed for scaling up some successful practices and innovations in the portfolio, in particular in the rural finance sector. More attention to scaling up was given to institutional innovations at the early stages of the review period (e.g. in the case of Government agencies). Microfinance was a successful innovation which was not followed up. Instead, new models were introduced which lacked a supportive regulatory framework (in the case of leasing)

or competed with other programmes supported by Government or development partners (in the case of matching grants). Scaling up is rated *moderately unsatisfactory* (3).

Gender equality and women's empowerment

173. **Context.** Georgia has demonstrated a strong commitment to gender equality since independence. The country ratified the Convention on the Elimination of All forms of Discrimination Against Women in 1994, and the Optional Protocol to Convention in 2002. The country is a member of the Council of Europe, and ratified the European Convention on Human Rights in 1999. A new Gender Equality Law was passed in 2010 and a draft Non-discrimination Law adopted in 2014.
174. Despite these achievements at the policy level, issues of gender inequality and discrimination are persisting on the ground. The 2006 Convention on the Elimination of All forms of Discrimination Against Women shadow report notes that women's equal rights in marriage under civil law are often ignored, and customary and/or religious laws dictate family relationships. Tradition, customary law and religious law have a strong influence on attitudes to land ownership in practice which typically discriminate against women.¹³³ Early marriage appears to be increasingly common in Georgia. Male outmigration has increased the burden on rural women. As noted in the CPSN (2014), 30 percent of farms are female-headed and rural female-headed households account for 29.3 per cent of total poor; rural female-headed households also account for 34.1 per cent of extreme poor rural households.
175. **Strategy.** Despite the challenges women are facing in rural areas, the portfolio did not develop adequate strategies to address those issues since the early years of the 2004 COSOP, which emphasized the role that women play in agricultural production, in particular in livestock and dairy production. The COSOP also expressed the intention to strengthen gender mainstreaming in the portfolio through complementary actions. In the following period IFAD provided two grants to address those issues.¹³⁴ These early attempts at sharpening a gender-sensitive approach were not followed up since then.
176. The CPSN (2014) notes that rural women are less likely to move out of subsistence agriculture; hence the only way of targeting them would be through off-farm employment (CPSN 2014, p. 14). In practice however, this assumption that women would benefit indirectly has often not been verified (see Impact section). None of the projects have specifically targeted female-headed households. Furthermore, the selection of some activities in the portfolio were gender neutral: transport infrastructure benefits community members including women, but is not proactively focussing on gender. Gender sensitive activities were relatively minor, and include a drinking water scheme in ASP.
177. Overall, focus on gender-equality and women's empowerment has been found wanting. There was no gender strategy or gender action plan for ADP and RDP and women's participation has not been systematically monitored. In RDPMHA, a gender specialist was recruited with the responsibility for mainstreaming gender within the programme. The specialist developed a gender action plan which was never implemented due to the suspension of phase 1. For ASP a scoring matrix was adopted as part of the screening process for the selection of rural leasing enterprises, but was never implemented. AMMAR prepared a gender action plan,

¹³³ SIGI Georgia Country profile 2017

¹³⁴ A small grant to the Ministry of Finance (US\$4,612) was used to cover the cost of a gender consultant for one year (2005), to compensate for the lack of gender expertise within the RDPMHA PMU. The grant was however closed prematurely (in 2006) in the wake of the RDPMHA suspension.

following the recommendations of the IFAD supervision mission (July 2016), and a gender focal point was appointed.¹³⁵

178. **Access to resources, assets and services.** Without a clear targeting strategy, women primarily benefitted from those interventions that enabled broad-based participation benefits, in particular microcredit, infrastructure and community-based extension.

Box 7

Credit Unions and MFIs enhanced outreach to women

Two of the CUs under ADP had proportionally high numbers of women as members taking loans, on average 57 per cent.¹³⁶ These loans were for the establishment or expansion of micro-businesses. Women reportedly did not face difficulties either joining CUs or obtaining loans. The collateral used for CU loans had been mainly livestock, gold and household goods. Therefore the issue of whether land titles are in the names of men or women has not arisen as an important issue with respect to securing loans with land titles.¹³⁷ In RDP the MFIs achieved good outreach to women. Between 2009 and 2017, four of the MFIs provided 11,847 no-collateral loans for agricultural purposes, of which 3,639 (31 per cent) went to women. While the proportion is low, the number of women accessing credit for agricultural purposes, and under these conditions, is high in the portfolio.

179. RDPMHA has increased women's access to resources, assets and services in a broad-based manner. Under phase 1, women benefited from capacity building in improved livestock and beekeeping technologies. Around a quarter of the participants in training and extension activities were women.¹³⁸ But the share of women benefitting from the services of specialized farmers' associations was significantly lower.¹³⁹ Transport infrastructure under RDPMHA phase 2 provided men as well as women with better access to local markets and services. The CSPE mission found that women were able to access the Chirukhi summer pastures and engage in dairy production, selling surpluses to local markets.¹⁴⁰
180. Projects supporting market production and value chains did not specifically target women and outreach had been mixed as a results. Value chains in RDP included only few women and the interventions supported were not transformative. In RDP, although outreach to women has been satisfactory, women's work often remained at the lower end of the value chain. In AMMAR, the project had set a minimum of 30 per cent target of beneficiaries to be women. But so far, out of the 112 grant applicants, only 15 per cent are women.¹⁴¹

¹³⁵ This was done by former projects too, but not with the same degree of consistency

¹³⁶ Out of 170 agro borrowers of "Khutsubani" Credit Union, 67 are female. In "Menjistskali" credit union, of 34 borrowers of agriculture credits, 26 borrowers are female

¹³⁷ IOE Thematic Evaluation 2005

¹³⁸ 27 seminars on veterinary activities were attended by 2,290 farmers of which 523 were female. The project provided technical training on livestock (cattle) to 323 farmers, out of which 16 per cent were women. 735 farmers, among them 239 women attended the farmer field days on selection and evaluation of breeding cattle.

¹³⁹ In 2004, first informational trainings on beekeeping were attended by 338 farmers, among them 50 women. Beekeepers' Unions were established in all four districts where 346 farmers became association members, among them 24 were women, which represents 30% of the women farmers in the districts. Qualified consultative service of Beekeepers' Unions are used by 1042 farmers, among them 92 are women.

¹⁴⁰ The exact scale of this change is unknown, but the mission found that communities from three municipalities engage in the activity.

¹⁴¹ In Samegrelo region the situation is as follows: in Khobi district- out of 5 grant proposals 2 were prepared by female applicants; in Zugdidi district out of 15 applications, 6 applications were prepared by women.

Box 8

Value chains must be gender inclusive

In RDP 43 beneficiaries were supported in supply chains, of which 17 were in hazelnut and 26 were in citrus, of which women beneficiaries were 70 and 80 per cent respectively. Women are actively involved in agriculture production and processing but mainly as workers and they are less involved in the management of agribusiness companies. For example, the RDP agriculture company beneficiary "SKHALTA 2012" hires 15 workers each season, of which 60 per cent are women. But women are not involved in the company management, except administrative positions. AMMAR supported training on pruning peach orchards, in which 23 per cent of the participants were women. Value chains that typically involve more women were not selected for support. The 2016 supervision requested that the blueberries value chain, which was dropped from the selected value chains, should be included again.

181. **Participation in decision-making.** The only qualitatively significant improvement for women's participation in decision-making has been in Government agencies and CUs. While there are some positives in terms of women's representation in community-based organizations (CBOs) these have since disappeared and their effects on women were not analysed. In ASP infrastructure¹⁴² and AMMAR value chain activities, the lack of broad-based participation in the selection of infrastructure and value chains also implies that women are not sufficiently involved in decision-making.
182. Women were found to be represented in management structures in ADP CUs and MoA food laboratory offices. Two CUs and one food laboratory visited by the evaluation mission saw women well represented in managerial positions. Women were reported to be in managerial positions in four other food laboratories constructed under RDP. RDPMHA phase 1 made some inroads into increasing women's participation in farmer associations. Increased presence of women has the potential to alter traditional perceptions of women's roles in agriculture. Yet the associations were short-lived and abandoned.¹⁴³ Project mechanisms to ensure and improve women's participation in site and activity selection are also not yet functioning in AMMAR.

Box 9

Low participation of women in decision-making in AMMAR

So far, women's participation has been low in the project's annual stakeholder review and planning workshops.¹⁴⁴ The 2015 meeting with 106 stakeholders from Shida Kartli, Kvemo Kartli, Adjara and Samegrelo only counted 12 women. The 2016 meetings saw increased numbers of participants of which only 12 per cent were women.¹⁴⁵ During a stakeholder workshop in 2016, the overall number of participating stakeholders has increased, but the proportion of women remains low. Women are also underrepresented in the training-of-trainers training. So far 53 men and 16 women have been trained as trainers.

183. **Workloads and wellbeing.** There is little evidence to show improved workload distribution and wellbeing for women. Gender-sensitive trainings and household

¹⁴² The ASP IE found no significant changes in women's role in decision making (to buy assets, choose which agricultural products are grown, harvested, and produced, decide which agricultural products are to be sold or given away, or how the land should be planted). Infrastructure projects were selected by the Ministry without consultation with community members

¹⁴³ Women's participation in livestock associations increased from 53 in 2004 to 167 in 2005; in vegetable production associations from 25 in 2004 to 53 in 2005; in cereal production associations from 1 to 23, in potato production associations from 4 to 20. However, over two years total number of women in farmer associations dropped from 25.1% in 2004, to 23.5% in 2005 and 0% in 2008 onwards. 1. Women were unequally represented in associations across programme districts ranging from 47 percent of members in Dusheti and 35 per cent in Ambrolauri to 13 per cent in Aspizda and Shuakhevi.

¹⁴⁴ As required under AMMAR's gender action plan

¹⁴⁵ For participants from Shida Kartli, Kakheti and Samegrelo

methodologies have not been deployed to raise awareness on women's situations or work on equitable distribution of workloads in households. No labour-saving technologies have been tested and no studies have recently been commissioned to look into the issue. At best, a couple of activities may have had an impact on this domain. The ASP IE found that the project's drinking water instalment gave women beneficiaries a three minute saving in time to fetch water, but this was statistically insignificant when compared to the control group. Health benefits were also not statistically significant. Reduced travel time due to improved transport infrastructure may have qualitative positive impacts for women to access health and education centres in high mountain areas.

184. **Overall**, there has been the assumption in the country programme, as expressed in many documents, including the CPSN (2014) and even some evaluations (e.g. RDP project performance evaluation), that women have held equal social economic positions since socialist times and that hence no specific measures to enhance women's participation and role in IFAD-supported projects would be needed. The data presented above clearly shows that this is not the case and that once the focus of the programme has shifted away from the support of local institutions, or once those institutions ceased functioning, women's participation has faltered. Given the unsatisfactory progress in addressing gender concerns in the portfolio and the unsatisfactory results in improving women's access to productive resources (finance) and decision-making, this CSPE rates gender equality and women's empowerment *unsatisfactory (2)*.

Environment and natural resource management, and adaptation to climate change

185. **Context.** Georgia suffers from a range of environmental sustainability issues that makes interventions centering on environmental and natural resource management, and climate change adaptation highly relevant. The most prominent issues include poor land management practices, soil erosion, salinization, and loss of vegetation cover, which exacerbates increased flooding. The causes are principally due to human intervention and identified as unsustainable mining and construction, uncontrolled logging, overgrazing, poorly regulated urbanization, industrial activities in riverbeds, and a lack of compliance with land use regulations and with environmental and hydrological standards.¹⁴⁶
186. **Project designs** incorporated environmental and natural resource management concerns in almost all the projects from RDPMHA onwards, but were addressed to different degrees and with different levels of success. Lessons learned from previous programming were considered in the design of the AMMAR project, which directly deals with soil degradation, amelioration, water supply and infrastructure developments. ADP did not address environmental and natural resource management issues, and they were not foreseen as planned activities under the project. The grants support complementary measures in the field of environment (i.e. reduction in use of pesticides through organic farming) and natural resource management (i.e. land erosion issues through windbreaks and water usage through drip irrigation).
187. **Environmental sustainability** was weakly approached. Interventions focussed on project-specific regulations, and on combatting soil erosion activities, although these latter were never implemented. Regulation-focussed activities emerged under RDP, when a grant programme was expected to increase the use of pesticides and fertilizers. While that programme was never implemented, the Environmental Guidelines were updated to include a pest management plan and a pest management handbook. Following introduction of the handbook, pest management compliance was found to be satisfactory by World Bank supervision.

¹⁴⁶ World Bank. 2014. pg. 7

Soil erosion activities were promoted in RDPMHA. Orchards and vineyards were established on sloped lands to reduce water run-off and erosion, and to prevent land slippage. This sub-project was cancelled after redesign.

188. **Natural resource management** received some more attention through capacity building of farmers and increased water availability and leakage prevention in irrigation. Nonetheless, forest and pasture resources were put at risk, with no remedial plans in place, due to increased access to highland and mountainous areas. In RDPMHA more than 2,000 farmers were trained on the correct use of pesticides, which was important for protection of soil and subsoil and surface water resources. In ASP, existing irrigation schemes were rehabilitated with lining to prevent water loss. Some of them were cleaned where earlier there was water clogging. However, the ASP IE reported that beneficiaries still found leakage to be a problem. The RDPMHA PPA suggested that a quarter of the 16 road and bridge projects provided improved access to firewood resources, and six improved access to summer pastures, which could lead to increased pressure on the land. The project impact analysis identified an increasing trend in firewood use and reduced reliance on expensive bottled gas. There was, therefore, a moderate risk of increased deforestation in some areas. The evaluation mission can confirm increased use of pasture resources in Shuakhevi municipality.
189. **Overall**, environmental concerns have been addressed in project design but weakly dealt with in implementation. Natural resource management was only tangibly successful in the capacity building of farmers in RDPMHA, and high mountain resources have been put at risk without proper mechanisms to approach the use of resources. Given the risks that Georgia faces, this is a weak result. Environment and natural resource management is rated *moderately unsatisfactory* (3).
190. **Climate change adaptation** was not built into the design and was therefore addressed indirectly in the closed projects. The current focus has been on climate change adaptation. Climate change was indirectly addressed in RDP and ASP as well as in the small grant projects through technology transfer and capacity building to a small number of selected farmers. However, no outcomes in terms of adoption rates of technology or climate smart practices were reported in the completion reports or in IOE reports in this respect. Under ASP, the rehabilitated irrigation schemes should provide better water availability, but as already reported, leakage and management of the schemes limits water availability. The tertiary and on-farm parts of the irrigation schemes still require rehabilitation. RDPMHA's pilot community environmental improvement subcomponent focused on the development of economically sustainable soil conservation and erosion control measures through the supply of planting materials for fruit tree and vineyard establishment on sloping lands to reduce water run off (erosion) and to prevent land slippage, and almost three hectares of lands were protected from erosion. This activity, however, was not further pursued.
191. Climate change issues are well mainstreamed in the design of AMMAR and one of the specific objectives (SO) directly deals with this issue, through component 2: climate smart agriculture and value chain development, which encompasses policy dialogue (preparation of Climate Change Adaptation Plan for Agriculture Sector) and development of irrigation and value chain infrastructure sub-components. The adaptation plan is being finalized in cooperation with the Ministry of Environment and Natural Resource Protection. Considering past partial achievements and current high focus on the issue, climate change adaptation is rated *moderately satisfactory* (4).

C. Overall portfolio performance

192. IFAD's engagement with the country has come a long way since its beginning. After it had departed on an overambitious agenda following the country's independence, portfolio performance went through a deep and long trough, followed by a complete strategic reorientation, which led IFAD to adopt a more pragmatic and selective approach in line with Government's economic growth agenda. Overall, the country programme has been relevant and aligned with Government priorities, although IFAD lost its focus on poverty and gender half way through the period.
193. IFAD introduced some innovative approaches many of which had been relevant within the context of this newly independent country; yet not all of them have been equally well received and implemented by Government. Some good results on institution building were achieved through close partnership with Government and World Bank in the earlier part of the review period. IFAD also supported some innovative approaches in the rural finance sector, with some notable success in microfinance, but these were much underrated and insufficiently followed up. Unrealistic and incoherent project designs and weak poverty and gender targeting were consistent weaknesses in the portfolio that ultimately limited impact. Portfolio performance is *moderately unsatisfactory* (3).

Table 14

Assessment of project portfolio achievement

<i>Criteria</i>	<i>CSPE rating^a</i>
Rural poverty impact	3
Project performance	
Relevance	4
Effectiveness	3
Efficiency	3
Sustainability of benefits	3
Other performance criteria	
Gender equality and women's empowerment	2
Innovation	3
Scaling up	3
Environment and natural resource management	3
Adaptation to climate change	4
Overall project portfolio achievement	3

^{a)} Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory; n.p. = not provided;

Key points

- Overall relevance was good. Some aspects supported by IFAD such as food safety, water user associations or agricultural cooperatives received Government's due attention albeit with some delay. Other aspects, such as the focus on farmers' organizations or microfinance were not emphasized by Government, but were still needed.
- Shortcomings in the portfolio were weak project designs, with unrealistic objectives and implementation approaches, and poorly integrated project components. Strategies to target poor farmers and women were either missing or not implemented
- Effectiveness has been patchy. Achievement of targets and outreach was low. Some results were achieved in strengthening the capacities of Government organizations, but efforts to strengthen grassroots organizations, farmers groups and associations were unsuccessful.
- Efficiency was low. Slow implementation start up and frequent restructuring affected all closed projects negatively.
- Poverty impact was very limited. Most of the projects had some impact on household incomes and assets through access to finance or improved local transportation. But none of the projects made a lasting impact on social and human capital, and there was no impact on food security.
- Sustainability was good for some benefits introduced, e.g. Government institutions (land registration, food safety) and MFIs. But without a functioning institutional framework for service provision (extension, irrigation) most of the benefits could not be sustained.
- The programme attempted to introduce a number of innovations, some of them prematurely. Only few innovations were successful in the longer term (land registration, microfinance).
- Opportunities for scaling up were missed, in particular in rural finance. The main innovation that has been scaled up was the system for land registration.
- Gender was insufficiently addressed in the portfolio and the results in improving women's access to productive resources are unsatisfactory.
- Environmental and natural resource management was addressed in most projects.
- Climate change was addressed in some cases; it is well integrated into the design of the ongoing AMMAR.

IV. Non-lending activities

A. Knowledge management

194. **Strategy.** Knowledge management (KM) did not receive much attention within the country programme for most of the review period. KM activities were not specified in the 2004 COSOP, although they were generally mentioned in the logframe as one of the instruments to achieve the programme's strategic goal and objectives: linking with strategic partners for knowledge sharing and policy dialogue (COSOP 2004, appendix II). The 2014 CPSN did not specify any approach to KM. The project performance reports mention the intention to "gradually start documenting the implementation experience of IFAD investment in Georgia" in four consecutive years (2010, 2011, 2012, 2013), but only in 2014 do they propose some concrete actions on KM; in 2015, some KM activities are reported in relation to ASP.
195. Current KM actions in Georgia are guided by IFAD's regional KM strategy paper: 'NEN 2016-2018 Knowledge Management Strategy and Workplan.' As stated in the current NEN KM strategy, KM is cross-cutting by its nature and serves as a basis for strategy papers, project design, supervision and implementation support, and project completion.¹⁴⁷ The KM strategy is general but relevant for Georgia even though Georgia is not specifically mentioned. According to the strategy, KM services objectives, such as strengthening NEN's country programmes, are enhancing cross-country level learning and contributing to international and corporate engagement.
196. **Knowledge products.** Despite the lack of strategic guidance over the review period, a wide range of KM products have been created by IFAD, mainly through grants. At an early point of its engagement IFAD conducted studies to inform the new country programme. The *Assessment of Rural Poverty, Central and Eastern Europe and Newly Independent States (2002)*¹⁴⁸ was conceived as a part of the identification of a multi-year strategic lending programme for Central and Eastern Europe and includes only very general analysis of the political environment and poverty issues in Georgia. Later, *A Regional Comparative Advantage Analysis and Synthesis* (March 2004) was prepared for Albania, Moldova and Georgia, to inform the 2004 COSOP, which was the first country strategy for Georgia. This document, of rather technical character, includes information for discussing market development strategies, farmer opportunities to anticipate areas of growth and to identify what types of investment and new public services are needed.¹⁴⁹ The report provides a comprehensive country context, sets out the policy environment, describes details of land management, agro-ecological conditions, rural markets and main agricultural activities per region.
197. Several studies, assessment reports and other knowledge products were delivered on **financial services** (i.e. remittances). The financing facility for remittances grant included several studies, including a banking sector assessment report on existing money transfer operations in Georgia. Crystal prepared a report on *Regulatory Due Diligence* that describes the regulatory framework for mobile finance services in Georgia and Greece and includes recommendations on a legal set up of the service and regulatory requirements in both jurisdictions.
198. *A Research Report on Farmer Cooperatives in Georgia* was prepared by Elkana in 2016 in the context of the AGROInform grant. This is an important document that studies the current experience of the existing **cooperatives** and the related legislative framework. It proposes some concrete measures to improve the Law of Georgia on Agricultural Cooperatives in order to create incentives for working in

¹⁴⁷ NEN 2016-2018 Knowledge Management Strategy and Workplan, p.3

¹⁴⁸ *Assessment of Rural Poverty, Central and eastern Europe and Newly Independent States, 2002*, p.IX

¹⁴⁹ The Phase I Comparative Advantage Analysis and Report, p. 18

cooperatives not only for primary producers but also for the successive stages of the value chain. The document has been submitted to MoA.

199. **KM in projects.** RDPMHA was the only project that used a broad range of activities and media to disseminate information about the project. For example, the PMU issued two special regional newspapers that contained information on the village selection methodology, planned activities, implementation methodology and outputs. Newspapers were distributed free of charge among beneficiaries, governmental and non-governmental organizations that had contact and interest in the project. (RDPMHA annual progress report 2004) The dissemination activities in RDPMHA were numerous and during the entire programme cycle 203 articles were published (progress report 2005).¹⁵⁰
200. ASP had a dedicated person to report on KM and M&E, according to the 2015 country programme issues sheet (CPIS), but this seems to have been at a very late stage of implementation (the project closed in 2015). The thematic focus was on climate change, land/water management practices and crop diversification. According to the CPIS the project recruited a specialized media company to deliver a communications outreach campaign that heightens awareness of sustainable agricultural practices among smallholder farmers in Georgia and highlight ASP interventions (CPIS 2015).¹⁵¹
201. **Regional exchange.** Between 2000 and 2007, IFAD grants supported a Regional Collaboration Programme with the objective to establish an institutional mechanism, the Caucasus Mountain Network, for sharing experience on the sustainable development of mountainous areas. The grant was funded under the IFAD-NGO extended cooperation programme and co-financed by the Swiss Agency for Development and Cooperation. It benefitted NGOs supporting the exchange between Georgia and Armenia. The Caucasus Mountain Network was expected to support the implementation of RDPMHA, conceived at the same time.¹⁵² Another regional grant was *AGROInform* (2015-2019)¹⁵³, with the aim of networking extension providers. The regional dimension of the projects and the exchange between countries (including joint learning routes, study tours and trainings) in the region is appreciated by the project partners interviewed during the CSPE mission.
202. **South-south exchange** happened almost naturally at the time of the sub-regional strategy (SUSOP). The grant for the gender consultant also covered the organization of an international workshop on *Gender Analysis in Rural Development* with 48 representatives from 12 countries (RDPMHA annual progress report 2004). The International Land Coalition (ILC) grant supported Georgia's learning from Albania's experience with CBOs, activities on issues of common use and forest land management. Knowledge products (such as the manual on CBOs and the charter for CBOs) were shared with Albanian counterparts for comments and inputs.
203. **Learning from experiences.** The implementation structure of IFAD-funded projects has been complex and almost fragmented, involving a number of sub-contractors and a lean central coordination unit. A systematic approach to KM would have been important to link actors and enable the exchange of experiences across components and projects. However, there are no planned or even improvised yearly activities in Georgia for summarizing the results achieved through non-lending activities. The MoA Central Coordination Unit is not involved in non-lending activities and is not informed about some of them. Consequently, there is a little room for consolidating the achievements and learning from experiences on the ground, both from lending and non-lending activities. The CPM engages with

¹⁵⁰ In March 2005 there was a RDPMHA Programme Annual Review Workshop with the participation of beneficiaries.

¹⁵¹ Information not confirmed, and the PCR does not mention any of this

¹⁵² FAO, <http://www.fao.org/docrep/w9300e/w9300e04.htm>.

¹⁵³ Grant 2000001021 *Promoting Inclusive Horticultural Value Chains in Armenia, Georgia, Kazakhstan and Moldova*.

stakeholders mainly for the large scale lending operations during missions, e.g. country brief for 2014 and country brief for 2016 do not even mention the non-lending activities undertaken by IFAD in Georgia. There are no structured efforts to summarize the results achieved through non-lending activities or to capitalize on them.

204. **Overall.** Although there has been important knowledge generated through the grants and loans, there was no systematic approach to document and share those experiences. The earlier approach to regional knowledge sharing, under RDPMHA, was not continued after its suspension in 2006. The experiences – and achievements – in the rural finance sector, from both loans and grants, were never documented or harnessed, despite the intentions expressed in the CPIS/project performance reports. Besides, there was a notable lack of systematic learning processes from project experiences, both from success and failure. Earlier projects attempted some innovative approaches, but the following projects, rather than building on those experiences, tried something different again. The obvious example is the rural finance sector. Knowledge management is rated *moderately unsatisfactory (3)*.

B. Partnership-building

205. The 2004 COSOP emphasizes the importance of partnerships, based on prior experiences in ADP. It considers private sector and market-oriented donors as essential partners for reconstructing, rehabilitating and injecting new capital into agro-processing and marketing endeavours. Partnerships with local and international NGOs also receive attention because they were considered key for agricultural development and rural poverty reduction due to the associated economies of scale and reduced transaction costs. According to the COSOP, non-profit organizations can link private sector and the rural poor in terms of inputs and marketing opportunities.
206. The 2014 CPSN provides more specific direction. It focuses on partnership development, especially 'with rural and environmental focused CSOs, farmers associations, banks and MFOs and a wide range of actors in inclusive value chains'.¹⁵⁴ Also, partnerships with innovators around climate smart agriculture, both in the public and private space, are emphasized.
207. **Government partners.** The key partner of IFAD is the Government of Georgia, represented mainly by MoA, as implementing line ministry, and MoF, as the borrower. There was some interaction with MoF around the activities related to rural finance. In the past, some cooperation took place with the Ministry of Justice, by supporting the establishment of NAPR under ADP. Through the environmental component of AMMAR, IFAD will also cooperate with the Environment, Education and Info Centre under the Ministry of Environment and Natural Resources Protection. So far, there has been no interaction with institutions such as the Ministry of Regional Development and Infrastructure and the Ministry of Health, Labour and Social Affairs of Georgia, although the nature of the interventions of IFAD would have suggested at least some coordination and consultation with these line ministries.
208. **Implementing partners** included a range of state institutions and agencies, such as APMA and UASCG. In line with Government priorities, IFAD has made a conscious attempt to involve a broader range of non-government and private sector organizations in project implementation. This includes international NGOs, such as Mountain Area Development International,¹⁵⁵ national CSOs, such as ELKANA and the Caucasus Environment NGO Network, private sector banks and

¹⁵⁴ CPSN, p.15

¹⁵⁵ MTR RDPMHA, p.15

MFIs (TBC-Leasing, Crystal, Finagro, among others). ASP collaborated with different stakeholders from the public and the private sector. In the ongoing AMMAR project, IFAD intends to partner with a wide range of actors in inclusive value chains and innovators around climate smart agriculture, both in the public and private space, including CSOs and professional associations.

209. **Co-financing partners.** Co-financing partnerships have played an important role in the portfolio. IFAD started its activities in Georgia in partnership with the World Bank. This partnership has created significant leverage in terms of policy dialogue and development of a legal and institutional framework during the earlier parts of IFAD's engagement in Georgia.¹⁵⁶ Both ADP and RDP are considered as successful projects that contributed to the improvement of the institutional framework. More recently IFAD has been able to mobilize substantial co-financing (grants) from DANIDA and GEF for the AMMAR project. Prior discussions with the EU and the European Bank for Reconstruction and Development have not led to co-financing, and the attempt to initiate another co-financed project with the World Bank has not been successful.
210. **Partnership for knowledge sharing.** IFAD has gained a degree of visibility among development partners, despite not having any country presence. Information sharing and exchange of experience happened in particular with the World Bank, European Union, USAID and UNDP. Still, levels of engagement with other development partners varied over the period and were usually higher during periods of project conception and start up. Therefore it is not surprising that stakeholders met during the CSPE mission expressed their view that more regular presence and interaction would strengthen partnerships with donors working in similar areas.
211. **Partnerships for policy engagement.** In the Georgian context, partnership and policy engagement are closely linked. Therefore the strategic choice of partnerships has been crucial to successful policy engagement. IFAD's intention to join other donors in pursuing a constructive policy dialogue agenda, as expressed in the 2004 COSOP, was therefore relevant. The two World Bank co-financed projects have significantly strengthened IFAD's visibility and leverage on improving the institutional framework with regard to land registration and food safety in Georgia. The successful cooperation with World Bank has not been continued beyond the preparation of the Irrigation and Land Market Development Project (2014).
212. **EU.** Some interactions with the EU had taken place in the earlier period, but opportunities to work closer with the EU recently were not realized.¹⁵⁷ Since the signature of the Association Agreement and DCFTA in 2014, the EU became a strategic partner of Georgia. Agriculture, together with rural development, became a priority. The two large-scale projects in the rural sector, the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD)-I and ENPARD-II, have already been launched and partially implemented in Georgia, valued at EUR 52 million and EUR 50 million respectively and ENPARD III is under preparation, with an allocated budget of EUR 77.5 million. With a focus on smallholder farmers and rural poor, and on supporting cooperatives, the EU appears as a natural ally for strengthening smallholder agriculture. The EU is also monitoring commitments made by the Government within the Association Agreement and leads policy dialogue around the budget support it provides.
213. **FAO** works closely with the EU, especially in the field of policy development and coordination. FAO is highly appreciated by stakeholders as an organization active in policy development process and also facilitates ENPARD stakeholders' committee

¹⁵⁶ ADP Completion Report, p. xiii

¹⁵⁷ According to the CPM this was due to structural barriers with packages prescribed by the EU headquarters for ENPARD grant financing that did not give room for a partnership with IFAD.

meetings organized by the EU. IFAD has been participating in the donor coordination meetings (remotely or in person).

214. **UN agencies.** IFAD has not been part of the 2011-2015 UNDAF. The 2016-2020 UN Framework Document *United Nations Partnership for Sustainable Development* in Georgia also does not include IFAD.
215. **Donor coordination.** In 2011, the Government decided to mainstream the ADPCC into MoA. This was among the measures to encourage dialogue among donors and with Government, and promote better coordination and harmonization between Government policies. As a result, the various donors have sharpened their focus on strategic sectors – the EU through ENPARD on cooperatives, the World Bank on reforms and institutional building related to irrigation development, and IFAD on supporting enhanced agricultural productivity and resilience to climate change, as evidenced under AMMAR. Government was primarily interested to coordinate large-scale infrastructure investments. The coordination mechanism in the agricultural sector, chaired by MoA, is rather formal and ineffective, according to the stakeholders interviewed during the CSPE mission. The more dynamic platform for strategic dialogue is ENPARD, effectively coordinated by FAO and UNDP. IFAD is a member of the in-country donor coordination group, but not represented in the ENPARD group.
216. **Private sector partners.** According to the 2004 COSOP, partnerships with the private sector were deemed “essential in tackling the restructuring, rehabilitating and injecting new capital into agro-processing and marketing endeavours”. The loans and grants provided by IFAD initiated a range of new partnerships in the financial sector. Under ASP IFAD managed to attract investment into agribusiness through TBC Leasing, a private sector company. TBC Leasing provided services to 15 medium-large companies, mainly wineries. The ongoing micro-insurance grant also intends to broker public and private partnerships.¹⁵⁸
217. **Civil society organizations.** The COSOP significantly encouraged support to CBOs, including farmer associations and cooperatives, and NGOs. Partnerships with NGOs are seen as “an opportunity for mobilising and empowering rural communities and women in particular”. According to the 2004 COSOP, NGOs can provide a sustainable link between the private sector and the rural poor in terms of inputs and marketing opportunities, and facilitate the efficient and sustainable use of modern technologies for agricultural extension and technical support. The lending portfolio uses NGOs primarily as implementers. While overall these arrangements seem to have worked well, there was always a tendency to overstretch the capacities of the NGOs used (e.g. Mountain Area Development International in RDPMHA, ELKANA in AMMAR) and to dilute their mandate beyond the original purpose. Engagement with NGOs was more strategic, for example through the grant from the IFAD/NGO ECP.¹⁵⁹ According to stakeholder feedback obtained during the CSPE mission, IFAD did not have sufficient direct interaction with the CSOs and it did not yet engage local NGOs who are active working in similar areas.
218. **Local government.** Despite the localized nature of IFAD-funded loan interventions, there has been limited interaction with regional and local authorities ever since RDPMHA was suspended in 2006. It was only in RDPMHA that the selection of infrastructure projects was done by municipalities; since then it was

¹⁵⁸ Partners include 17 Triggers as main implementation partner, which is an award winning “Social Innovation Lab”, ILO’s Impact Insurance Facility (IIF); Women’s World Banking (WWB) which is a global non-profit; Access to Insurance Initiative (A2ii); World Food Programme (WFP); EA Consultants (EAC) and the International Food Policy Research Institute (IFPRI).

¹⁵⁹ Grant 1000000686 and 1000000687 “To Partially Finance The Establishment Of The Caucasus Mountain Network Within Rcp Between Azerbaijan And Georgia” were financed through the Extended Cooperation Programme to enhance IFAD-NGO operational partnerships and through this NGO-Government partnerships.

the central Government selecting the projects. Stakeholders interviewed during the mission reported the lack of consultation at the project design level and their limited involvement during the implementation phase. The lack of consultation with potential local stakeholders is perceived with particular sensitivity in the Autonomous Republic of Adjara, with its own MoA. The grant portfolio seems to be more engaged with the local authorities in comparison with lending activities: several grant projects worked at the grassroots level and actively involved the local authorities. A good example is a small project implemented by the International Organization for Migration (IOM) in Tianeti region (2008-2010).¹⁶⁰ The Enhancing Resilience of the Agricultural Sector in Georgia project (ERASIG) also works with local municipalities: landscape restoration works are conducted with 5 per cent co-financing of local municipalities.

219. **Farmer organizations.** The 2004 COSOP describes farmer associations and cooperatives as “essential for agricultural development and rural poverty reduction” after the break-up of large state and cooperative farms. According to the COSOP, farmer associations will “facilitate the management of farm resources by realizing economies of scale, reducing transaction costs, providing rural credit and wielding bargaining power in the marketplace”. RDPMHA had built its participatory approach on newly established community organizations and farmers’ associations but none of them have survived beyond the project. AMMAR is taking a fresh approach to working with farmers’ associations, encouraged by the renewed interest of Government to establish functioning institutions for scaling up agricultural activities beyond the individual farmer. An example of working with grassroots is also the Capacity Building for Enhancing Agricultural Resilience and Competitiveness (CBEARC) grant (2013–2016)¹⁶¹ where the target group of the project are agricultural producers, particularly poor rural women and men with less than 2.5 hectares of land.
220. **Overall,** partnership building has been reasonable, given the lack of country presence and the limited investments IFAD has in Georgia. Co-financing partnerships were important and they have added considerable value to the IFAD-supported interventions. Efforts to involve private sector and civil society organizations have been commendable, although more direct interaction would have benefitted mutual learning in the country programme. Even though IFAD has gained a degree of visibility vis-à-vis other development partners, partners would welcome a more regular interaction and greater presence in the country. IFAD is clearly expected to play a role in thematic areas where it has a mandate and expertise, such as rural finance and grass roots organizations. Partnerships for policy development have been strong with the World Bank in the past, but could have been better with other key players (EU, FAO). Partnership building is rated *satisfactory* (5).

C. Country-level policy engagement

221. The COSOP was drafted in 2004 when the legal framework for agriculture and rural development in Georgia was practically non-existent and the institutional framework very weak. The transformation of a centrally planned economy to a market economy was still on-going without being guided by national strategies or adequately structured governmental support. Therefore an important objective in the COSOP was to “develop coherent and supportive national policies and a conducive institutional framework for smallholder development.” According to the COSOP, the transformation of a centrally planned economy to a market economy requires major policy decisions and consequent changes in the legal framework.

¹⁶⁰ *Financing Facility for Remittances: New Channels and Products to Maximize the Development Impact of Remittance for the Rural Poor in Georgia.*

¹⁶¹ Grant 2000000248 *Capacity Building for Enhancing Agricultural Resilience and Competitiveness.*

222. The COSOP states that IFAD will “pursue a constructive policy dialogue agenda using projects, supplemented by grants, as entry points for policy dialogue.”¹⁶² Three areas for policy dialogue were highlighted in the COSOP in support of a pro-poor institutional and policy framework: land rights, rural finance and access to markets. Policy changes were expected to impact on ownership rights (e.g. of land), the incentive structure for production and investment, the social behaviour of individuals and communities, and poverty reduction objectives. IFAD had planned to use both loan and grant resources to support a policy dialogue agenda that would aim at influencing the adoption of pro-poor policies (COSOP 2004).
223. During this period, policy engagement took place around the World Bank co-financed projects and as part of the grants. Policy engagement in cooperation with the World Bank focussed on land registration and food safety issues. Projects engaged in policy related issues tackled access to finance, land legislation, climate change and gender through the grant portfolio. Some grants achieved impact due to their well-focused actions, flexibility and their direct implications at the grassroots’ level. Others had even involved some high-level policy engagement, such as the grant for the *Establishment of the Caucasus Mountain Network* (2000-2007),¹⁶³ which envisaged exchanges between Swiss and Georgian Parliamentarians to inform and guide the latter on the establishment and functioning of the Caucasus Mountain Network.
224. **Land rights.** The establishment of NAPR within the co-financed ADP made a major contribution to the institutional framework for land registration. At the same time, the ILC Endowment For Community Mobilization Initiatives in Western Georgia project (ECMI) (2003-2005) established cases for successful land registration at community level and also contributed to advance land policy issues at the national level. The project provided training to CBOs and community representatives on land legislation. The project prepared cadastral plans and other land-related information in support of the land registration process. The project also established private arbitration in villages. This was a highly successful project, which also provided a case for management of common-use pastures (case study 5). These achievements made a tangible contribution, enabling 35 per cent of land to be registered in the period 1997-2005.
225. **Access to markets**, especially product markets, was considered the most important aspect of Government policy at the time of COSOP preparation. IFAD intended to start policy dialogue with the Government on how to improve value added of crops with a comparative advantage and for capturing a larger share of the market (from COSOP 2004), but it seems little was achieved before 2010, when Government recognized this as a priority.¹⁶⁴
226. Another important area has been on support to establishing the food safety agency (FSA). Government's changes to the FSA’s role and legislation hampered proper functionality of the agency, with political support being erratic, responsibilities changing between ministries, and staff being laid off. This only changed in 2010 when food safety became a priority following the beginning of talks with the EU for the Association Agreement. A Food Safety Strategy was adopted and the FSA became a legal entity under public law.
227. There is no evidence that the grants provided under this theme contributed to policy engagement. The regional grant for the organization of the *Apricot*

¹⁶² COSOP 2004, p.11

¹⁶³ Grant 1000000687 to *Partially Finance the Establishment of the Caucasus Mountain Network with Rcp between Georgia and Azerbaijan.*

¹⁶⁴ 1. For example, in 2008, the RDP competitive grant programme for the Agricultural Supply Chain Development Fund cancelled because it was not considered as a government priority at that time. MoA and the wine sector at large did not accept a project-produced Wine Sector Strategy in 2009, due to a lack of agreement on the main strategic guidelines and the absence of a concrete action plan.

*Symposium in 2011*¹⁶⁵ aimed at influencing national strategies and introducing policy changes towards the development of sustainable apricot production in the region, but the main outcome seems to be various communication products after the Symposium. The ongoing AGROInform grant (2015–2019)¹⁶⁶ is expected to feed into the policy dialogue with the respective governments of Georgia, Armenia, Kazakhstan and Moldova on how to turn smallholder production into profitable farming businesses.

228. **Access to financial services.** From the beginning, IFAD and other donors were involved in attempts to introduce suitable models for rural finance. Yet these efforts were often hampered by the lack of a supportive regulatory framework. IFAD supported the establishment of CUs under ADP. A major (and only) positive impact of the project has been the formulation and passing of an appropriate law on CU operations (2002 Law on Credit Unions). However, the poor performance of CUs on the ground has adversely affected Government willingness to sanction new initiatives in CU development, despite significant finance being available for this from IFAD, the World Bank and other sources. According to the IOE thematic evaluation (2007) IFAD should have addressed the constraints to CU formation and development, such as tax exemption or the relaxation of the high minimum requirement of 50 members to form a union, through policy dialogue. In the World Bank co-financed RDP, the law regulating MFIs was passed but did not include foundations, which were identified by the project as the most suitable candidates to work with, delaying implementation of the MFI credit line. Similar problems continued into ASP where MFIs failed to qualify for the agricultural leasing component due to the restrictive regulatory framework.
229. The grants portfolio has addressed some gaps within the incomplete regulatory framework in the country. This was done through successful partnerships with the private sector. According to feedback obtained during the CSPE mission, the grants provided to Crystal Fund accelerated the adoption of the new law on payment systems and therefore contributed to an enabling regulatory framework for remittances.

Box 10

Successful grant project to facilitate remittances to migrant communities

The projects on remittances in the target community in Tianeti¹⁶⁷ and the following advocacy efforts undertaken by Crystal Fund,¹⁶⁸ involved the legislative dialogue with the National Bank of Georgia and relevant Ministries. The seminar on The regulatory environment for electronic remittance and payment systems in Georgia, held in 2010, was a starting point for policy engagement that resulted in the adoption of specific regulation concerning payment systems and e-money.¹⁶⁹ Crystal Fund was supported by Mobile Finance Eurasia and MFO Crystal who also provided co-financing. MoF defined tax-related aspects of the service and produced binding ruling.¹⁷⁰ The projects also provided a model on how agreements between Georgian and foreign phone companies could work. In the following period, TBC bank started offering mobile banking as a financial service that facilitates remittances.

230. The recent grant on micro-insurance¹⁷¹ innovations (2016-2021) addresses another important gap in the financial sector. According to the President's Report, the project will promote innovations in micro-insurance products, scheme design and

¹⁶⁵ Grant 1000003848.

¹⁶⁶ Grant 2000001021 *Promoting Inclusive Horticultural Value Chains In Armenia, Georgia, Kazakhstan And Moldova.*

¹⁶⁷ Grant 1000003076 *Financing Facility for Remittances: Testing New Channels And Products To Maximize The Development Impact Of Remittances For The Rural Poor In Georgia (2008-2010)*, funded with Luxembourg Supplementary Funds.

¹⁶⁸ Grant 100000347 *Crystal reaching Georgia's Rural Poor Through Mobile Remittances (2010 – 2012)*

¹⁶⁹ Report on Regulatory Due Diligence, p.4

¹⁷⁰ Interview with the Head of Crystal Fund conducted by the CSPE mission

¹⁷¹ Grant 2000001316 *Managing Risks for Rural Development: Promoting Micro-Insurance Innovations.*

processes. It will seek to raise awareness, facilitate advocacy and promote policy dialogue, supported by an assessment of micro-insurance markets and the development of road maps for discussion (in partnership with the Access to Insurance Initiative). It is a global grant also benefiting Ethiopia and China. Multi-stakeholder workshops with value chain and financial services providers were used to develop country road maps including policy recommendations.

231. **Climate change.** The ongoing AMMAR contains a policy component with an objective to draft a National Climate Change Adaptation Plan for Agriculture. It is financed through a GEF grant (2015-2019)¹⁷² which supports MoA to mainstream climate change adaptation into agriculture policies and regulations, to favour the sustainability and upscaling of the intervention supported by the project.
232. **Policy development.** A number of documents have been drafted following the commitments undertaken by Government within the Association Agreement and the DCFTA signed in 2014 with the EU. IFAD had a minor role in the preparation of such key documents in the areas of its expertise such as the Strategy for Agricultural Development in Georgia (2015-2020),¹⁷³ Rural Development Strategy (2016), drafted with support from EU and UNDP, and the High Mountainous Areas Law (2016), which is implemented through a special fund and with support from various donors (Austria, Switzerland and others).
233. After it took over direct supervision (2009), IFAD became absorbed by issues of project design and implementation and was less involved with other donors in pursuing a constructive policy dialogue agenda. No meetings with Government or development partners on policy issues are recorded from this time up to 2014.¹⁷⁴ This also coincides with the period when CPMs changed frequently. During this period IFAD withdrew from the wider development discourse and policy dialogue even in such fields where it has very specific and valuable expertise, e.g. rural finance or farmers' organizations. The grants portfolio was rather successful, but the lessons generated were not followed up through policy engagement. This can be partially explained by the Government's lack of interest in agriculture. Being extremely unfavourable towards agriculture from 2005 to 2010, this attitude made involvement in policy engagement for the international organizations more challenging.
234. In addition, IFAD did not conduct any further analysis of the rapidly changing context and, consequently, did not immediately realize the opportunities arising when Government's attitude towards agriculture started changing in 2011. The CPSN (2014) was an attempt to close that gap.¹⁷⁵ It is a fairly concise and focused paper that has been prepared without extensive background documentation or analysis. It primarily provides an update on the SAD (2015-2020) and the roles and responsibilities of main IFAD counterparts (MoA, MoF, UASCG).
235. Some major opportunities have been missed to re-establish IFAD's visibility and role in policy development. For example, the RDP PPA recommendation to broaden the partnerships in regard to building capacities of food safety agencies became obsolete very soon, after Georgia signed the Association Agreement. Starting from 2014, a Comprehensive Institutional Building instrument, funded by the EU, was in place to build capacity of the NFA to enable it to cope with increasing demand with regard to food security. Despite its important role in strengthening the NFA, IFAD

¹⁷² Grant 2000000827 *Enhancing resilience of agricultural sector in Georgia, ERASIG, funded with the Special Climate Change Fund.*

¹⁷³ IFAD provided written inputs during the Strategy for Agricultural Development in Georgia (2015-20), the CPM participated in skype meetings and also contributed to the preparation of the Action Plan and Donor Matrix.

¹⁷⁴ BTORs and CPIs reviewed

¹⁷⁵ IFAD has held several stakeholder consultation workshops and meetings in the course of preparing the country partnership strategy note, AMMAR design, launching of AMMAR and DANIDA financing, in addition to meeting development partners during missions and in a number of donor coordination meetings.

did not follow its action in partnership with major actors, such as FAO or EU. The unanimous feedback obtained during the CSPE mission was that IFAD would have a role to play in policy engagement only if it focusses on very specific technical issues, such as rural finance and local institution building. Having said this, policy engagement remains challenging in Georgia, with frequent changes of personnel and decision-making processes that can be unpredictable at times. Partners that have substantial experience and access to a wide range of decision-makers, such as FAO, will thus be indispensable to navigate through the uncertainties of policy processes.

236. **Overall**, IFAD had set itself an ambitious agenda during its early phase of engagement, aiming to tackle major institutional and policy gaps through interventions at local, national and regional levels. Perhaps IFAD had spread itself too thinly and did not achieve all the objectives set, at a time where it had limited experience in the country. Still, there were some major contributions to institution building and policy processes as a result of effective partnerships with international donors, national NGOs and financial institutions in the first part of the review period. Unfortunately, these achievements were not followed up, also due to lack of Government interest, and IFAD subsequently had low visibility and leverage in the later part of the period. Opportunities were missed after the first strategy on agricultural development was adopted (2012) and other development partners began re-engaging on issues that are close to IFAD's mandate. Most importantly IFAD did not position itself to in support the Government's priority of EU access. By the time IFAD prepared the CPSN (2014), the need for repositioning itself had become clear, but explicit measures to support implementation of the EU Association Agreement are still missing. Strong partnerships with important strategic partners, in particular FAO and EU, would have helped IFAD to gain leverage on themes where it has established a track record in the past, e.g. rural finance and rural institution building. Policy engagement is rated *moderately unsatisfactory* (3).

D. Grants

237. **COSOP relevance**. The CSPE period, 2004-2016, covers 12 grants, worth US\$4.9 million in IFAD funding. This includes six global-regional grants. Within the portfolio there are mostly small projects; only two large grants (>US\$500,000) were approved.¹⁷⁶ Eight grants were funded by IFAD, one by ILC, and three by Supplementary Funds (Spain, Luxembourg and Netherlands). ASP and RDP related grants¹⁷⁷ (loan component grants) are indicated as part of the consolidated investment budget window. Overall, IFAD contributed nearly 80 percent of the funding to the grants portfolio.

¹⁷⁶ There are also two grants funded under the NGO Extended Cooperation Programme sub-window, one under the Special Operations Facility and one Small Supplementary grant to ILC

¹⁷⁷ Grant 1000003634 associated to the *Agricultural Support Project* and grant 1100001325 to the *Rural Development project*.

Table 15
Grants portfolio by sub-window and IFAD and total amount at approval (US\$)

<i>Grant Sub-window</i>	<i>Number of grants</i>	<i>IFAD grant amount at approval USD*</i>	<i>Total grant amount at approval USD**</i>
Global-Regional	6	4,114,023	4,975,023
Country-specific grants	2	506,000	516,800
Extended Cooperation Programme (ECP)	2	140,000	556,000
Small Supplementary (ILC)	1	55,000	55,000
Special Operations Facility (SOF)	1	80,000	80,000
Total	12	4,895,023	6,182,823

Source: IFAD GRIPS 2017

238. Overall, grants were aligned with the COSOP objectives and focus and were relevant to the country programme as a whole. Capacity building and institutional development grants comply with COSOP SO1: developing coherent and supportive national policies and a conducive institutional framework for smallholder development, with the objective of contributing to the empowerment of the rural poor. Grants on rural financial services and horticultural products (i.e. access to financial and product markets) were funded with the Global-Regional sub-window and comply with COSOP SO2: providing critical investments to provide support to rural households and entrepreneurs, individuals and groups to enhance productivity and improve incomes.
239. **Policy relevance.** The grants also address the strategic priorities of the COSOP and of Government. The 2004 COSOP states that grants were expected to supplement the loan projects and in particular to support policy dialogue to influence the adoption of pro-poor policies. In particular: access to financial markets and access to markets, especially product markets.¹⁷⁸ The two grants on remittances, the micro-insurance grant and the ILC grant address the former by attempting to introduce the concept of credit to farmers, create collateral through land privatization and markets, establish modalities for rural financing and solicit the support and participation of CBOs, user associations, CUs and associations, and NGOs. The grants on horticultural production, apricot symposium, CBEARC and ERASIG address the latter policy objective and seem to be in line with the Strategy for Agricultural Development in Georgia 2015-2020.¹⁷⁹ The earlier grants were also aligned with the priorities set out in the Georgian Economic Development and Poverty Reduction Programme.¹⁸⁰
240. **Thematic focus.** Although the COSOP does not provide specific guidance with regard to the non-lending activities, the selection of grants was quite coherent and appropriate for the context of the COSOP. They cover different fields, such as the financial sector (remittances), value chains, community mobilization, gender and capacity building of state and private institutions that overall complement the lending portfolio. Four grants approved and effective in the early 2000s were used to provide capacity building and technical assistance to RDPMHA. Grants approved from the late 2000s were more diverse from a thematic perspective. Key thematic areas include rural financial services – with special reference to access to

¹⁷⁸ COSOP 2004, p.11

¹⁷⁹ SADG aims to create an environment that will *increase competitiveness in agro-food sector, promote stable growth of high quality agricultural production, ensure food safety and security, and eliminate rural poverty through sustainable development of agriculture and rural areas* (Government of Georgia 2015, pg. 13)

¹⁸⁰ These were: improve access to financial services; create an agricultural extension system and upgrade farmers' technical and management skills; improve access to markets; rehabilitate infrastructure; complete agricultural land reform, establish a national cadastral system and develop the land market.

remittances and micro-insurance – building capacity of CBOs and NGOs, and orchard management and horticulture. The ongoing GEF-SCCF (Special Climate Change Fund) grant provides substantial co-financing (US\$5.3 million) to the ongoing AMMAR. It is used to support a very comprehensive package to build climate resilience of AMMAR beneficiaries, including climate smart agriculture and efficient irrigation technologies at plot level, risk management at landscape level and climate mainstreaming at policy level.

241. **Geographic focus.** The combination of a national and regional focus also seems to be appropriate. Grants with a national focus were used to strengthen individual capacity of grassroots, with special reference to farmers associations, informal farmer groups and women. Regional grants give another perspective to address common issues, such as creating a platform for knowledge, expertise and exchange of good practices. These provide an opportunity to build network and cooperation links with neighbouring countries (i.e. Armenia, Moldova, Kazakhstan, and Azerbaijan). The ILC grant provided an opportunity for South-South cooperation because of Albania's deeper experience with CBOs. Activities on issues of common use and forest land management (long overlooked in Georgia) were carried out in cooperation with Albanian counterparts.
242. **Grant instruments.** The diversity of grant instruments supported the purpose of the grants. For example, the IFAD/NGO ECP was used for the Caucasus Mountain Network grants (2000-2007)¹⁸¹ and aimed at establishing a civil society organization and supporting NGOs. The ECP programme was started in IFAD to enhance IFAD-NGO operational partnerships and through this NGO-Government partnerships. The choice of funding two grants under the ECP window is coherent with the attention to NGOs included in the COSOP document. In other cases, there was a mismatch between the grant instrument used and the nature of the grant/geographical coverage of the grant. For example, regional grants are not limited to those classified as global-regional in IFAD's Grants and Investment Projects System (GRIPS) but include a number of grants funded under different windows (SOF, CSPC and ECP).
243. **The selection of grantees** was in line with the 2004 COSOP priorities on partnerships. The grantees include state institutions (MoA, MoF), international organizations (IOM), non-profit organizations (Crystal Fund, Swiss Group for Mountain Areas, Association of Professionals on Land and Realty [APLR]), farmer associations (AGROInform), and the private sector (MicroInsurance Center).¹⁸² The wide range of grantees was in principle beneficial in terms of creating a multiplying effect and broadening the impact of IFAD's actions through different channels (state and non-state actors). The mission of the chosen partners is generally in line with the thematic focus of the grants.¹⁸³ For example, the goal of the Crystal grant was to achieve improved financial literacy and access to remittances and other financial services in line with the mission of the grant recipient, which aims to increase financial inclusion and literacy of citizens, promote rule of law and social justice.
244. **Links with loan projects.** Some of the grants have produced tangible products to inform project implementation. For example, using the data of the study on RDPMHA targeted districts, the gender consultant prepared a Gender Plan of Action for the project (2005-2006). The ILC project (2003–2005) produced a manual on

¹⁸¹ Grants 1000000686 and 1000000687 to partially finance the establishment of the Caucasus Mountain Network between Azerbaijan and Georgia.

¹⁸² With its active participation in the land reform programme, legislative initiatives, and close monitoring of existing legislation, APLR represents one of the main participants in the real estate market regulation field in Georgia. Soon after establishment, the organization became a primary advocacy group for Georgian land users.

¹⁸³ E.g. IOM and remittances, microinsurance centre and microinsurance, Crystal fund and financial inclusion through new technologies, AGROInform and agricultural value chains, Swiss Group for Mountain Areas and Caucasus Mountain Network, APLR and land ownership rights

CBOs in addition to articles and media releases publicising the project. The manual was distributed free of charge to NGOs, CBOs, international organizations and all other parties interested in CBO development, land related and arbitration issues. Articles which appeared in the magazine, the *Landowner*, were published by APLR, and resonated with farmers in particular, who approached the association for more information. The ILC grant complements and reinforced the actions undertaken within the ADP.

245. **Results achieved.** The grants contributed to the implementation of the COSOP objectives. Some grants provided capacity building for loan projects (RDPMHA). Others informed the emerging regulatory and institutional framework (Crystal).

Table 16
Strategic objectives

<i>Strategic Objective</i>	<i>Results achieved in grants portfolio over review period (2004-2017)</i>
SO1: Develop coherent and supportive national policies and a conducive institutional framework for smallholder development	<ul style="list-style-type: none"> • CBOs and community representatives trained on land legislation (ECMI) • Land policy issues advanced at the national scale (re: transfer of pasture land to community ownership) (ECMI) • Proposals for changing the Law of Georgia on Agricultural Cooperatives submitted to MoA (AgroInform)
SO2: Provide critical investments to provide support to rural households and entrepreneurs, individuals and groups to enhance productivity and improve incomes	<ul style="list-style-type: none"> • Enabling regulatory framework for access and use of remittances set up (Crystal) • Functioning mobile banking system and other financial services set up and funded with private investment (Crystal) • Enhanced participation of women in crop and livestock associations and unions (To cover the cost of a Gender Consultant)

Table 17
Assessment of non-lending activities

<i>Non-lending activities</i>	<i>Rating</i>
Knowledge management	3
Policy dialogue	3
Partnership building	5
Overall	4

Key points

- The grants portfolio has supported a number of important KM activities, but there was not systematic approach to sharing experiences from loans or grants over the COSOP period.
- There was a notable lack of systematic learning from project success or failure. The portfolio does not display any logical progression or continuous evolution, for example in rural finance.
- Partnership building has been reasonable, given the lack of country presence and the limited engagement IFAD has in Georgia.
- Yet there is a clear expectation of IFAD to become more visible in areas where it has a specific mandate and expertise, e.g. rural finance and grass roots organizations.
- More strategic partnerships with partners such as FAO and EU would have helped IFAD to gain leverage in thematic areas where it has established a track record.
- During the early phase of its engagement, IFAD was overambitious in its agenda to tackle major institutional and policy gaps.
- Some achievements have been made as a result of effective partnerships with international donors, national NGOs and financial institutions. Opportunities were missed after 2008 when IFAD became more focussed on implementation support and withdrew from national policy dialogue.

V. Performance of partners

A. IFAD

246. **Project design** has often relied on unrealistic assumptions, such as anticipating changes to regulatory and legal frameworks, overestimating the capacities of implementing partners and misjudging Government willingness or ability to enact the changes. At the same time IFAD had no presence in the country to follow up and push for the required changes. Examples include ADP where the success depended on a clear regulatory framework for CUs that was late to materialize; RDP where the constant changes to food safety regulations hampered implementation; ASP where MFIs did not join the leasing scheme because of a regulatory grey zone that created uncertainty and risk. Not having a country presence limited the continued dialogue needed with Government to be able to enact the regulatory reforms demanded by the portfolio.
247. **Frequent change of CPMs** was a major setback in the portfolio, with a succession of five CPMs since 2005. More continuity on the side of IFAD would have enabled greater consistency in engagement and follow up during times when there were changes in government and policy focus.
248. **CPM presence.** IFAD's in-country engagement was through CPM country missions, where IFAD met directly with Government and partners.¹⁸⁴ These missions were by and large to propose, discuss, and negotiate project design, project implementation, loan suspension, or changes in Government's management structure. These missions were not continuous and tended to peak at critical points of the project cycle.¹⁸⁵ Attention to non-lending activities was sporadic - only one mission (November 2005) explicitly had policy dialogue in its agenda.¹⁸⁶
249. **Managing crises** has been a challenge without country presence and with limited experience on the ground, in particular during the early phase of engagement in the country. The RDPMHA crisis illustrates the hands-off approach and the limited experience (and involvement) that IFAD had on the ground.

Box 11

The RDPMHA crisis triggering stronger IFAD involvement

Signs of poor financial management and elite capture had been reported by UNOPS as early as 2004. The 2004 supervision mission had noted that management costs were disproportional to the costs of the project, but there was no follow up. An IFAD mission visited the project in April 2005. It visited the farmers' houses and was satisfied by the progress made. The MTR, conducted by UNOPS (2005), reported conflicts of interest and, in the case of farmers' houses, the misappropriation of assets. It was not until IFAD received the report from the auditor suspecting fraud in July 2006 that the loan was swiftly suspended in July 2006. In March 2007 IFAD fielded its own mission following up on the allegations, in particular on those concerning the farmers' houses. The transfer of machinery and equipment from farmers' houses was finally prepared and endorsed in March 2008 during the reformulation mission.¹⁸⁷

250. The changes in Government priorities also affected the implementation of RDP, but this was followed up much more closely by the World Bank, who was able to field on average two supervisions missions a year in addition to a country presence. In RDP the rural finance component, which included the largest share of IFAD funding, was the most difficult aspect of the project and led to significant delays and finally

¹⁸⁴ The current CPM is known by Government and partners to also attend meetings via skype.

¹⁸⁵ There were 3 missions in 2008 (coinciding with the end of the RDPMHA loan suspension, the refusal of the LDP, and the change of a CPM) and another 3 missions in 2010 (coinciding with the first year of ASP effectiveness, the final year of the ADPCC project management structure, and the change of another CPM).

¹⁸⁶ IFAD met with the EU and USAID to discuss IFAD's involvement in rural development sector policy contributions.

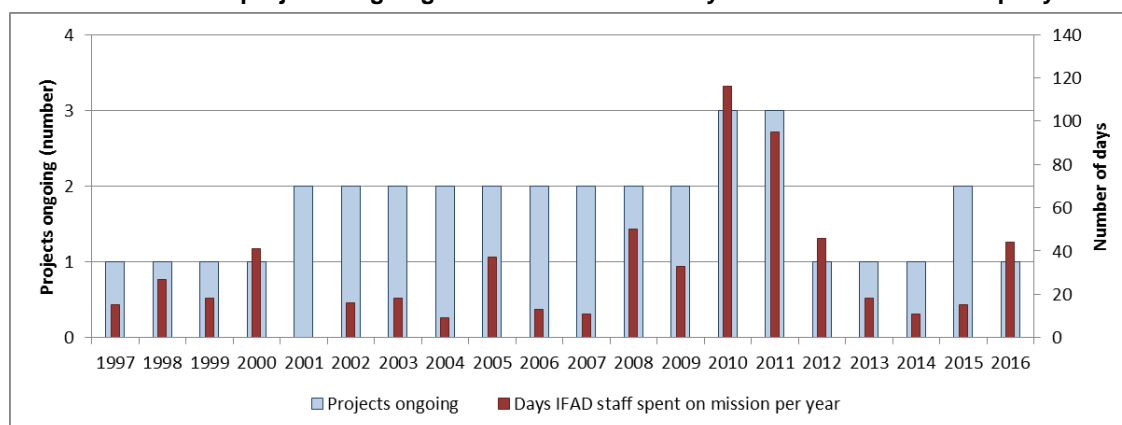
¹⁸⁷ But transfer of equipment delayed because no response from MoE (SVR 12/2008).

restructuring. Nevertheless the project maintained direction and in the end the channeling of finance to MFIs proved to be the project's success.

251. **Project supervision.** Project oversight through supervision was uneven. The co-financed projects were supervised by the World Bank (ADP, RDP); UNOPS supervised the first solely-IFAD-financed project until 2008 (RDPMHA). IFAD had a rather hands-off approach to projects supervised by UNOPS and World Bank. While there had been some participation in UNOPS supervision,¹⁸⁸ IFAD was hardly involved in the supervision of the World Bank co-financed projects. World Bank missions were longer and had larger team, but according to the ADP evaluation they would have benefitted from IFAD's presence in areas of IFAD's core interest.¹⁸⁹ Yet IFAD staff joined the RDP missions only twice. UNOPS supervision was lighter¹⁹⁰ and project oversight would have benefitted from greater IFAD presence, as shown by the example of RDPMHA.¹⁹¹ IFAD took on direct supervision in 2009; time spent on missions was highest between 2010 and 2012, when there was peak in project closures and start-ups (figure 10). Since then IFAD had on average only one supervision mission per year and the number of days spent in the country has reduced accordingly.

Figure 10

Number of effective projects ongoing and number of IFAD days dedicated to missions per year



Source: IFAD GRIPS 2017

252. **Expertise** mobilized for supervision missions across the portfolio was relevant, though in some projects the timeliness of deployed expertise was too early or late to solve implementation issues (ADP, ASP), budget constraints limited the number of team members available under UNOPS supervision (RDPMHA phase 1), or certain specializations were lacking (RDP). A noteworthy lack of expertise was in gender and targeting, the former being deployed only once (RDPMHA phase 1), and the latter never. Both the World Bank and IFAD direct supervision had the greatest diversity of specializations in their teams.
253. IFAD's **use of no objection clauses** has been effectively used to monitor the quality of managerial and fiduciary processes in the later part of the period (RDPMHA, ASP and AMMAR). World Bank supervisions did not report on IFAD's use of no objection in ADP and RDP. No-objection was used to monitor the submission of annual work plan and budgets (AWPBs), monitor leasing contracts, and for quality control of manuals.¹⁹² Its monitoring aspect has been effective in noting

¹⁸⁸ Some IFAD staff were present most supervision missions of projects solely financed by IFAD, but the CPMs only joined 6 out of a total of 11 missions.

¹⁸⁹ The ADP Completion Evaluation states that there was more attention on financial aspects, and less attention to targeting, poverty impact and loan utilisation (para. 86).

¹⁹⁰ The average length of UNOPS supervision was 10 days, average number of participants was 2.

¹⁹¹ The CPM did not join the MTR of RDPMHA (see RDPMHA MTR Aide Memoir 2005).

¹⁹² For example, the clause has been used to cancel the hiring of a coordinator in ASP.

irregularities in leasing contracts and in the publishing of manuals that were not agreed upon between IFAD and projects.

254. **IFAD's recommendations** through supervision were generally relevant and appreciated. During the period of structural changes at MoA, they were at times quickly redundant due to the velocity of change from ADPCC to IOPID. Supervision missions were at times also over-optimistic about the general situation (such as ADP recommendations on CUs not seeing the eventual CU crisis), or on the capacity of agencies to implement changes (IOPID reporting or UASCG implementation of changes in ASP).
255. **Engagement with Government** has been difficult at times, given the lack of country presence, but IFAD has tried to keep up with the changes and tried to accommodate Government requests to the extent possible. For example, IFAD accommodated the demand by Government to have short projects (after RDPMHA). IFAD also accommodated Government's refocus towards infrastructure in RDPMHA, ASP and AMMAR. Other projects, such as the Livestock Development Project (LDP) and ILMD, were ultimately dropped from the pipeline due to lack of Government interest. The move towards shorter projects with a higher share of infrastructure came at a price. Delays during project start-up led to unrealistically short implementation periods and insufficient time was left to put into place sustainable institutional arrangements for follow up and maintenance. At the same time this rather haphazard approach to project design and implementation left hardly any scope to systematically follow up on areas which are at the core of IFAD's strategy and interest, such as rural finance, rural institutions and gender.
256. During the latter part of the review period, IFAD made some effort to keep Government interested in taking out loans under hardening conditions. Upon Government request IFAD has raised supplementary funds to plug funding gaps in ASP.¹⁹³ For AMMAR, which is the most expensive loan to Government, IFAD has secured significant grant funding from different sources to make the project more appealing. More recently IFAD has also motivated Government to take a more active role in IFAD governance. In 2014, the director of NEN visited Georgia to discuss the matter.¹⁹⁴ This was followed by the President of IFAD visiting in 2015. Since then, Georgia pledged US\$30,000 for IFAD10.¹⁹⁵
257. **Overall**, IFAD's engagement in the country has undergone a steep learning curve over the period. During the first part of the review period it took a hands-off approach which lacked sufficient oversight and experience in the country. During the second part (after 2009) it intensified its engagement after taking over direct supervision. Yet IFAD continued to be constrained by the lack of country presence and frequent turnover of CPMs, which made a consistent engagement beyond the immediate needs of project implementation, difficult. Over the entire period IFAD has strived to stay relevant to Government's needs and requirements, yet in doing so has lost part of its focus on issues that are at the heart of IFAD's mandate. It has accommodated Government requests to the extent possible by shortening project duration, focussing on infrastructure and adding grant resources to increasingly expensive loans, and it motivated Government to become actively

¹⁹³ IFAD undertook appropriate actions to study the feasibility of UASCG, which the supplementary funds would support. The October 2012 supervision mission states that multiple missions and background research had been devoted to the issue since IFAD management was concerned about the institutional sustainability of the GAC (para. 14). The choice to go ahead seems to be judged on the fact that not providing the financing would have imperilled the long term sustainability and impact of ASP if the irrigation component had not worked (ASP supervision mission October 2012 paras 15-19)

¹⁹⁴ BTOR Azerbaijan and Georgia mission February 2014

¹⁹⁵ IFAD 2017. Contributions to IFAD's Regular resources (pledges and payments A/ B/ in cash and promissory notes deposited) including DSF and excluding Complementary Contributions (US\$ million). 4 August 2017. Georgia did not pledge any funding to IFAD since the 4th replenishment.

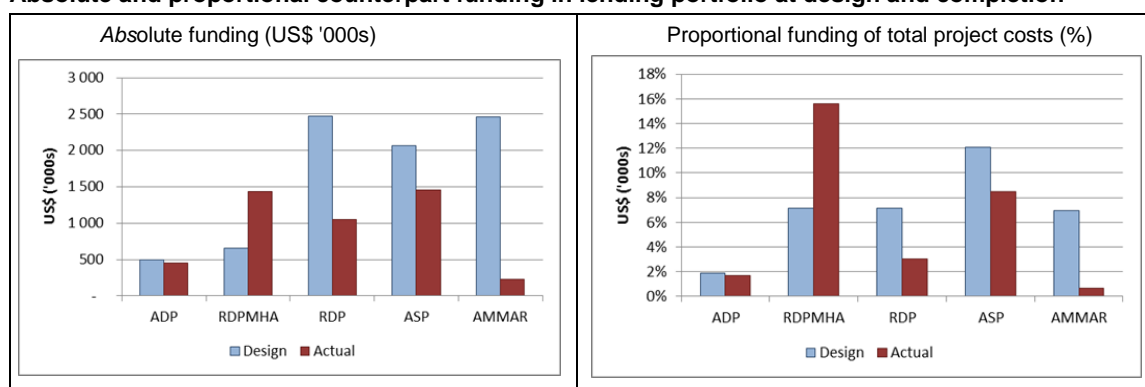
involved in IFAD governance. Performance of IFAD is rated *moderately satisfactory* (4).

B. Government

258. **Project management suffered significant turbulence**, which caused major disruptions and was a major setback for portfolio performance. The period from 2005 to 2017 saw at least six types of project management structure. The constant changes negatively affected staff tenure and implementation. Shifts of responsibility in 2009 and 2011 led to delays during the final stages of RDPMHA and RDP and disruption of activities in ASP. In 2009 responsibility for projects was transferred to MoA's ADPCC. According to the World Bank RDP ICR, this latter change was organizationally not sufficiently prepared and the transfer itself as well as the emerging management structures did not comply with the loan agreement. In 2013, the Donor Projects Implementation and Monitoring Division within the External Relations Department of MoA assumed responsibility for projects, and the transition affected ASP. According to the ASP IE, these frequent changes led to a difficult transition for the management of the project due to loss of their earlier autonomy, which had to be circumscribed in order to be mainstreamed within the overall systems of Government. As a result of the liquidation, a number of ADPCC/IOPID staff of relevance to ASP management and implementation left the ADPCC either during or upon liquidation.
259. **Technical oversight** was weak in later projects. Leaner coordinating structures from ADPCC onward had negative implications for technical oversight and implementation of the projects. After a tumultuous beginning, ADPCC was commended by the World Bank for the quality of its supervision and oversight of project management, yet technical oversight was lost. Government did not provide the human resources that would have limited bottlenecks and delays. These are currently either sourced from MoA itself or out-sourced,¹⁹⁶ which may reflect lower management costs. Yet these are spread between IFAD and other donors. The lack of adequate expertise within the project management unit limited the effectiveness of those components which were more complex and difficult to implement, e.g. rural finance, capacity building or gender.
260. **Counterpart funding** shows a positive trend over time. The proportion of counterpart funding to total project costs at design has averaged seven per cent throughout the portfolio (figure 11). Government was expected to fund institutional strengthening (ADP, RDP), infrastructure (RDPMHA, ASP, AMMAR), supply chain development (RDP), rural finance (RDP), and project management (RDPMHA, RDP, ASP, AMMAR). Actual Government funding of the closed portfolio was 70 per cent of total design targets. Only in RDPMHA Government has exceeded the design target and almost doubled its cofinancing. Overall, Government dedicated more financial resources to projects with infrastructure components (RDPMHA, ASP) in both absolute and proportional terms. The trend continues through Government's pledged funding to AMMAR.

¹⁹⁶ E.g. part time consultants used in AMMAR

Figure 11

Absolute and proportional counterpart funding in lending portfolio at design and completion

Source: compiled from data in annex VII tables 1.2 & 1.3

261. **Fiduciary responsibilities and procurement** were for the most part upheld, despite the changes in management structure. IFAD supervision consistently rated financial management quality and procurement high, though AMMAR's has decreased somewhat.¹⁹⁷ The IOE evaluations did not find major problems in ADP, RDPMHA phase 2, or RDP. The one significant event was the 2006 RDPMHA loan suspension. The 2005 audit report raised the possibility that fraud had occurred with loan funds, which was suspected by the PMU. Government reacted with investigations, which found no fault with Government or PMU staff.
262. **Loan compliance** was generally good. Timely AWPB submission was a cross-cutting issue, and the frequent changes of project management responsibility were non-compliant with loan agreements. When possible, these have been modified through loan agreement amendments (such ASP's 2011 amendment).
263. **M&E** was weak for most of the review period; only recently it has improved with dedicated resources allocated to M&E. Across the portfolio, the various supervision mission reports have repeatedly called for improvements in the M&E system. Baselines and impact evaluations were not consistently undertaken for all the projects, and the projects have measured implementation progress by component, rather than in a consolidated manner. In all cases of access to finance whether they were CUs, banks, leasing houses or MFIs, monitoring was undertaken up to the output level and this has been noted in the various reports. Rises in incomes, expansion of business, greater labour absorption and other outcomes have not been measured in a systematic way. The same holds true for infrastructure. The inadequacy of programme management to understand that the monitoring function was as an integral part of their tasks was identified in both RDPMHA and in ASP. In RDPMHA, it was observed that project management thought that the monitoring was the role of IFAD.¹⁹⁸ The ASP IE found that during the first years of the project there did not seem to have been any systematic approach to M&E due to the absence of an M&E specialist. Progress and impact reports were, therefore, not prepared adequately. AMMAR has shown some progress in its M&E, with IFAD supervision showing satisfaction with the system in place. Systems are modified in line with modifications in the indicators, and databases on participation in all types of activities include exercises in data collection that can be used for future higher level calculations. Nonetheless, though the project is approaching MTR, no indicative outcome level data has been generated that can guide modifications.
264. **Slow decision-making.** While access to Government has never been a problem, it was often difficult to reach a consistent point of view or a definite decision on the

¹⁹⁷ Project Status Report ratings database 2017

¹⁹⁸ RDPMHA PCR pg. 27

side of the Government, in order to move forward.¹⁹⁹ Receiving a formal Government response on important issues often took time, as in the case of the RDPMHA loan suspension, where the exchange of the required documentation took almost one year.²⁰⁰ Approval of project guidelines, manuals and policy approvals was a Government requirement and in a number of cases this has delayed implementation of certain activities, in particular in rural finance where the regulatory framework was still insufficient. On the other hand the politically sensitive issue of land was swiftly taken up with laws and framework development in ADP and RDP. Reaching agreement on new projects also often took time. The review period includes two projects, which were rejected by Government after many discussions and at an advanced stage of design (LDP and the Smallholder Modernisation Project [SMP]).²⁰¹

265. **Overall**, Government engagement often lacked consistency during a period characterized by immense changes and major crises. Changes in policy and management negatively affected the loan portfolio. Quick successions of coordination structures impacted nearly all projects and decision-making was slow in the centralized setup in MoA. Yet Government has fulfilled its fiduciary responsibilities in spite of these changes. Counterpart funding was overall positive and fiduciary oversight was strong. M&E has improved significantly over the period, but the lack of technical expertise within the management unit remains a challenge. Performance of Government is rated *moderately satisfactory* (4).

Table 18

Country strategy and programme performance assessment

<i>Partner</i>	<i>Rating</i>
IFAD	4
Government	4
Overall	4

¹⁹⁹ According to the former CPMs, interviewed by the CSPE

²⁰⁰ See Office Memorandum from the Regional Director to The President, 30 May 2007

²⁰¹ The LDP was rejected by Government, after four IFAD missions preparing the design between December 2006 and March 2008. The SMP design was completed in 2011 and it was ready to be presented to the board, when it was first postponed, reportedly due to the restructuring at MoA, and finally shelved due to lack of interest on the Government side (2012).

Key points

- During the first part of the review period IFAD took a hands-off approach which lacked sufficient oversight and experience in the country. During the second part of the period (after 2009) it intensified its engagement after taking over direct supervision.
- Lack of country presence and frequent turnover of CPMs made a consistent engagement beyond the immediate needs of project implementation difficult.
- IFAD has strived to stay relevant to Government's needs and requirements, yet in doing so has lost part of its focus on IFAD-specific concerns.
- Government engagement often lacked consistency during a period characterized by immense changes and major crises.
- Quick successions of coordination structures impacted nearly all projects and decision-making was slow in the centralized setup in MoA.
- Yet Government has fulfilled its fiduciary responsibilities in spite of these changes. Counterpart funding was overall positive and fiduciary oversight was strong.
- M&E has improved significantly over the period, but the lack of technical expertise within the management unit remains a challenge

VI. Synthesis of the country programme strategy performance

A. Relevance

Policy alignment

266. The three strategic documents developed by IFAD for Georgia were the SUSOP for Azerbaijan and Georgia formulated in 1999, the COSOP for Georgia prepared in 2004 and the 2014 Georgia CPSN. The period under review has seen fast-paced developments, disruptions and marked changes in Government priorities. IFAD's strategy has been slow to keep up with the changes.
267. The **SUSOP for Azerbaijan and Georgia** supported a holistic approach to poverty reduction in the mountainous regions of the two countries. This would involve sustaining agricultural and food production, and enhancing the competitiveness of the agricultural sector, promoting agriculture and food processing to become market oriented and supporting institutional capacity building. Along with this, especially in the context of Georgia's erstwhile state of having a centrally planned economy, support to the Government to create a strong policy and institutional framework conducive to private sector-led sustainable growth was emphasized. Ensuring beneficiary participation through policy dialogue with the Government so that it put in place a system that decentralized authority and conferred decision-making on the participating communities not only for identifying and prioritising needs, but also for operation and maintenance was stressed. Importance was given to ensuring that women were adequately represented. IFAD's stress on environmental protection was also much earlier than the Government's when in the SUSOP it encouraged the Government to take urgent protective and remedial actions to arrest water and land contamination, land erosion and preserve land productivity. There is also greater focus on climate change, environment sustainability and similar issues.
268. **The 2004-2009 COSOP** was more specific in aligning to the country policy context, in particular the 2003 Georgian Poverty Reduction Strategy Paper. The main policy thrust includes connecting small farmers to markets. The COSOP also supports efforts aimed at the development of appropriate institutional arrangements (small and medium-sized packaging/grading industry, processing industry and farmer producer organizations) to improve marketing for smallholders. These echo the Government's focus on agro-enterprises, value chains and cooperatives. IFAD and the Government's strategies are also aligned in their focus on promoting the competitiveness of the agricultural sector through creation of land markets, rehabilitation of dilapidated irrigation and drainage systems and rural infrastructure, removal of bottlenecks in marketing of farm produce, improvement in crop and livestock productivity, improving the quality of agricultural produce and provision of market information and agricultural knowledge.
269. The COSOP also reflected IFAD-specific themes, as expressed in the Strategic Framework 2002-2007. It stated that community development activities to organize, strengthen and empower farmers, the rural poor and women would be an integral part of the strategy and this would include the creation of farmer associations that can group small farmers, targeting the rural poor, in particular the landless, small farmers and women. These elements were emphasized less in Government strategies. The COSOP focussed more directly on poverty alleviation, bottom-up planning and decentralization, rural institutional development (including farmers' or credit groups) as well as the importance of the active involvement of women. The policy disconnect became obvious at the level of operations. In RDPMHA, the Government did not support the idea of creating a specific entity

serving mountainous areas.²⁰² The list of disagreements was long in RDPMHA²⁰³ and after the suspension of RDPMHA in 2006 and the following political crises, Government's attention shifted away from the issues previously advocated by IFAD. IFAD's prior focus on gender and community level organizations all but evaporated from the lending portfolio in the following period.

270. **"No strategy" period.** The COSOP was not revised or replaced after 2009, even though both IFAD's and Government's strategic priorities shifted significantly in the following period. Government started recognising the importance of agriculture for economic growth. The high reliance on food imports, the loss of traditional markets (such as Russia), fiscal pressures, and the persistence of poverty in rural areas led to a greater emphasis on agriculture in policy and spending. Around the same time, IFAD's 2011–2015 Strategic Framework articulated a clear focus on individual smallholder entrepreneurs that presented a departure from the previous focus on poor farming communities and resonated well with the Government's growth agenda. The projects designed since 2009 (ASP, AMMAR) clearly reflect the growing attention to commercial agriculture and value chains.
271. Although it did not revise its written strategy, IFAD's approach became more selective in its operations after 2009, focussing its engagement on fewer subsectors (rural finance, infrastructure) and exiting from its support to broader institutional frameworks (food safety, land registration).
272. From 2012, Georgia began negotiating an Association Agreement with the European Union, including the DCFTA. The Association Agreement was signed in June 2014. This was a turning point for agriculture policy and strategy development, propelling gradual alignment with EU *acquis* and thus contributing to creating a more stable and transparent policy environment in the agriculture sector.
273. The **Georgia Country Partnership Strategy Note (2014)** significantly updated the policy context and institutional framework for the activities of IFAD. The CPSN emphasizes competitive and climate smart value chains, access to markets and promotion of financially and environmentally sustainable rural economic infrastructure critical for increasing productivity, post-harvest management and improving resilience. A focus would be on climate smart irrigation, such as drip irrigation and micro-sprinkler systems, that protects soil fertility and limits salinization. However, it did not go far enough to articulate the priorities of Georgia in terms of its association with the European Union, and thus the obligations it has under the Association Agreement.

Strategic priorities

(i) Market access

274. Smallholders' access to markets has been the overarching theme since IFAD began its engagement in Georgia. The 2004 COSOP has it as one of two issues to engage the Government with in policy dialogue. A major shortcoming was that the conceptual approach to promote access to markets was never clearly defined and consistently pursued. In practice, it included a broad range of activities such as the construction and rehabilitation of infrastructure, meaning roads, bridges and irrigation schemes; training of farmers in improved agricultural practices and provision of improved inputs and technology; and linking small farmers to traders and suppliers. A large share of IFAD financing went into rural infrastructure that was expected to reinforce access to markets in one way or another and into rural finance to support supply chains and value chains.

²⁰² RDPMHA's PMU was to be transformed into the Mountain Area Development Agency (MADA) that would subsequently become a national agency overseeing mountain area development, but this was never achieved.

²⁰³ For example Government also resisted contracting a separate NGO to implement the participatory village development plans. Rural credit guidelines had not been approved by Government, therefore no micro-finance lending was ever approved (AM March 2007).

275. IFAD's approach to supporting market access has been neither coherent nor consistent. The interpretation of 'access to markets', and which aspects of it to focus upon, has varied from one project to another. Infrastructure development, including both new construction and rehabilitation, was focussed upon in RDPMHA, ASP and the current AMMAR. Access to finance in the form of loans to farmers, processors and agri-enterprises was a component in ADP, RDP and ASP – and as grants in AMMAR. Training and capacity building of farmers (demonstration plots) and input supply were components of RDPMHA, RDP and again AMMAR. Building of rural institutions to support farmers were elements under ADP (farmers' CUs and the land registration offices), RDPMHA (farmers' houses and farmers groups) and RDP (Government's land registration and food safety agencies. All these sub-sectors can improve market access, but there has been an inconsistency of approach – rather than an evolution – and subsequent projects have not built strategically on the outputs of their predecessors.
276. **Agricultural production research and technology transfer** was an important theme in the COSOP (2004), and even more in the following CPSN (2014). It was addressed through the grants more than through the lending operations. The lending portfolio promoted improved agricultural practices through the provision of inputs and introduction of improved varieties of fruits and vegetables, the establishment of demonstration plots and the provision of training. RDP undertook analysis and development of hazelnut, citrus and wine supply chains. RDPMHA phase 1 promoted improved techniques on pasture management and research and dissemination of new seeds, in particular potato seeds from the Netherlands. The selected sub-contractor, Mountain Area Development International, undertook research on local farming systems and inputs. In AMMAR, there has been a greater emphasis on training higher numbers of farmers in the areas surrounding demonstration plots especially in harvesting and pruning techniques. Here the matching grants are expected to encourage farmers to undertake riskier, climate-smart investments.
277. **Grants.** The grants portfolio was aligned with Government priorities and the COSOP focus on access to markets. A number of grants supported horticulture value chains, like the Apricot Symposium 2011 and the ongoing grant *Promoting Inclusive Horticultural Value Chains in Armenia, Georgia, Kazakhstan and Moldova* (2015-2019).²⁰⁴ The rationale for this regional project is that the biggest share of the exported agricultural products by Central and Eastern European countries to external markets, including Russia, is from horticultural crops. Moreover, horticulture is the sector with high value cash crops, which contributes to the income increase of the poor rural smallholders and enhances their access to domestic and international markets.²⁰⁵
278. So far the grants and loans have focussed on horticulture. Livestock has received less attention. However, a critical issue in Georgia is the lack of institutions that provide the regulatory framework and services needed to monitor animal health, feed and quality (FAO, 2010). These issues were not incorporated as a topic for policy engagement in the CPSN (2014), although it recognizes the economic importance of livestock production in Georgia.

(ii) Rural finance

279. Although IFAD continuously engaged in rural finance, there was no overall strategy guiding its approach. IFAD has supported a variety of models in this sector, but this did not follow a logical pathway of progression or evolution. An important reason

²⁰⁴ This grant, worth 1,77 million US\$, was given to the National Federation of Agricultural Producers from Moldova. AGROinform is an NGO which started in 1998 to offer agricultural producers information and consultancy in technological issues, land relations, farm management and access to credit.

²⁰⁵ 200000102100 *Promoting Inclusive Horticultural Value Chains in Armenia, Georgia, Kazakhstan And Moldova* (2015-2019) President's report, para. 4

was Government's reluctance to support the models proposed by the donors, which in several cases has caused IFAD to either abandon or modify its intended approach. Opportunities were missed to advocate successful models piloted through loans or grants.

280. The 2004 COSOP had identified rural finance as a strategic thrust, in line with the 2003 Poverty Reduction Strategy Paper which stated that access to credit resources would be increased to benefit farmers and the processing industry. Taking into account the specificities of various regions, microfinance schemes were to be tested on a pilot basis. Regarding **credit unions**, it stated that they were an important precondition for the development of small business. Although the approach was clear in principle, the policy framework was not conducive during the earlier part of the COSOP period. In 2006 IOE took stock and highlighted the need to enhance the sustainability of the CUs as part of its thematic evaluation of rural finance in Central and Eastern Europe. It also emphasized the need to advocate changes in the institutional and regulatory framework that would enable a sustained growth of CUs. Both RDPMHA and RDP had envisaged continuing support to CUs in their designs, but this approach was never realized. Government had been resisting the idea of continued support to CUs after ADP, despite the World Bank's attempt to focus on chosen and well-performing CUs.²⁰⁶ In RDP this component, to be financed by IFAD, was finally cancelled in 2009.
281. Instead, during the next stage, IFAD channelled its support to smallholder farmers through **MFIs** and banks. Under RDP, the MFI model had been highly successful, providing subsidized credit to a large number of entrepreneurial and smallholder farmers. The growth of MFIs and their rural client base has continued beyond the project's lifetime.
282. The MFI credit model was not followed thereafter even though during the design of the next programme ASP, MFIs were considered to be potential future partners for the proposed leasing model. Under ASP it was envisaged that **agricultural leasing** would entail simpler security arrangements, financing of a higher percentage of the capital cost of equipment than bank borrowing, faster processing, and greater flexibility as leasing contracts can be structured to meet the cash flow requirements of the clients and use of the purchased equipment as collateral. However, ASP has not been successful in engaging the MFIs in this model and smallholder farmers were not targeted as a result.
283. Rather than consolidating the prior experiences with rural finance, the current AMMAR project now uses **matching grants** to stimulate small farmers to increase their productivity, and adopt modern and climate-smart technologies. Matching grants are expected to incentivize private investments by "early adopters" that would tackle identified value chain constraints and/or demonstrate replicable innovations. Demonstration of profitable investment opportunities within the target value chains could then be replicated and scaled-up by other farmers and businesses with greater confidence and with a better understanding of likely risks and returns. A major shortcoming of the project is that there is no systematic approach yet to establish linkages with the rural finance sector, although they happen on an ad-hoc basis, e.g. farmers taking out loans to match the grants.
284. **Grants.** The grants have introduced a number of highly relevant innovations in rural finance, which filled an important gap, but unfortunately had little influence on the lending operations so far. The goal of the IOM co-financed grant (2008-2010) was to establish a new easy-to-access and cost-effective money transfer service for migrants. The goal of the Crystal grant (2010 -2012) was to improve financial literacy and access to remittances and other financial services. The grant further aimed at introducing a zero-percent commodity credit to small farmers

²⁰⁶ See project visit report by WB Rural finance specialist, April 2007

owning land plots below five hectares in size and supporting an enabling regulatory framework for remittances. The ongoing grant on micro-insurance innovations is the biggest IFAD-financed grant in Georgia, worth US\$1.8 million; it promotes innovations in micro-insurance products, scheme design and processes.

(iii) Rural institutions

285. Establishing effective institutions in the rural sector has been another strategic thrust running through the portfolio. But the approach has lacked consistency and continuity where it did not meet Government's interest, in particular with regard to community-level organizations although it was all well laid out in the strategies. In 1999, the SUSOP recognized the importance of institutional development by setting strong policies and institutional frameworks as one of its strategic thrusts. The 2004 COSOP made conducive institutional frameworks part of SO1, and farmers' associations and community development were assigned as strategic thrusts. This included producer-level organizations (farmer associations, cooperatives, etc.) as well as Government organizations providing essential services in the agricultural sector.
286. **Farmers' associations.** The 2004 COSOP expected farmers' associations to fill in the vacuum left after the break-up of the large state and cooperative farms. It was primarily RDPMHA that attempted creating a range of village-based organizations, with grant support. RDPMHA attempted to establish informal initiative groups and later legally registered producers' and users' associations during phase 1. RDP included marketing associations in its design but this was not pursued during implementation. ASP in its initial design targeted farmers' interest groups and formal producers' associations. The attempts did not yield results due to the lack of Government interest and were later abandoned. A new attempt was made under AMMAR, which through the grant scheme component is supporting not only individual farmers, but agricultural cooperatives as well. On the request of the ACDA, AMMAR added cooperatives as grant beneficiaries in its portfolio.
287. Despite IFAD's investment in **irrigation** (e.g. ASP, AMMAR), water users' associations have received less attention in all the projects. There were attempts under RDPMHA to form water users' associations. The ASP PCR identified the lack of water users' associations as a risk to the sustainability of the schemes rehabilitated under the project. Both ASP and AMMAR worked closely with UASCG which is responsible for the irrigation sub-sector. The ineffective functioning of the irrigation system is still related to the weak capacity of UASCG to operate and maintain the system, recover water charges, devise a system for effective water pricing and billing, and devise some mechanism for water users' participation.
288. IFAD's engagement was more successful where it met Government's interest and worked through strong partnerships. For example, securing farmers' **land ownership** was a priority after the land reform. IFAD first engaged in this area in 1997 through ADP's support to establishing the land registration and land titling system. RDP built on this approach by strengthening the National Agency for Public Registry.²⁰⁷ The project facilitated the orderly emergence of the NAPR from the initial Government established State Department of Land Management. Land management and land registry services were separated, and both the State Department of Land Management and the Bureau of Technical Information were liquidated in an orderly way. Therefore, IFAD's continued support to building institutional capacities under RDP was relevant. After RDP, other donors stepped in

²⁰⁷ After the dissolution of the State Department for Land Management in 2004, management functions for lands in public ownership were fragmented between several ministries and local self-government bodies. The allocation of land in public ownership between the central Government / line ministries, and the local governments (municipalities, *Sakrebulo*) was still incomplete, and there was no comprehensive inventory or cadastral record of lands in public ownership, leading to poor land governance (According to the WB assessment report 2009).

to support NAPR and the emergence of a formal land market, and IFAD rightly withdrew from this area as a result.

289. Support to **food safety** agencies was another important area. The poverty reduction strategy paper of 2003 stated that in order to ensure food security, food safety needed to be addressed but that there were no control measures. In order to implement such measures, a food safety and quality system in line with EU standards needed to be established. Under RDP, the construction of offices for the FSA was undertaken in a number of districts. This already pre-empted the Government's obligations under the EU Association Agreement (2014) whereby food safety issues were being given heightened importance, as stated in the Agricultural Development Strategy of 2012. Phytosanitary protection of the country's territory was considered a basic factor to ensure food safety, the strategy stated, and food safety would also allow Georgia to compete on the international market. This emphasis was continued in the Agricultural Development Strategy of 2015 which stated that the National Food Agency would be strengthened and upgraded to monitor and analyse food safety. Again, reference was made to the DFCTA and harmonisation with EU *acquis*. The IOE recommendation (PPA 2014) to continue strengthening food safety institutions beyond RDP was not followed up in an attempt to streamline and simplify IFAD's later operations.
290. **Grants.** Although NGOs were engaged as implementers in the lending operations (RDPMHA, AMMAR), support was more strategic within the grants. In particular the NGO cooperation under the Extended Cooperation Programme was relevant in this respect (2000-2007). The grant to the Caucasus Mountain Network provided capacity building and encouraged learning from other organizations dealing with mountain communities, such as ICIMOD and EUROMONTANA. The ECMI grant (2003-2005) built the capacities of CBOs in Imereti on self-organization principles and legal rights.

(iv) **Crosscutting themes**

291. It seems that many of the IFAD-specific themes were relegated to the grants portfolio. Crosscutting themes like gender, climate change and community empowerment were overall better addressed through the grants.
292. Focus on **gender** is significant in grants, especially if compared to the loan portfolio. In 2005-2006 the grant to cover the cost of a gender consultant²⁰⁸ dealt with gender in a comprehensive way from gender analysis to a gender action plan, including implementation and policy engagement. ERASIG follows IFAD's *Gender Equality and Women's Empowerment Policy* to increase its gender impact and also looks at gender across the project cycle. In the micro-insurance grant, coverage of gender seems more ad hoc and secondary to the achievement of the grant objectives. Focus on gender is often associated with focus on youth. However, the attention to the latter is translated into targets without defining a clear pathway for change.
293. Some projects managed to empower local **communities** to assure a direct involvement in decision-making (problem analysis, planning and implementation of projects). Building individual capacity and institutional development are crosscutting themes, mostly used in support of and to complement lending activities. The ILC ECMI²⁰⁹ project provides a good example of community engagement and participation in project activities. The grant on gender

²⁰⁸ Grant 100000415 to cover the cost of a gender Consultant for one year. Two (separate) grant agreements were signed, one with the Government of Bosnia and Herzegovina and one with Georgia, for the recruitment of the local gender consultant within the Livestock and Rural Finance Development Project (LRFDP), Federation of Bosnia and Herzegovina, and the Rural Development Programme for Mountainous and Highland Areas (RDPMHA), Georgia.

²⁰⁹ Grant 1000000125 Endowment for Community Mobilization Initiatives in Western Georgia.

mainstreaming²¹⁰ mentioned above aimed primarily at enhancing women's participation and increasing their benefits from project activities.

294. **Climate change adaption** and agricultural resilience are well addressed through the GEF ERASIG²¹¹ grant, and integrated into the ongoing loan (AMMAR). Prior to this, another grant, CBEARC (2013-2016), had provided the capacity building, institutional development and knowledge sharing that laid the ground for the irrigation infrastructure rehabilitation activities supported by ERASIG.
295. **Relevance.** All the IFAD documents reflected the desire to alleviate poverty in rural households, and enhance the competitiveness of agriculture. However, the specific objectives and means deployed varied considerably – from the rather broad approaches trying to address a range of interconnected issues, as used by the earlier projects (ADP, RDP, RDPMHA) to a more selective approach (in ASP). The choice of thematic areas covered a broad range too, from physical infrastructure improvements and environmental protection through to improving marketing and the availability of market information. Despite IFAD's attempts to align itself with Government policies, its strategies were slow to follow the fast-paced developments and changes. IFAD strategies did not properly reflect the Government's priorities at that time, e.g. association with the European Union, and Government's interest in IFAD-specific issues and approaches was often limited. Although IFAD's lending operations were relevant, tackling important barriers to agricultural development in line with Government policies and strategies, overall progress and innovation were often hindered by lack of Government interest and support. Crosscutting themes (climate change, gender, and empowerment) were better addressed through the grants. Overall relevance of IFAD's country strategy and programme is rated *moderately satisfactory* (4).

B. Effectiveness

Strategic goals and impact pathways

296. The strategic goals of the COSOP (2004) were to empower the rural poor to overcome their poverty and to expand gainful economic opportunities for rural populations. These goals were expected to be achieved through interventions within the key thematic areas, as outlined above.
297. The COSOP (2004) had two strategic objectives. SO1 was to "develop coherent and supportive national policies and a conducive institutional framework for smallholder development"; SO2 was to "provide critical investments to provide support to rural households and entrepreneurs, individuals and groups to enhance productivity and improve incomes". These objectives were very broad and included a wide range of interventions on infrastructure and agricultural technology, rural finance and rural institution building.
298. The **theory of change** refers to five thematic areas identified through the COSOP logframe: rural institutions; rural finance; productive infrastructure and agricultural services; access to markets; and social infrastructure. The country programme followed three distinct pathways that supported four of the five policy areas in order to contribute to achieving the COSOP's strategic goals. The three pathways all converge on access to markets, which subsequently leads to the goals' impact domains. There is no distinct pathway for social infrastructure.
299. The first pathway (i) is towards **increased production for farmers**, which is achieved through the combination of improved access to finance and production technologies. These would be funded through investments provided to rural

²¹⁰ Grant 100000415 to cover the cost of a gender Consultant for one year.

²¹¹ Grant 2000000827 Enhancing resilience of agricultural sector in Georgia, ERASIG, funded with the GEF Special Climate Change Fund.

financial institutions and for irrigation and agricultural service provision and improvement (SO2).

300. The second pathway (ii) complements the first through investments in productive infrastructure (SO2). The combination of both pathways leads to **better access to markets**, and thereon to diversification of crops and higher volumes being sold.
301. The third pathway (iii) reinforces the results of the previous two by establishing policies and institutional frameworks in the different policy areas (SO1). These would **strengthen national agencies and enable functioning rural organizations** that provide essential services to farmers and smallholders.

Achievement of strategic objectives

302. The **achievement of SO1 is low overall**. The main achievements were through policy dialogue on laws impacting the rural poor, and in the strengthening of national agencies in the lending portfolio. Traditional areas of IFAD focus, such as community groups, performed weakly due to lack of interest from Government and were primarily addressed through the grants portfolio (see COSOP relevance).
303. The lending portfolio has been successful in strengthening the capacity of **Government agencies** providing essential services in the agricultural sector (NAPR, National Food Agency). The National Agency for Public Registration was strengthened by ADP and RDP and is still functional. The National Food Agency network supported by RDP was not operational by the project end, but is fully functioning now. Efforts to reform the operations and maintenance structures of UASCG have not been successful yet. The current structure is understaffed, unsustainable and not conducive to smallholder development if irrigation continues to be an area of investment.
304. Approaches to introduce participatory and group-based processes and institutions aimed to **empower smallholders**. RDPMHA's phase 1 was designed in a way so as to contribute to this objective. A holistic interpretation of rural development, including addressing both social and economic needs, was adopted. A number of grassroots users' and producers' organizations were established by RDPMHA, but due to abandonment of this approach in 2005, all ceased to exist. The Caucasus Mountain Network, established through an IFAD grant, was used to enhance NGO-Government partnerships. It has increased institutional exposure to participatory approaches for poverty alleviation.
305. The non-lending portfolio has paved the way to laws on **land ownership and remittances**, which benefit rural communities. This includes the law on agricultural land ownership, supported through the ECMI grant (2003-2006); and the new law influenced by the Crystal grant (2010 -2012). The aim of RDP to develop the policies on land markets that would enable land consolidation was not achieved. It is worth noting though that IFAD did not play a role in the design and passing of Georgia's various national agricultural strategies, nor did it engage in policy dialogue in the livestock sector.
306. Results for **financial sector institutions** that would have provided an accessible financial market for rural smallholders were mixed. RDP was highly successful in providing MFIs the credit to grow, expand themselves in rural areas, and provide rural clients with access to finance. Other models, however, were less successful. Of ADP's 21 CUs, only two remain. The leasing scheme for agribusiness, piloted by ASP, has not yet been established as a common financial product for commercial banks or private leasing companies.
307. **The achievement of SO2 is moderate**. This SO was to be achieved primarily through the lending operations. Rural finance interventions, particularly RDP's, likely made a major contribution to this SO in terms of improved household income. Aside from RDPMHA, there is little evidence to suggest that farm

production increased, or that income derived from on-farm activities has improved for a significant number of portfolio beneficiaries.

308. **Rural finance.** Income increases as a result of rural leasing are reported for ASP. RDP reported an increase in incomes of 28 per cent for farmers and enterprises supported by the project based on a survey conducted by the World Bank, although the project did not report the number of beneficiaries, nor was there a baseline. There were an estimated 10,000 clients of MFIs, and the phone surveys conducted by the CSPE mission suggest that MFI loans were used to purchase productive assets that would increase incomes. The ADP completion evaluation also found that 61 per cent of CU loans (worth US\$1.36 million) were used for income-generating activities in agriculture.
309. Expansion of rural finance services was uneven. ADP had 21 CUs (out of 55 planned at redesign) with 2,890 members. As of July 2017, these had dwindled to 2 CUs with 1,705 members. ADP also provided 48 loans worth US\$8.56 million to enterprises through 8 commercial banks. RDP engaged 5 MFIs, which at the point of project closure had 10,000 clients taking out 10,822 loans worth US\$9.54 million. RDP's MFIs have as of June 2017 increased the number of borrowers to 24,442, and have issued 28,580 loans worth US\$37.9 million. ASP provided US\$1.65 million (out of planned US\$3.89 million) to 15 enterprises (planned 18).
310. **Irrigation.** Under RDPMHA, RDP, ASP and now AMMAR, irrigation construction and rehabilitation has been or is being undertaken. However, there are a number of externalities which will affect the performance and sustainability of the irrigation networks. These include: (i) lack of relevant legislation and regulation framework for irrigation sector; (ii) limited capacity of UASCG in operation and management of irrigation systems; (iii) inadequate fee rate for water usage; and (iv) a low number of registered users. The current Government is focussed on the strengthening of water user associations, which should enable partial solution of issues regarding operation and maintenance.
311. Data to assess the extent to which **market production** increased are scant. Under RDPMHA, the value of crop and livestock production increased by 36 per cent in real prices (target of 10 per cent) between 2009 and 2011.²¹² RDP had no data. The ASP impact evaluation did not find any statistically significant increase in yields in irrigated areas.
312. **Access to markets.** Improvement in incomes depended on the success of multiple pathways that converged on the assumption that smallholder beneficiaries would market their surplus production to newly accessed markets. Under infrastructure, the 75 km of roads and 11 bridges built under RDPMHA and ASP have primarily benefitted mountain areas, in some cases providing reliable access to local markets and services. Communities with summer pastures benefitted from access to local markets in a few cases.²¹³
313. Value and supply chain approaches in RDP and ASP had 40 enterprises benefitting from financial support, either through credit lines or from leasing schemes. Anecdotal evidence suggests that there has been some increase in backward linkages generated through some of the RDP enterprises, and one case of an enterprise exporting internationally in ASP. The ASP impact evaluation found that 993 farmers were provided with backward linkages, though many of these were already established suppliers to the enterprises involved.²¹⁴ There is little data or evidence to suggest that new backward linkages have been generated across the closed portfolio to a large degree that can be pinned on any purported increased market production. Under AMMAR, the initial, small batch of matching grant

²¹² RDPMHA PCR annex V.2

²¹³ Observed by the CSPE mission

²¹⁴ Para. 85

beneficiaries report creating effective distribution channels to guarantee supplies to the market, which was a problem reported by enterprises in ASP for not creating more backward links.

Table 19
Overview of achievements of strategic objectives (COSOP 2004)

<i>Strategic Objective</i>	<i>Results over review period (2004-2017) based on COSOP 2004 indicators</i>	<i>Level of achievement</i>
SO1: Develop coherent and supportive national policies and a conducive institutional framework for smallholder development	<p>Participation and representation of the rural poor in policy and political processes</p> <ul style="list-style-type: none"> • 1 of 2 organizations (Caucasus Mountain Network) set up to represent mountain area interests <p>Proliferation of rural institutions</p> <ul style="list-style-type: none"> • 26 farmers associations, 4 district farmers unions, and 21 of 55 CUs set up during projects. Evidence of only 2 CUs remaining. <p>Non-indicator achievements</p> <ul style="list-style-type: none"> • 2 laws (Law on agricultural land ownership; Law on Payment Systems) and one regulatory framework (for remittances) established • Capacity and effectiveness of NAPR and NFA increased • Leasing system not developed • No changes to UASCG O&M 	Low
SO2: Provide critical investments to provide support to rural households and entrepreneurs, individuals and groups to enhance productivity and improve incomes	<p>Increased income of smallholders</p> <ul style="list-style-type: none"> • Reported income increases in RDP (28%) and leasing beneficiaries in ASP (10%) <p>Increase in number and expansion of outreach of rural finance providers</p> <ul style="list-style-type: none"> • 2 CUs, 11 commercial banks, 5 MFIs, 1 leasing company providing rural financial services. As of 2017 25,942 MFI and CU members have access to loans, 40 agribusinesses take loans and receive leasing services. <p>Increase in number and average size of financial transactions coupled with high credit repayment rates</p> <ul style="list-style-type: none"> • MFI loans have increased in value with repayments close to 100% <p>Increase in volume of marketed output and expansion in value adding to local produce, increase in farmers' share of final consumer price</p> <ul style="list-style-type: none"> • RDPMHA showed indications of increased value in crop and livestock production; ASP saw no statistical significance. No data from other projects • Some improved market access for enterprises, but little evidence of backward linkages to farmers <p>Non-indicator achievements</p> <ul style="list-style-type: none"> • 1,659 farmers trained through demonstration plots (RDPMHA & RDP) • 75.3 km of roads and 11 bridges constructed/rehabilitated benefit 9,820 people, many in high mountain areas (RDPMHA & ASP) • 1 drinking water system built • 6 irrigation schemes serving 11,402 ha built or rehabilitated 	Moderate

314. **Contribution from grants.** Except from a few cases, such as the remittances' and the ILC projects, grant effectiveness is hard to assess because of either the lack or poor quality of completion reports.²¹⁵ Crystal significantly contributed to both SO1 and SO2 as it contributed to establish a regulatory framework for remittances as well as it provided critical investment in an innovative technical solution (mobile remittances service) which supported rural households. The ILC grant contributed to SO1 by strengthening CBOs and advancing the law on agricultural land rights. The CBO charter introduced democratic and fair principles of community and CBO management. It also encouraged direct and active participation of village residents

²¹⁵ The CBEARC, ERASIG, microinsurance and AGROInform grants are not closed yet. The completion reports for the grants to establish the Caucasus Mountain Network are not available. There is incomplete documentation of the gender grant and the grant for the organization of the Apricot Symposium.

in the community organizations' management process. Furthermore, the grant promoted the development of a private arbitration system for alternative dispute resolution.

315. **Effectiveness.** In summary, the effectiveness of the country strategy and programme was low. Under SO1, whilst new institutional frameworks and policies to advance smallholder development were advocated, implementation was patchy. For example, the grass roots organizations established to engage and empower stakeholders no longer exist. Achievements have included strengthening of NAPR, NFA and MFIs. Under SO2, there is very limited evidence that suggests that rural finance has reached a significant number of poor farmers and contributed to sustained increases in market production and incomes. Microfinance provided through MFIs and local infrastructure has made the most important contributions to this SO. The grants made a significant contribution to improving the institutional and legal framework, as intended under SO1. Effectiveness of the country strategy and programme is rated *moderately unsatisfactory* (3).

Table 20

Country strategy and programme performance assessment

<i>Country strategy and programme performance (overall)</i>	<i>Rating</i>
Relevance	4
Effectiveness	3
Overall	4

Key points

- The COSOP did not properly reflect the Government's priorities at that time. However, it reflected the desire to address salient issues of poverty in Georgia and thus guided the early projects (ADP, RDP, and RDPMHA) towards a holistic approach.
- After 2008, IFAD adopted a selective approach in its project design (ASP), but the COSOP was not updated accordingly.
- Crosscutting themes (climate change, gender, empowerment) were better addressed through the grants.
- The effectiveness of the strategy and programme was low-to-moderate.
- Achievements under SO1 (coherent national policies and institutional framework) were patchy. Notable achievements were in the grants portfolio.
- Achievements under SO2 (critical investments to enhance productivity and incomes) were made through rural finance and infrastructure, but overall outreach was low.

I. Conclusions and recommendations

A. Conclusions

316. **A challenging context.** IFAD's engagement was within a challenging context. First, Georgia was a newly independent country and a transition economy at the time when IFAD started its engagement, with a weak institutional and regulatory framework that has posed enormous challenges for effective and sustainable development support. Second, the following period has seen a number of crises and marked shifts in political direction that called for constant adaptation and change of support strategies. Third, after a period of strong economic growth, Georgia is now an upper-middle-income country and has more recently started implementing the EU Association Agreement that requires all support to be attuned to the specific challenges of this political agenda. These challenges have stretched IFAD beyond its comfort zone and, although it has made some valuable contributions over the period, the outcomes were overall mixed.
317. **IFADs role and strategic niche.** IFAD's strategic niche is well recognized (poor smallholder farmers, rural finance, gender), but its footprint has been limited so far and it often had difficulties keeping up with the shifts and changes. Some concepts and approaches it introduced were innovative and important, but premature, given the context. It introduced some successful practices such as microfinance, which demonstrated that it is possible to reach out to marginal farmers and women. But then there was insufficient attention to studying and scaling up these good practices. In some cases other larger actors later embarked on a similar agenda but on a larger scale and IFAD was no longer involved. For example, the World Bank, which went into support of water user associations, a gap insufficiently addressed in earlier IFAD operations (ASP). Similarly the EU, which is now supporting farmer associations and agricultural cooperatives. Important synergies could have been generated with other initiatives if lessons had been systematically learned and shared.
318. **Moderate achievements.** The evaluation found that, despite these challenges, the portfolio was relevant and, with some notable exceptions, well-aligned with Government priorities. IFAD has demonstrated a great degree of flexibility and readiness to adapt to changing Government directions. Yet frequent changes and adjustments have taken their toll on the portfolio and overall the results achieved were limited, primarily due to limited outreach and weak targeting. Some good results have been achieved with regard to strengthening the institutional and regulatory framework through the earlier lending operations and the grants. The grants were well-aligned with IFAD's priorities and strategies and made a substantial contribution to the achievement of the strategic objective of developing a supportive policy and institutional framework.
319. **Smallholder access to markets** has been the overarching theme since IFAD began its engagement in the country. But the approach to promote access to markets was never clearly defined or consistently pursued. In practice, it included a broad range of activities, including infrastructure, irrigation, training and demonstration plots, which were insufficiently linked and, therefore, did not generate the synergies required to achieve the intended results. Only the ongoing project (AMMAR) has a clear theory of change underlying the range of interventions supported. For the closed projects, results were hard to ascertain in the absence of a clear intervention strategy and adequate M&E data. The broader strategy followed the Government's growth agenda, focussing on entrepreneurial farmers and small and medium enterprises. However, the trickle down of benefits to the poorer sections of the rural population did not happen as expected and poverty impact consequently remained minimal.

320. **Infrastructure** absorbed the largest share of IFAD investments. While investments in rural infrastructure were relevant and much needed in the remote and impoverished areas, they could have been more effective if they had been part of a wider strategy to rebuild and improve people's livelihoods. Often, infrastructure-related interventions were started late into project implementation period resulting in lower impact and sustainability at project completion. A missed opportunity was that the positive results of the earlier high mountains project (RDPMHA) were discarded and not followed up. The project was unique in its approach of placing the municipalities into the driving seat. All other projects used a centralized approach to planning and implementing infrastructure projects that was effective in aligning investments with central Government priorities, but reinforced the disjointed nature of the interventions and limited the prospects for sustainability within the local context. Maintenance issues were insufficiently addressed in irrigation infrastructure and the missing institutional arrangements at local level (water user associations) remain a major gap.
321. **Rural finance** was the second major area of IFAD investments, yet IFAD had no coherent strategy for rural finance in the country in general and to institutional capacity building in particular. The portfolio supported a range of different models that were not linked and did not follow a logical progression or evolution in the approach. Interventions in this area were highly relevant and innovative in the country context, but they had varying success due the gaps in the regulatory framework and limited Government support. The successful introduction of microfinance through the loans (RDP) and of innovative finance products through the grants (electronic remittances, mobile money) are among the highlights in the portfolio. Unfortunately, these earlier successes were insufficiently understood and followed up. Yet this is an area which is at the core of IFAD's strategy and where there is a huge demand and appetite for support in the future.
322. **Weak poverty and gender targeting.** IFAD clearly had difficulties in understanding and addressing issues of inequality in this transition economy, which is multifaceted, multidimensional and fine-grained beyond simple geographic or socio-economic characteristics. After the initial attempts to introduce participatory and pro-poor approaches, IFAD's projects primarily relied on self-targeting mechanisms for individual benefits (loans, grants) with an explicit focus on the more entrepreneurial and better skilled farmers, usually the male household heads. When it moved closer to the Government's growth agenda and focused more on entrepreneurial farmers, it did not refine its strategy to also target the poorer segments of the rural population and in particular women heading farming households. Without a clear targeting strategy, trickle-down effects to poorer households and women were assumed rather than ensured. For example, there was no specific strategy to monitor or ensure that the enterprises receiving financial support would then generate significant employment benefits for poor women. The actual benefits accrued through indirect targeting were, therefore, significantly below expectations.
323. **Inconsistent strategy.** IFAD was ready to adjust to evolving Government priorities, but at same time often lost sight of its own strategy in Georgia. This happened in particular between 2008 and 2014 when IFAD moved from a holistic approach to poverty reduction to a more selective approach to accommodate Government's economic growth agenda, without a clear strategy on what it wanted to achieve in the country. Mainstreaming issues that are at the heart of IFAD's strategy (gender, participation, grassroots organizations) all but disappeared from the loan portfolio. The move towards shorter project durations, simplified designs and stronger focus on infrastructure made operations easier to manage and implement, but did not lead to better results and sustainability. In particular, there has been no strategy to address the issue of weak institutions on the ground.

324. **Need for flexibility.** Although IFAD has tried to keep up with the pace of change in the country, it was often constrained by the limited flexibility in its planning and strategic instruments and a lack of country presence. IFAD's strategies were slow to follow the fast-paced development and changes, and there was a significant disconnect at times. The COSOP had been in place without revision or update over a ten-year period which saw significant changes and developments. There was a long period where no strategy was in place at a time when both Government and IFAD priorities underwent some significant changes. The following CPSN was a lean document, prepared in order to respond to these changes, which it did do to some extent. However, the CSPN insufficiently reflects Government priorities on EU association and the strategic opportunities and potential partnership this would offer for IFAD. A rolling approach to constantly update the country analysis and IFAD's response would have been needed to keep up with the pace of change.
325. **Limited leverage.** IFAD's engagement in the country has undergone a steep learning curve since the beginning. New approaches or concepts, although relevant for rural poverty reduction, were often introduced without sufficient understanding of the context. Consequently they met scepticism or plain rejection from Government, and were, therefore, bound for failure (e.g. CUs, community-based extension services). Without a country presence, consistent follow up was difficult for IFAD, in particular where "sticky issues" were holding up progress. Lack of country presence also limited engagement on non-lending activities. On the other hand, where IFAD worked closely with Government and other development partners, it was able to contribute to some important changes in the policy and institutional framework (e.g. land registration, food safety).
326. **Partnerships** were overall strong and it was through partnerships that IFAD had some successes in the country. Co-financing partnerships delivered some good results and were highly beneficial for IFAD's visibility and positioning during the earlier part of the review period, given its lack of country presence. In the later part of the review period IFAD did not invest sufficiently in partnerships for policy engagement, and therefore lost track of policy developments and failed to establish its strategic niche, in particular with regard to the EU Association Agreement.

B. Recommendations

327. **Recommendation 1. Establish some form of country presence or limit IFAD's engagement to co-financing operations led by other development partners.** Without a country presence IFAD cannot maintain the required flexibility, and at the same time consistency, in its engagement with a country such as Georgia, that is changing at such a fast pace and that is becoming increasingly demanding in terms of the kind of assistance it requires. For IFAD to play to its comparative advantage and add value, it has to leverage influence through partnerships. A consistent strategy for policy engagement and KM – yet to be developed – will require dedicated resources and solid expertise on the ground. If IFAD cannot establish a country presence, it should confine its engagement to co-financing operations led by other development partners. Past experience with co-financed projects has shown that IFAD can achieve good results through strong partnerships. This would enable IFAD to focus its resources on critical areas where it can add value through lending and non-lending activities.
328. **Recommendation 2. Establish a strategic focus on rural finance and rural institution building, in line with Government priorities.** Rural finance is an area where IFAD has built up a body of experience due to experimentation with different access-to-finance models. No other development partner in Georgia has similar experience and IFAD should continue to pursue this niche. Furthermore, now that Government is showing an increasing interest in grassroots institutions and the EU (through the European Neighbourhood Programme for Agriculture and

Rural Development) and the World Bank are supporting them, grassroots institutions can be the conduits for the financial products supported by IFAD. In this regard, IFAD should graft on the work of others; there is no need to create parallel institutions unless absolutely necessary. It can also build on its successful relationship with MFIs. In the upcoming livestock project, MFIs should be used to target farmers and livestock cooperatives in the lower mountain regions.

329. **Recommendation 3. Radically revise the approach to targeting, to adopt an explicit strategy for targeting those at risk of poverty and social exclusion within the rural population, in close cooperation with other development partners.** IFAD has an important role to play in Georgia if it focuses clearly on the poorer parts of the rural population and in particular women and youth. For this, IFAD needs to do more to reach out to those parts of the rural population that are economically active, but at risk of poverty and social exclusion.²¹⁶ Only targeting entrepreneurial farmers and assuming that the rest will benefit indirectly will not be sufficient. IFAD has to adopt a differentiated targeting strategy that will support direct benefits for the relatively poorer parts of the population. Therefore, it is recommended that in preparation for the new country strategy, and in cooperation with like-minded partners, IFAD should conduct robust poverty and gender analysis to provide the basis for identifying and reaching out to those groups that are at risk of poverty and social exclusion, with a specific focus on women and youth. The outcome of the consultation would be to identify actionable strategies and, where possible, agree on coordinated interventions specifically targeted to rural youth and women, including single women and women-headed farming households. These strategies should inform IFAD's future project designs. Furthermore, any intervention supported by IFAD should ensure that women and youth from poorer households benefit equally. Interventions targeted at entrepreneurial farmers should ensure that entrepreneurial women are mobilized and benefit equally. Every project targeting value chains should include a commensurate set of activities that will give the private sector incentives to include smallholder farmers and also monitoring to ensure the active poor benefit.

²¹⁶ Note: this does not include those parts of the population that depend on social assistance

Definition of the evaluation criteria used by IOE

Criteria	Definition *	Mandatory	To be rated
Rural poverty impact	Impact is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions.	X	Yes
	<i>Four impact domains</i>		
	<ul style="list-style-type: none"> Household income and net assets: Household income provides a means of assessing the flow of economic benefits accruing to an individual or group, whereas assets relate to a stock of accumulated items of economic value. The analysis must include an assessment of trends in equality over time. 		No
	<ul style="list-style-type: none"> Human and social capital and empowerment: Human and social capital and empowerment include an assessment of the changes that have occurred in the empowerment of individuals, the quality of grass-roots organizations and institutions, the poor's individual and collective capacity, and in particular, the extent to which specific groups such as youth are included or excluded from the development process. 		No
	<ul style="list-style-type: none"> Food security and agricultural productivity: Changes in food security relate to availability, stability, affordability and access to food and stability of access, whereas changes in agricultural productivity are measured in terms of yields; nutrition relates to the nutritional value of food and child malnutrition. 		No
	<ul style="list-style-type: none"> Institutions and policies: The criterion relating to institutions and policies is designed to assess changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor. 		No
Project performance	Project performance is an average of the ratings for relevance, effectiveness, efficiency and sustainability of benefits.	X	Yes
Relevance	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, institutional priorities and partner and donor policies. It also entails an assessment of project design and coherence in achieving its objectives. An assessment should also be made of whether objectives and design address inequality, for example, by assessing the relevance of targeting strategies adopted.	X	Yes
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.	X	Yes
Efficiency	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results.	X	Yes
Sustainability of benefits	The likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.	X	Yes
Other performance criteria			
Gender equality and women's empowerment	The extent to which IFAD interventions have contributed to better gender equality and women's empowerment, for example, in terms of women's access to and ownership of assets, resources and services; participation in decision-making; work load balance and impact on women's incomes, nutrition and livelihoods.	X	Yes
Innovation	The extent to which IFAD development interventions have introduced innovative approaches to rural poverty reduction.	X	Yes
Scaling up	The extent to which IFAD development interventions have been (or are likely to be) scaled up by Government authorities, donor organizations, the private sector and others agencies.	X	Yes
Environment and natural resources management	The extent to which IFAD development interventions contribute to resilient livelihoods and ecosystems. The focus is on the use and management of the natural environment, including natural resources defined as raw materials used for socio-economic and cultural purposes, and ecosystems and biodiversity - with the goods and services they provide.	X	Yes
Adaptation to climate change	The contribution of the project to reducing the negative impacts of climate change through dedicated adaptation or risk reduction measures.	X	Yes

<i>Criteria</i>	<i>Definition</i> *	<i>Mandatory</i>	<i>To be rated</i>
Overall project achievement	This provides an overarching assessment of the intervention, drawing upon the analysis and ratings for rural poverty impact, relevance, effectiveness, efficiency, sustainability of benefits, gender equality and women's empowerment, innovation, scaling up, as well as environment and natural resources management, and adaptation to climate change.	X	Yes
Performance of partners			
• IFAD	This criterion assesses the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. The performance of each partner will be assessed on an individual basis with a view to the partner's expected role and responsibility in the project life cycle.	X	Yes
• Government		X	Yes

* These definitions build on the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) Glossary of Key Terms in Evaluation and Results-Based Management; the Methodological Framework for Project Evaluation agreed with the Evaluation Committee in September 2003; the first edition of the Evaluation Manual discussed with the Evaluation Committee in December 2008; and further discussions with the Evaluation Committee in November 2010 on IOE's evaluation criteria and key questions.

Ratings of IFAD lending portfolio in Georgia^a

Criteria	ADP*	RDPMHA*	RDP*	ASP*	AMMAR	Overall portfolio
Rural poverty impact	4	2	4	3		3
Project performance						
Relevance	4	2	4	4	3	4
Effectiveness	3	2	4	3		3
Efficiency	4	2	4	3		3
Sustainability of benefits	3	2	4	4		3
Project performance^b	3.5	2	4	3.5		3
Other performance criteria						
Gender equality and women's empowerment	n.p.	3	5	2	3	2
Innovation	5	2	4	3	3	3
Scaling up				4	2	3
Environment and natural resources management	n.p.	2	4	3	4	3
Adaptation to climate change	n.p.	n.p.	n.p.	3	5	4
Project performance and results^c	4	2	4	3		3

^a Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory; n.p. = not provided; n.a. = not applicable.

^b Arithmetic average of ratings for relevance, effectiveness, efficiency and sustainability of benefits.

^c This is not an average of ratings of individual evaluation criteria but an overarching assessment of the project, drawing upon the rating for rural poverty impact, relevance, effectiveness, efficiency, sustainability of benefits, gender, innovation, scaling up, environment and natural resources management and adaptation to climate change.

* Rated by previous IOE evaluations

Final ratings of the country strategy and programme in Georgia

	<i>Rating</i>
Project portfolio performance and results^a	3
Non-lending activities^b	
Country-level policy engagement	3
Knowledge management	3
Partnership-building	5
Overall non-lending activities	4
Performance of partners	
IFAD ^c	4
Government ^c	4
Country strategy and programme performance (overall)^d	
Relevance	4
Effectiveness	3

^a Not an arithmetic average of individual project ratings.

^b Not an arithmetic average for knowledge management, partnership-building and country-level policy engagement.

^c Not an arithmetic average of individual project ratings. The rating for partners' performance is not a component of the overall assessment ratings.

^d This is not an arithmetic average of the ratings of relevance and effectiveness of the country and strategy programme and performance. The ratings for relevance and effectiveness take into account the assessment and ratings of portfolio results, non-lending activities and performance of partners but they are not an arithmetic average of these.

IFAD-financed projects in Georgia

<i>Project name</i>	<i>Project type</i>	<i>Total project cost^a</i> <i>US\$ million</i>	<i>IFAD approved financing^b</i> <i>US\$ million</i>	<i>Cofinancing^c</i> <i>US\$ million</i>	<i>Counterpart</i> <i>US\$ million</i>	<i>Beneficiary contribution</i> <i>US\$ million</i>	<i>Executive Board approval</i>	<i>Loan effectiveness</i>	<i>Project completion date</i>	<i>Cooperating institution</i>	<i>Project status</i>
Agricultural Development Project (ADP)	Credit	26.8	6.5	15	0.5	4.8	30/04/1997	13/08/1997	30/06/2005	World Bank	Financial closure
Rural Development Programme for Mountainous and Highland Areas (RDPMHA)	Agricultural Development	9.2	8	0.07	0.7	0.5	13/09/2000	09/04/2001	30/09/2011	UNOPS	Financial closure
Rural Development Project (RDP)	Credit	34.7	10	14.5	2.5	4.8	19/04/2005	22/05/2006	30/06/2011	World Bank	Financial closure
Livestock Development Project (LDP)											Dropped from pipeline
Agricultural Support Project (ASP)*	Rural Development	17.2	13.7	-	2.1	0.9	17/12/2009	08/07/2010	30/09/2015	IFAD	Financial closure
Smallholder Modernisation Project (SMP)		14.9	11.8		0.9	1.1					Dropped from pipeline
Irrigation and Land Market Development (ILMD)											Dropped from pipeline
Agriculture Modernization, Market Access and Resilience Project (AMMAR)**	Rural Development	35.5	13.8	9.5	2.5	9.8	09/01/2014	28/05/2015	30/06/2019	IFAD	Available for disbursement
Livestock Improvement in the Mountain Areas (LIMA)	Livestock	33	20.8								In the pipeline

^a Includes beneficiary and domestic financing institution financing

^b Composed of both loan and loan component grant resources

^c Refers exclusively to international (bilateral and multilateral financing) cofinancing

* Includes US\$5 million from an IFAD top-up loan, after OPEC cofinancing never materialized

** Includes a DANIDA grant (US\$4.2 million) obtained after project approval

IFAD-funded grant projects in Georgia

<i>Project/grant name</i>	<i>Grant number</i>	<i>Grant amount US\$</i>	<i>Grant recipient</i>	<i>Approval date</i>	<i>Effective date</i>	<i>Completion date</i>	<i>Additional information (Country; Project association; Source of financing; Theme)</i>
Agricultural Development Project	G-I-S-30-	72 000	Ministry of Finance	28/01/1997	29/04/1997	31/03/2002	
Livestock Restocking Project	G-I-N-135-	75 000	Relief International	30/12/1998	08/10/1999	07/10/2000	
Rural Development Programme For Mountainous And Highland Areas	G-I-S-103-	80 000	Ministry of Finance	17/10/2000	17/11/2000	30/09/2004	Georgia; Financed from Special Operations Facility (SOF) Programme; pre-implementation support for RDPMHA.
To Partially Finance The Establishment Of The Caucasus Mountain Network Within Rcp Between Azerbaijan And Georgia	G-I-N-190-	70 000	Swiss Group for Mountain Areas	07/12/2000	12/09/2001	30/09/2007	Azerbaijan and Georgia; Associated to RDPMHA; Financed from Extended Cooperation Programme (ECP)
To Partially Finance The Establishment Of The Caucasus Mountain Network With Rcp Between Georgia And Azerbaijan	G-I-N-191-	70 000	Swiss Group for Mountain Areas	07/12/2000	12/09/2001	30/09/2007	Georgia; Associated to RDPMHA; Financed from Extended Cooperation Programme (ECP)
Endowment For Community Mobilization Initiatives In Western Georgia ECMI Project	G-C-CEF-06-3	55 000	Association for the Protection of Landowner Rights	08/08/2003	09/05/2003	01/25/2005	Georgia; Financed from ILC supplementary funds; South-south cooperation; CBO capacity building; commons and forest management
To Cover Cost Of Gender Consultant For One Year	G-C-NL-543-	6 000	Ministry of Finance	17/05/2005	10/06/2005	10/06/2006	Georgia; Associated to RDPMHA; Financed from Netherlands supplementary funds; Gender capacity building for PMU
Financing Facility For Remittances: Testing New Channels And Products To Maximize The Development Impact Of Remittances For The Rural Poor In Georgia	G-C-LU-1-	150 875	International Organization for Migration	19/03/2008	21/04/2008	30/09/2010	Georgia; Financed from Luxembourg supplementary funds; Rural finance
Crystal Reaching Georgia's Rural Poor Through Mobile Remittances	G-C-SP-13-	250 000	Crystal Fund	22/06/2010	30/06/2010	30/06/2012	Georgia; Financed through Luxembourg Supplementary Funds; Rural finance
Georgia: Capacity Building For Enhancing Agricultural Resilience And Competitiveness (CBEARC)	200000024800	500 000	Ministry of Agriculture	16/12/2013	18/12/2013	31/12/2016	Georgia; Financed through Spain supplementary funds; smallholder capacity building

<i>Project/grant name</i>	<i>Grant number</i>	<i>Grant amount US\$</i>	<i>Grant recipient</i>	<i>Approval date</i>	<i>Effective date</i>	<i>Completion date</i>	<i>Additional information (Country; Project association; Source of financing; Theme)</i>
Train Dev Country Journalists	20000030900	313 148	Thompson Reuters Foundation	14/12/2014	01/01/2015	31/03/2017	Georgia, Italy, Paraguay and Ethiopia; Financed by COM; Journalism capacity building
Promoting Inclusive Horticultural Value Chains In Armenia, Georgia, Kazakhstan And Moldova	200000102100	1 770 000	National Federation of Agricultural Producers from Moldova	30/12/2015	21/03/2016	02/08/2019	Armenia, Georgia, Kazakhstan and Moldova; Indirectly associated to AMMAR; Horticulture capacity building, gender, south-south cooperation
Managing Risks For Rural Development: Promoting Microinsurance Innovations	200000131600	1 800 000	MicroInsurance Centre	14/12/2016	04/04/2017	30/06/2021	Georgia, Ethiopia, China; Resilience and risk capacity building, Gender
Apricot Symposium 2011	G-I-R-1233-AM	100 000	Republic of Armenia Rural Areas Economic Development Programme (RAEDP) project unit	14/10/2010	30/11/2010	31/12/2011	Armenia; Horticulture development, knowledge management

Grants directly associated with the loan portfolio

<i>Project/grant name</i>	<i>Grant number</i>	<i>Grant amount US\$</i>	<i>Financier</i>	<i>Approval date</i>	<i>Effective date</i>	<i>Completion date</i>	<i>Additional information (Grant type (associated project); Theme)</i>
Agricultural Support Project (ASP)	G-I-C-1160-	200 000	IFAD	17/12/2009	08/07/2010	30/09/2014	Loan-component grant (ASP); Trainings/ Technical assistance on infrastructure
Rural Development Project (RDP)	G-I-C-785	799 611	IFAD	19/04/2005	22/05/2006	30/06/2010	Loan-component grant (RDP); Institutional capacity building for rural financial providers
Enhancing resilience of the agricultural sector in Georgia (ERASIG)	5147	5 300 000	GEF	02/02/2015	17/02/2015	30/09/2019	GEF-SCCF project (AMMAR); Climate change adaptation/ resilience
Agriculture Modernization, Market Access and Resilience Project (AMMAR)	2000001739	4 187 000	Denmark	01/05/2017	01/05/2017	31/12/2019	Top-up Component Grant (AMMAR); Financial services, capacity development and entrepreneurship mentoring

List of key persons met

Government

Ministry of Agriculture

H.E. Nodar Kereselidze, First Deputy Minister for Agriculture, Ministry of Agriculture
 H.E. Lasha Komakhidze, Minister of Agriculture of the Autonomous Republic of Adjara
 H.E. Avtandil Meskhidze, Deputy Minister of Agriculture of the Autonomous Republic of Adjara
 Mr. Shalva Kereselidze, Head of Regional co-ordination Department, Ministry of Agriculture
 Mr. Givi Merabishvi, Head of Law and Parliamentary Affairs Department, Ministry of Agriculture
 Mr. Valerian Mtchedlidze, Head of Amelioration and Land Management Department, Ministry of Agriculture

Ministry of Finance

H.E. Nikoloz Gagua, Deputy Minister, Ministry of Finance
 Mr. Ioseb Skhirtladze, Head of Foreign Debt Department, Ministry of Finance
 Nino Javakhishvili
 Mzia Giorgobiani

Project staff

Ms. Lali Durmishidze, Director - IFAD AMMAR project and World Bank GILMD/component I project, Ministry of Agriculture
 Ms. Tamar Tsintsadze, M&E specialist, IFAD AMMAR project, Ministry of Agriculture
 Ms. Ekaterine Gurgenidze, Agricultural and Value Chain specialist, IFAD AMMAR project, Ministry of Agriculture
 Ms. Nino Kizikurashvili, GEF component project coordinator - AMMAR project, Ministry of Agriculture
 Mr. Gocha Vashamolidze, Coordinator - Autonomous Republic of Adjara, AMMAR project
 Mr. Shota Mukutadze, Local coordinator under RDPMHA for Shuakhevi municipality, Jabnidzeebi village
 Mr. Anzor Anguladze, AMMAR consultant, Ministry of Agriculture
 Mr. Levan Tskhovrelashvili, AMMAR
 Ms. Eliso Tskhadaia, Coordinator for Autonomous Republic of Adjara and Samegrelo region, AMMAR
 Ms. Ketevan Sharabidze, Deputy Director, AMMAR
 Mr. Noe Khozrevanidze, Coordinator of RDPMHA phase I
 Mr. Gocha Varshalomidze, Grant component Coordinator, AMMAR (Former Coordinator for RDP project)
 Ms. Eliso Tskhadaia, Grant component Coordinator, AMMAR
 Mr. David Partstkhava, Former Coordinator, RDP

Government agencies

Mr. Jambul Abuladze, Head of Agro-projects Management Centre - Autonomous Republic of Adjara
 Mr. Gela Gogrichiani, Head of Gardabani Public Service Development Agency (PSDA)
 Ms. Ketevan Kmaladze-Khardziani, National Agency of Public Registry of Ministry of Justice (NAPR) – Gardabani NAPR Operator
 Mr. Mirangul Liparteliani, Head of Gardabani Food Safety Agency
 Mr. Mikhael Jorjoliani, Head of Marneuli Food Safety Agency
 Manuchar Nijaradze, Head of Regional Information Consultation Centre (RICC), Kobuleti municipality, Autonomous Republic of Adjara

Guiorgui Khargelia, Head of Regional Information Consultation Centre (RICC), Senaki municipality, Samegrelo region
 Mr. Giorgi Kvaraia, Head of Regional Information Consultation Centre (RICC), Zugdidi municipality, Samegrelo region
 Ms. Ekaterina Naroushvili, head of Regional Information Consultation Centre (RICC), Martvili municipality, Samegrelo region
 Mr. Tornike Latatia, APMA

International and donor institutions

Mr. Peter Goodman, Senior Agricultural Specialist, World Bank
 Mr. Ilia Kvitaishvili, Former programme manager, World Bank
 Ms. Cristina Castella, Head of Agriculture and rural development, EU
 Mr. Olivier Bürki, Regional Director South Caucasus, Swiss Agency for Development and Cooperation
 Ms. Beka Tagauri, Head of Programme, Economic Development, Swiss Agency for Development and Cooperation
 Mr. Temur Khomeriki, National Programme Officer, Swiss Agency for Development and Cooperation
 Mr. David Tsiklauri, Project manager, USAID
 Mr. David Shervashidze, Component leader, REAP project, USAID
 Mr. Giorgi Niparishvili, REAP Project/ Specialist, USAID
 Mr. Eduard Shermadini, Agriculture development advisor, ZRDA project, USAID
 Mr. Saba Sarishvili, SME Development advisor, CHEMONICS/USAID
 Mr. Mamuka Meshki, Assistant Representative, FAO
 Ms. Ilyana Derilova, Chief of Mission, IOM
 Natia Kvitsiani, National Programme Officer, IOM

Non-governmental organizations and associations

Ms. Sophiko Akhobadze, Director, RECC
 Nana Janashia, Head of organization, Caucasus Environment NGO Network
 Ms. Rusudan Kanchava, Executive Director, NGO Atinati, Zugdidi, Samegrelo region
 Guia Khasia, NGO Atinati, Zugdidi, Samegrelo region
 Archil Bakuradze, Head of Crystal Fund

Private sector

Mr. Malkhaz Kharchilava, Head of Agro Business Group, Basis Bank
 Mr. George Mishveladze, Agricultural Cooperatives Development Agency
 Mr. Tamaz Charkseliani, Georgian Amelioration Company Gori District Officer
 Mr. Josef Chalouli, Georgian Amelioration Company Gori District Officer (Number 3 Unit)
 Mr. Lasha Logua, Brand Manager, Lazika Capital
 Mr. Temur Kuprava, Head of Credit Union Development Centre (CDUC)
 Mr. Lasha Khalvashi, Credit officer for Lazika Capital, Kobuleti branch
 Mr. Levan Mekhrishvili, Credit officer for Lazika Capital, Kobuleti branch
 Mr. Alexander Khukhunaishvili, Credit officer for Lazika Capital, Kobuleti branch
 Mr. Giorgi Khinikadze, Credit officer for Lazika Capital, Kobuleti branch
 Staff of Lazika Capital, Zugdidi branch
 Ms. Salome Chubabria, Commercial Deputy Director, TBC Leasing

Research and training institutions

Mr. Maka Jorjadze, Director, ELKANA
 Mr. Tamaz Dondue, Manager, ELKANA
 Ms. Ano Akhvlediani, Programme Manager, ELKANA
 Mr. Lasha Chanturia, Mobiliser in Samegrelo, ELKANA

Beneficiaries

Autonomous Republic of Adjara

Mr. Tariel Ebralidze, head of Shuakhevi municipality
 Mr. Anzor Tsteskhladze, Head of financial department of Shuakhevi municipality
 Mr. Ednar Sharashidze, Head of Economy, Architecture and Infrastructure Department of Shuakhevi municipality
 Mr. Tengviz Kartsivadze, Demonstration plot owner - Jikhanjuri village, Autonomous Republic of Adjara
 Mr. Emzar Surmanidze, Credit Union "Mejinistsktali" manager under ADP and demofarmer under RDP, Khelvachauri district,
 Mr. Otar Putkaradze, Director of Ltd. "Skhalta 2012" under RDP
 Mr. Temur Nakashidze, Demofarmer under RDP Project, Chaisubani village
 RDPMHA phase I beneficiaries, Verkhviani village, Shuakhevi municipality
 AMMAR grant applicants
 Inhabitants of Chaisubani village

Samegrelo-Zemo Svaneti region

Gocha Dgebuadze, Head of Senaki municipality
 Irakli Sajaia, Head of Infrastructure, Municipality of Senaki
 Zaal Mosia, Co-owner of Laurel factory
 Zaza Kharchilava, Farmer and owner of nursery, Nosiri village
 Gizo Kikaia, Farmer and owner of Persimmon demonstration plot, Najakhao village
 Ms. Neli Chikovani, Demo farmer under RDP Project, Orsantia village, Zugdidi municipality
 Mr. David Antia, Demo farmer under RDP Project, Zemochkaduashi village, Tsalenjikha municipality
 Mr. Nugzar Tsxapelia, Demo farmer under RDP Project, Zemochkaduashi village, Tsalenjikha municipality
 Mr. David Erkhvaia, Director of Ltd. "Agro Export Georgia" entrepreneur under RDP project
 AMMAR grant beneficiary applicants and recipients, Tsaishi village, Zugdidi municipality
 AMMAR grant beneficiary recipients, Khorga village, Khobi district
 AMMAR grant beneficiary in Martvili municipality
 Mr. Gizo Kokaia, Demo farmer under AMMAR Project

Kvemo Kartli region

Mr. Vazha Gujabidze, "TBILVINO" Head of Finance, Accounting and Procurement
 Mr. Merab Topchishvili, Gamgebeli of Marneuli district

Shida Kartli region

Mr. Josef Chalauri, Head of Karkaleti Municipality
 Zurab Kviriashvili, Team leader "Engineering Solutions"

Other resource persons

Mr. Pietro Turilli, former IFAD Georgia CPM (2006-2007)
 Mr. Henning Pedersen, former IFAD Georgia CPM (2008-2009)
 Mr. Omer Zafar, former UNOPS Senior Portfolio Manager

Complementary tables to chapters I – V

1. Tables for chapter I

Box 1.1

Questionnaire for MFI beneficiary phone interview

Purpose: The qualitative assessment of the IFAD funded rural finance implementation process and impact, to reveal the tendencies of the farmers' (loan beneficiaries) attitudes, expectations and needs regarding the programme.

Questions:

1. Verify the interviewer's loan parameters: MFI issuer, size, purpose, time and other details as per the list provided by the MFI.
2. How did you hear about the rural loan program?
3. Please tell us how easily could you be able to obtain information about the loan program, and where?
4. In your opinion, what was the main purpose of this program?
5. Please tell us about the path you went through in order to get the loan. Were there any issues or obstacles you ran into?
6. In your opinion, how well managed is the programme participation process? What positive sides does it have and what would you change?
7. How important is the programme for your specific agricultural activities? Obtain information in relation to the following data:
 - the turnover increased by %,
 - purchase of new machinery or assets
 - access to market
8. Would you have been able to get the financing for the purposes you needed elsewhere if not this loan?

Source: compiled by CSPE evaluation team

Table 1.1
CSPE mission asset verification exercise

<i>Project</i>	<i>Category</i>	<i>Region</i>	<i>Municipality</i>	<i>Village area</i>	<i>Asset type</i>	<i>Year built/rehabilitated</i>	<i>Cost (GEL unless stated otherwise)</i>	<i>Beneficiaries</i>	<i>Rating*</i>
AMMAR	Social	Samegrelo	Martvili	Abedati, Lemikave village	Bridges (2)	Under construction		800 HH	n.a.
AMMAR	Social	Samegrelo	Martvili	Abedati, Lemikave village	Road	Under construction	65 982	1 500 People	n.a.
AMMAR	Social	Samegrelo	Senaki	Betlemi/ Ushapati	Road and bridge	Under construction	275 777	270 HH	n.a.
AMMAR	Social	Samegrelo	Martvili	Jolevi	Bridge	Under construction	63 854	3 200 People	n.a.
AMMAR	Social	Samegrelo	Martvili	Nagvazu	Bridge	Under construction	92 042	2 500 People	n.a.
AMMAR	Social	Samegrelo	Senaki	Zemo Sorta	Road and bridge	Road complete 2017	82 780	145 HH (600 People)	4
ASP	Social	Kvemo Kartli	Marneuli	Jandara	Bridge	2012	(US\$) 350 000	340 HH	4
ASP/ AMMAR	Productive	Shida Kartli	Gori	Dzevera/ Karaleti	Irrigation	2015	1 674 409	1 200 People	4
RDPMHA	Social	Adjara	Shuakhevi	Chirukhi summer pasture	Road	2011		1 000 HH	3
RDPMHA	Social	Mtskheta-Mtianeti	Dusheti	Mchadijvari/ Pertiani	Road	2011	396 539	110 HH	3
RDPMHA	Social	Adjara	Shuakhevi	Komarduli	Road and bridges (2)	2011			3
RDPMHA	Social	Adjara	Shuakhevi	Tselati	Bridge	2011	450 031	3 000 HH	4
RDPMHA	Social	Mtskheta-Mtianeti	Dusheti	Petriani	Road	2011		15 villages	3
RDPMHA	Social	Mtskheta-Mtianeti	Dusheti	Salajurebi	Bridge	2011	951 108	100 HH	4
RDPMHA	Social	Adjara	Shuakhevi	Tsablana/ Ghoma	Road	2011	620 391	60 HH	3
RDPMHA	Social	Adjara	Shuakhevi	Tselati/ Jinali	Road	2011	1 057 432	3 000 HH	3
RDPMHA	Social	Adjara	Shuakhevi	Uchara	Bridge	2011	279 419	2 000 HH	4

* 4 = Full working order & maintained; 3 = Reasonable working order & maintained; 2 = Poor/partial damage, partly maintained; 1 = Not working, not maintained; n.a. = not yet constructed
 Source: Compiled by CSPE evaluation team through interviews with beneficiaries, municipal authorities, and RDPMHA project documents

Table 1.2
Design project funding data by financier per project (US\$ '000s)

Projects	Lending terms†	IFAD loan	IFAD grant	IFAD other*	Co-financing**	Domestic institutions	Beneficiaries	GOVT	Total
ADP	HC	6 500			15 000		4 800	500	26 800
RDPMHA	HC	8 000			74		500	659	9 233
RDP	HC	9 200	800		14 500	2 900	4 837	2 468	34 705
ASP***	H	13 500	200	19	-	473	897	2 069	17 158
AMMAR***	B	13 300	500		9 487		9 761	2 458	35 505
Total		50 500	1 500	19	39 061	3 373	20 795	8 154	123 401

* Refers to RDP IFAD grant that was used to fund ASP

** Co-financing includes World Bank loans and other partner grants

*** ASP and AMMAR financing reflects re-design figures, which saw an IFAD top-up loan of US\$5 million for ASP, and US\$4.187 million grant from DANIDA for AMMAR

† HC = Highly concessional; H = Hardened; B = Blended

Source: ADP PCR; RDPMHA President's report table 2B; RDP President's report table 2; ASP Supervision Mission 2015 appendix 4 table 4B;; AMMAR President's report table 1

Table 1.3
Actual project funding data by financier per project (US\$ '000s)

Projects	IFAD loan	IFAD grant	IFAD other*	Co-financing**	Domestic institutions	Beneficiaries	GOVT	Total
ADP	5 945			13 855		6 587	458	26 845
RDPMHA	8 730			-			1 439	10 169
RDP	8 207	543		11 900	9 570	-	1 050	31 270
ASP	10 159	183	-	-	558	459	1 458	12 817
AMMAR	1 129	160		566		-	227	2 082
Total	34 170	886	-	26 321	10 128	7 046	4 631	83 183

* Refers to RDP IFAD grant that was used to fund ASP

** Co-financing includes World Bank loans and other partner grants

Source: ADP PCR; RDPMHA PCR pg. 1; RDP World Bank ICR 2012 annex 1 tables (a) & (b); ASP impact evaluation (sourced from Government PCR and verified by retrieved data (23/04/2017)); AMMAR AWPB 2017 physical and financial progress as of 5 June 2017

Table 1.4
Design project funding data by financier type per project (US\$ '000s)

Project	IFAD	International	Domestic	TOTAL
ADP	6 500	15 000	5 300	26 800
RDPMHA	8 000	74	1 160	9 233
RDP	10 000	14 500	10 205	34 705
ASP	13 719	-	3 439	17 158
AMMAR	13 800	9 487	12 218	35 505
Total	52 019	39 061	32 322	123 401

Source: compiled from data in annex VII table 1.2

Table 1.5
Actual project funding data by financier type per project (US\$ '000s)

<i>Project</i>	<i>IFAD</i>	<i>International</i>	<i>Domestic</i>	<i>TOTAL</i>
ADP	5 945	13 855	7 045	26 845
RDPMHA	8 730	-	1 439	10 169
RDP	8 750	11 900	10 620	31 270
ASP	10 342	-	2 474	12 817
AMMAR	1 289	566	227	2 082
Total	35 057	26 321	21 805	83 183

Source: compiled from data in annex VII table 1.3

Table 1.6
Design project funding for sub-component types for all projects (US\$ '000s)

<i>Sub-component type</i>	<i>IFAD</i>			<i>Co-financier</i>		<i>Domestic institutions</i>	<i>Beneficiaries</i>	<i>Government</i>	<i>Total</i>
	<i>Loans</i>	<i>grants</i>	<i>Other</i>	<i>Loans</i>	<i>Grants</i>				
Rural Infrastructure	22 151				8 276		10 439	4 394	45 260
Rural financial services & Credit	16 788	506	19	20 063		3 373	9 768	511	51 027
Other*	5 402	207		3 323			289	1 068	10 289
Project management	4 012	157		965	208		246	905	6 493
Land reform/Titles	2 148	130		5 223			53	1 238	8 791
Climate change adaptation		500			1 003	-	-	38	1 541
Total	50 500	1 500	19	29 574	9 487	3 373	20 795	8 154	123 401

* Includes: Community Development; Forestry; Marketing: inputs/outputs; Food crop production; Animal health
Source: compiled from data in annex VII table 1.2 and IFAD GRIPS 2017

Table 1.7
Actual project funding for sub-component types for all projects (US\$ '000s)

<i>Sub-component type</i>	<i>IFAD</i>			<i>Co-financier</i>		<i>Domestic institutions</i>	<i>Beneficiaries</i>	<i>Government</i>	<i>Total</i>
	<i>Loans</i>	<i>grants</i>	<i>Other</i>	<i>Loans</i>	<i>Grants</i>				
Rural Infrastructure	12 662	40			-		459	2 257	15 418
Rural financial services & Credit	13 797	84		9 041		10 128	6 587	47	39 684
Other*	3 397			314				536	4 247
Project management	1 238	59		1 575	-			158	3 030
Land reform/Titles	2 492			2 925				341	5 758
Climate change adaptation	-				-			-	-
Total	33 585	183		13 855		10 128	7 046	3 339	68 137

* Includes: Community Development; Forestry; Marketing: inputs/outputs; Food crop production; Animal health
N.B.1: Total actual project figures by component and total actual project figures by project do not coincide due to lack of component disaggregated data

N.B.2: RDP and AMMAR have no component specific data for non-IFAD financiers; RDP IFAD contributions are estimates on the loan & grant value based on reported outputs realized for each sub-component.

Source: compiled from data in annex VII table 1.3 and IFAD GRIPS 2017

Table 1.8

Design project funding for sub-component types for closed projects (US\$ '000s)

Sub-component type	IFAD			Co-financier		Domestic institutions	Beneficiaries	Government	Total
	Loans	grants	Other	Loans	Grants				
Rural financial services & Credit	16 788	506	19	20 063		3 373	9 768	511	51 027
Rural Infrastructure	9 356						679	2 035	12 070
Other*	5 402	207		3 323			289	1 068	10 289
Project management	3 506	157		965			246	845	5 719
Land reform/Titles	2 148	130		5 223			53	1 238	8 791
Total	37 200	1 000	19	29 574	-	3 373	11 034	5 696	87 896

* Includes: Community Development; Forestry; Marketing: inputs/outputs; Food crop production; Animal health

Source: compiled from data in annex VII table 1.2 and IFAD GRIPS 2017

Table 1.9

Actual project funding for sub-component types for closed projects (US\$ '000s)

Sub-component type	IFAD			Co-financier		Domestic institutions	Beneficiaries	Government	Total
	Loans	grants	Other	Loans	Grants				
Rural Infrastructure	13 797	84		9 041		10 128	6 587	47	39 684
Rural financial services & Credit	12 662	40					459	2 257	15 418
Other*	3 397			314				536	4 247
Project management	1 238	59		1 575	-			158	3 030
Land reform/Titles	2 492			2 925				341	5 758
Total	33 585	183	-	13 855	-	10 128	7 046	3 339	68 137

* Includes: Community Development; Forestry; Marketing: inputs/outputs; Food crop production; Animal health

N.B.1: Total actual project figures by component and total actual project figures by project do not coincide due to lack of component disaggregated data

N.B.2: RDP and AMMAR have no component specific data for non-IFAD financiers; RDP IFAD contributions are estimates on the loan & grant value based on reported outputs realized for each sub-component.

Source: compiled from data in annex VII table 1.3 and IFAD GRIPS 2017

2. Tables and figures for chapter III

i) Effectiveness

Table 2.1
RDP Credit line basic data 2009-2017

<i>Indicator</i>	<i>MFI</i>	<i>Commercial banks</i>
Avg Years in the Programme (out of 10)	7.8	3.0
Total number of loans	28 580	28
Number of clients	24 442	25
Number of loans to women	9 067	N/A
Percent of loans to women	32%	N/A
Total loan value (USD)	37 773 100	6 288 950
Loan value of loans to women (USD)	9 530 083	N/A

Source: Compiled by CSPE mission from RDP partner MFIs and commercial banks

Table 2.2
RDP Credit line MFI comparative analysis 2009-2017 (financing received; loan number and volume issued; type of loan; clientele)

<i>MFI</i>	<i>Years in Program</i>	<i>Status</i>	<i>Total Financing Received from IFAD/IDA, (US\$)</i>	<i>Total number of loans issued 2009-2017</i>	<i>Total number of loans issued 2009-2011</i>	<i>Number of clients receiving loans</i>	<i>Number of new clients</i>	<i>% of new clients</i>
Credo	8	Ongoing	3 500 526	12 247	2 323	11 183	5 967	53%
Lazika	8	Ongoing	1 845 450	4 714	3 080	4 006	2 830	71%
Finca	8	Ongoing	3 141 837	6 007	2 891	4 805	3 364	70%
Crystal	7	Repaid	1 580 859	2 899	1 642	2 565	1 421	55%
FinAgro	8	Ongoing	1 580 859	2 713	886	1 883	1 628	86%
Total	7.8		11 649 532	28 580	10 822	24 442	15 210	62%

Source: compiled by CSPE mission from data provided by RDP partner MFIs

Table 2.3

RDP Credit line MFI comparative analysis 2009-2017 (Average loan size; interest rates; duration; geographical spread; active clients; MFI liability)

<i>MFI</i>	<i>Average Loan Size (US\$)</i>	<i>Average Annual Interest rate</i>	<i>Average Duration months</i>	<i>Loans to High Mountains Regions</i>	<i>% High Mountains Regions</i>	<i>Current (outstanding) portfolio (US\$)</i>	<i>Number of active clients</i>	<i>Outstanding liability to IFAD (US\$)</i>
Credo	1 426	26%	14.4	1 142	28%	463 770	121	900 000
Lazika Capital	1 256	32%	16	552	12%	510 000	366	322 954
Finca	1 157	40%	12	517	9%	502 084	306	553 000
Crystal	1 654	35%	15	160	6%	23 989	5	-
FinAgro	2 475	31%	13	32	1%	35 555	35	569 213
Total				2 403	8%	1 535 397	833	2 345 167

Source: compiled by CSPE mission from data provided by RDP partner MFIs

Table 2.4

RDP Credit line MFI comparative analysis 2009-2017 (outreach to women through no collateral loans)

<i>MFI</i>	<i>Number of loans to women</i>	<i>Percent of loans to women</i>	<i>Total loan value (US\$ '000)</i>	<i>Value of loans to women (US\$)</i>	<i>Value of loans without collateral (US\$)</i>	<i>Share of loans without collateral (%)</i>	<i>Women loans no collateral</i>	<i>% loans to women w/ no collateral</i>
Credo	3 484	28%	13 392 644	3 135 659	12 530 807	94%	2 609	75%
Lazika	1 874	40%	5 921 480	2 009 651	592 148	10%	174	9%
Finca	2 343	39%	6 949 334	2 084 800	395 807	6%	175	7%
Crystal	965	33%	4 795 918	1 291 231	3 414 525	71%	764	79%
FinAgro	401	15%	6 713 724	1 008 741	1 060 557	16%	72	18%
Total	9 067	32%	37 773 100	9 530 083	17 993 843	48%	3 794	

Source: compiled by CSPE mission from data provided by RDP partner MFIs

Table 2.5
Disbursement of loans and values per MFI (2009-2017)

Year	Credo		Lazika Capital		Finca		Crystal		FinAgro		Total	
	US\$	Number of loans	US\$	Number of loans	US\$	Number of loans	US\$	Number of loans	US\$	Number of loans	US\$	Number of loans
2009	294 500	165	740 939	740			478 561	284			1 514 001	1 189
2010	1 664 732	1582	1 412 428	1484	1 021 582	1297	1 088 041	568	1 265 333	376	6 452 117	5 307
2011	759 271	576	1 204 381	856	1 312 594	1594	1 335 008	790	1 469 847	510	6 081 101	4 326
2012	4 191 317	4828	867 372	407	1 312 653	970	656 853	583	1 182 711	504	8 210 904	7 292
2013	3 635 902	3031	401 453	299	1 708 320	1077	764 914	441	824 808	361	7 335 397	5 209
2014	1 702 705	1692	418 240	266	425 514	250	402 541	221	717 460	286	3 666 460	2 715
2015	818 640	293	77 996	50	454 402	324	13 301	3	541 811	299	1 906 149	969
2016	466 649	80	586 455	430	507 737	377	56 699	9	457 057	263	2 074 598	1 159
2017	-	-	212 216	182	206 532	118	-	0	254 696	114	673 444	414

Source: compiled by CSPE mission from data provided by RDP partner MFIs

Table 2.6
RDP Credit line MFI comparative analysis 2009-2017

MFI & indicator	2008	2009	2010	2011	2012	2013	2014	2015	2016
Lazika Capital (transformed from NGO to MFI in 2008)									
Gross Loan Portfolio, US\$	4 470 142	5 493 145	7 531 987	8 653 618	10 566 929	11 979 555	9 958 097	6 359 031	8 016 735
Growth rate		23%	37%	15%	22%	13%	-17%	-36%	26%
IFAD- portfolio, US\$	0	800 000	1 395 450	1 845 450	1 568 632	1 291 815	1 014 997	738 180	461 362
% Share of total portfolio	0%	15%	19%	21%	15%	11%	10%	12%	6%
Number of Branches	4	5	6	7	9	13	13	16	16
New Branches added		1	1	1	2	4	0	3	0
Rural Clientele, %		27%	46%	55%	62%	66%	67%	71%	73%
Crystal (transformed from a Fund to MFI in 2007)									
Gross Loan Portfolio, US\$			8 084 772	13 011 674	16 411 654	25 820 617	39 098 077	45 128 184	

Growth rate				61%	26%	57%	51%	15%	
IFAD- portfolio, US\$	820 000	1 625 218	3 623 012	3 263 012	2 903 012	2 543 012	2 183 012		
% Share of total portfolio		20%	28%	20%	11%	7%	5%		
Number of Branches		15	16	16	22	27	31		
New Branches added			1	0	6	5	4		
Rural Clientele, %		42%	45%	47%	50%	52%	50%		
Finca Bank (registered as a Bank since 2013)									
Gross Loan Portfolio, US\$	10 155 268	15 986 236	23 977 553	38 311 981	48 794 670	64 280 000	71 680 000	73 200 000	
Growth rate		57%	50%	60%	27%	32%	12%	2%	
IFAD- portfolio, US\$	0	0	2 036 310	3 141 837	2 729 878	2 234 508	1 657 067	940 749	567 848
% Share of total portfolio	0	0	8%	8%	6%	3%	2%	1%	
Number of Branches			30	30	32	36	40	41	
New Branches added				0	2	4	4	1	
Rural Clientele, %		79%	79%	79%	79%	79%	79%	79%	
Credo (registered as a Bank since 2017)									
Gross Loan Portfolio, US\$	25 493 353	20 318 450	33 753 636	54 375 298	95 808 000	131 794 341	160 002 024	178 799 559	180 991 429
Growth rate		-20%	66%	61%	76%	38%	21%	12%	1%
IFAD- portfolio, US\$		300 000	1 997 415	3 500 526	3 106 697	2 592 380	2 076 787	1 561 194	1 045 601
% Share of total portfolio		1.5%	5.9%	6.4%	3.2%	2.0%	1.3%	0.9%	0.6%
Number of Branches	17	17	20	23	31	41	50	59	62
New Branches added		0	3	3	8	10	9	9	3
Rural Clientele, %	40%	50%	55%	52%	68%	65%	52%	52%	57%
FinAgro (transformed from a NGO to MFI in 2007)									
Gross Loan Portfolio, US\$			3 370 000	3 830 000	2 750 000				1 042 041
Growth rate				14%	-28%				

IFAD- portfolio, US\$	1 135 000	1 556 000	1 391 536	1 227 071	1 062 607	898 142	733 678
% Share of total portfolio	33.7%	40.6%	50.6%				
Number of Branches	5	5	5				
New Branches added		0	0				
Rural Clientele, %	100%	100%	100%				

Source: compiled by CSPE mission from data provided by RDP partner MFIs

Box 2.1

RDP MFI client phone survey report

Fifty clients were interviewed (12- Credo, 10- Finca, 10- Lazika, 10- Crystal, 8- Finagro), 30% women. Those clients who could not be contacted (8 persons, all with over 5 years repayment date) were replaced (the reasons for failing to contact was: phone number changed, left the country, no alternative contact info was found when the number was out of reach).

Summary of findings:

- 90% of the respondents expressed above average satisfaction with the financial service received. From this category, all confirmed that the loans made them better off, and the originally planned objectives were fully met. Specifically, the purchased assets were used to generate income. No evidence of the use of the loan proceeds for personal consumption was found from the responses.
- 80% from the above respondents wished to have a possibility to get larger loans but with lower interest rate than MFIs had offered, after they repaid the loan. All of them had no other alternative source than the MFI they took loans from.
- The remaining 10% said that they failed to meet the objectives. The reasons were the following:
 - the loss of crop due to bad weather or accident (hail, flood; fire) - 75%
 - unauthorized change of the purpose of the loan -25%, for example: the purchase of a tractor was replaced with financing the working capital, and the bad planning admitted by the respondents, who wished they acted more prudently. In hindsight, they would have done things differently.
 All of them however, repaid the loan without a problem.
- The correctness of the loan terms and conditions in the record provided by MFIs were confirmed in 100% cases.
- 75% of the respondents said that they learned about the agricultural loan opportunity from the MFI promoting officers through general advertising (in 50% of the cases and 50% by direct contact from a loan officer, or a local counselor/community leader- in case of Credo). 25% approached the MFI themselves.
- The loan application and processing process was described as normal, fair and efficient in 80% of the cases. There were issues with the incorrect communication of the loan costs. Namely, respondents claimed that they were "deceived by the MFI which concealed the true price by introducing hidden fees". 100% of such responses were attributed to Finca.
- All respondents said that the interest rates are too high, but with having no alternative they had to accept them. When asked about difficulty in repaying due to high interest rates, most admitted they had no challenges in paying on time.
- The respondents from Credo and Lazika were the most highly appreciative about the service from the MFI. Specifically, the following was highlighted: systematic attention during the regular monitoring, informal and formal knowledge transfer regarding agricultural cycles and specific information on market access. These, according to the respondents, eventually helped the farmers to meet their objectives.
- All women clients from the sample responded unaided.

Summary table

<i>MFI name</i>	<i>Sample Size</i>	<i>Relevance</i>	<i>Ease of access</i>	<i>Cost of loan</i>	<i>Meeting original objectives</i>	<i>Market Access improvement</i>	<i>Overall satisfaction with MFI service</i>
Credo	12	95%	100%	65%	100%	90%	95%
Lazika Capital	10	95%	100%	55%	100%	90%	95%
Finca	10	75%	75%	10%	75%	50%	50%
Crystal	10	80%	100%	20%	100%	75%	90%
FinAgro	8	80%	90%	20%	100%	75%	80%

Source: compiled by CSPE mission

Table 2.7
RDP Credit line commercial bank analysis 2009-2017

#	PFI Name	Title of the decision document and the name of the authorized body to authorize the Credit Line	Effective Date of the Agreement	Duration	Grace Period	Principle repayment method	Date of repayment	Currency and interest	Approved Loan amount limit USD	Actually Disbursed Total USD	Disbursement Tranches (in actual currency)	Total repaid amount (US\$)	Principal (US\$)	Interest (US\$)	Penalties (US\$)	Outstanding loan amount as of rep. period (US\$)
Totals-MFIs										11 482 840						2 494 638
1	Crystal	21-June-2005 Development Credit Agreement btw Georgia and IDA; and Loan Agreement btw Georgia and IFAD. #668-GE	07-May-09	10	2	Semi-annual equal payment	2019 repaid in Aug-2016	USD, average 6-month LIBOR +2%	70% Equity	1 270 000	1 07-Aug-09 20 000 2 15-Oct-09 300 000 3 29-Oct-09 500 000 4 20-Oct-11 200 000 5 16-Nov-11 250 000	1 345 073	1 270 000	75 073	0	0
								GEL average annual inflation rate +2.5%	70% Equity GEL542,450 in USD average ex-rate for the period 1.745	\$310 854	1 12-Aug-10 81 916 2 18-Aug-10 72 017 3 22-Oct-10 169 243 4 18-Apr-11 219 274	694 849	542 450	152 399	0	0
2	Lazika Capital	21-June-2005 Development Credit Agreement btw Georgia and IDA; and Loan Agreement btw Georgia and IFAD. #668-GE	07-May-09	10	2	Semi-annual equal payment	2019	USD, average 6-month LIBOR +2%	70% Equity	1 845 450	1 16-Oct-09 300 000 2 28-Oct-09 500 000 3 05-Feb-10 250 000 4 18-May-10 190 000 5 14-Jun-10 10 000 6 20-Jul-10 145 450 7 06-May-11 450 000	1 604 173	1 384 088	220 085	0	461 362
3	Credo	21-June-2005 Development Credit Agreement btw Georgia and IDA; and Loan Agreement btw Georgia and IFAD. #668-GE	14-Dec-09	10	2	Semi-annual equal payment	2019	USD, average 6-month LIBOR +2%	70% Equity	1 500 000	1 22-Dec-09 300 000 2 05-Feb-10 500 000 3 05-May-10 200 000 4 20-Nov-11 200 000 5 15-Nov-11 300 000	1 210 347	1 031 250	179 097	0	468 750
								GEL average annual inflation rate +2.5%	70% Equity GEL3,397,082 in USD average ex-rate for the period 1.698	\$2 000 526	1 04-Mar-10 856 850 2 29-Mar-10 868 263 3 31-Mar-10 3 499 4 20-May-11 838 700 5 27-May-11 378 000 6 21-Jun-11 451 770	3 426 182	2 335 494	1 090 689	0	\$442 328
4	FinAgro	21-June-2005 Development Credit Agreement btw Georgia and IDA; and Loan Agreement btw Georgia and IFAD. #668-GE	26-Apr-10	10	2	Semi-annual equal payment	2020	USD, average 6-month LIBOR +2%	70% Equity	1 392 901	1 30-Apr-10 300 000 2 16-Jun-10 19 633 3 07-Jul-10 17 268 4 27-Jul-10 335 000 5 25-Oct-10 300 000 6 23-Mar-11 95 000 7 18-Apr-11 56 000 8 20-Oct-11 270 000	1 041 268	870 563	170 705	0	522 338
								GEL average annual inflation rate +2.5%	70% Equity GEL300,000 in USD average ex-rate for the	\$163 141	1 02-Aug-10 300 000	297 610	187 500	110 110	0	\$46 875
5	FINCA	21-June-2005 Development Credit Agreement btw Georgia and IDA; and Loan Agreement btw Georgia and IFAD. #668-GE	07-May-09	10	2	Semi-annual equal payment	2019	GEL average annual inflation rate +2.5%	70% Equity GEL 5,298,665	\$2 999 968	1 03-May-10 335 977 2 11-May-10 195 624 3 07-Jul-10 922 000 4 15-Sep-10 920 100 5 29-Sep-10 899 400 6 22-Oct-10 356 300 7 24-May-11 838 400 8 10-Jun-11 364 650 9 05-Jul-11 446 247 10 15-Sep-11 19 967	5 538 717	3 971 503	1 567 214	0	\$552 984

Source: Ministry of Agriculture, as of 01/02/2017

Table 2.8
RDP Credit line commercial bank analysis 2009-2017

Commercial Bank	Years in Program me	Status	Total number of loans issued	Number of clients receiving loans	Total Loan Value (US\$)	IFAD/IDA (US\$)	Average Loan (US\$)	Average Int. Rate	Average Duration, Months
TBC Bank	3	Repaid	4	4	1 394 268	1 394 268	348 567	N/A	47
Basis Bank	3	Repaid	13	11	3 136 528	2 077 992	241 271	16.5%	51
Bank Republic	3	Repaid	4	4	7 823 835	1 195 290	1 955 959	N/A	53
Qartu Bank	3	Repaid	7	6	2 305 200	1 621 400	329 314	N/A	45
Total	3		28	25	14 659 831	6 288 950	523 565	16.5%	49

Source: compiled by CSPE mission from data provided by RDP partner commercial banks

Table 2.9
RDP Credit line performance for Commercial Banks

#	PFI Name	Title of the decision document and the name of the authorized body to authorize the Credit Line	Effective Date of the Agreement	Duration	Grace Period	Principle repayment method	Date of repayment	Currency and interest	Approved Loan amount limit USD	Actually Disbursed Total USD	Disbursement Tranches (in actual currency)	Total repaid amount (US\$)	Principal (US\$)	Interest (US\$)	Penalties (US\$)	Outstanding loan amount as of rep. period (US\$)
Totals-Banks									10 000 000	6 345 830					0	
1	Bank Republic	21-June-2005 Development Credit Agreement btw Georgia and IDA; and Loan Agreement btw Georgia and IFAD.	18-Jul-06	10	4	Annual equal payment	2016	USD, average 6-month LIBOR +2%	2 500 000	1 195 290	1 09-Mar-07 47 548 2 19-Feb-08 500 000 3 19-Feb-08 500 000 4 06-May-08 147 742	1 400 563	1 195 290	205 273	224	0
2	TBC Bank	21-June-2005 Development Credit Agreement btw Georgia and IDA; and Loan Agreement btw Georgia and IFAD.	18-Jul-06	10	4	Annual equal payment	2016	USD, average 6-month LIBOR +2%	2 500 000	1 029 140	1 06-Jun-08 370 566 2 24-Jun-08 73 724 3 15-Oct-08 360 850 4 15-Oct-08 224 000	1 178 258	1 029 140	149 118	394	0
3	BASIS Bank* (in 17 tranches)	21-June-2005 Development Credit Agreement btw Georgia and IDA; and Loan Agreement btw Georgia and IFAD.	20-Oct-06	10	4	Annual equal payment	2016	USD, average 6-month LIBOR +2%	2 500 000	2 500 000	1 27-Jun-07 81 000 2 31-Aug-07 212 149 16 29-May-09 210 000 17 14-Aug-09 142 420	2 717 006	2 500 000	217 006	107	0
4	Bank Qartu	21-June-2005 Development Credit Agreement btw Georgia and IDA; and Loan Agreement btw Georgia and IFAD. #668-GE	20-Oct-06	10	4	Annual equal payment	2016	USD, average 6-month LIBOR +2%	2 500 000	1 621 400	1 04-Sep-07 500 000 2 03-Oct-07 315 000 3 15-Aug-07 105 000 4 17-Dec-07 77 000 5 05-Jun-08 295 000 6 23-Jun-08 297 000 7 07-Oct-08 32 400	1 731 735	1 621 400	110 335	1 400	0

Source: Ministry of Agriculture, as of 01/02/2017

Table 2.10
Project design and actual direct beneficiary outreach

<i>Project</i>	<i>Design (A)</i>	<i>Actual (B)</i>	<i>Design/Actual (A/B)</i>
ADP*	130,000	157,890	121.5
RDPMHA**†	9,500	9,816	103.3
RDP***	30,000		
ASP	19,631	6,376	32.5
AMMAR	40,000	3,160	7.9
Total	230,271	177,524	

* ADP actual figures are the combination of the completion evaluation's finding of number of land parcels registered and members of CUs

** RDPMHA design figures reflect President's Report figures. A 2008 President's Memorandum provided a household target. Actual figure used from IFAD supervision (higher than PCR's which does not break down beneficiaries). The PCR, IFAD supervision, or the IOE PPA do not include beneficiary outreach under phase 1

*** RDP did not calculate total project beneficiary outreach at completion

† Refers to household target as direct beneficiary

Source: ADP World Bank Project Information Document 1997 pg. 6; ADP Completion Evaluation table 6 & para. 48; RDPMHA Supervision Mission July 2011 annex 1 table 1; RDP PPA annex II; ASP IE annex I; AMMAR RIMS March 2017

ii) Efficiency

Table 3.1

Key project dates and effectiveness gaps in portfolio

Project	Approval	Signature	Entry into force	Original completion	Current completion	Original duration (years)	Actual duration (years)	Extensions	First disbursement	Time lag between approval and first disbursement (years)	Time lag between entry into force and first disbursement (years)
ADP	30/04/1997	15/05/1997	13/08/1997	30/04/2002	30/06/2005	4.7	7.9	3 (3.2 years)	15/12/1997	0.6	0.3
RDPMHA	13/09/2000	16/10/2000	09/04/2001	30/09/2008	30/09/2011	7.5	10.5	2 (3 years)	30/10/2001	1.1	0.6
RDP	19/04/2005	29/06/2005	22/05/2006	30/06/2010	30/06/2011	4.1	5.1	1 (1 year)	24/11/2006	1.6	0.5
ASP*	17/12/2009	08/07/2010	08/07/2010	30/09/2014	30/09/2015	4.2	5.2	2 (1 year)	17/12/2010	1.0	0.4
ASP (Top Up-Loan)	12/10/2012	06/03/2013	04/03/2013		30/09/2015				25/08/2014	1.9	1.5
AMMAR**	09/01/2014	17/02/2015	28/05/2015	30/06/2019	30/06/2019	4.1	4.1	0	21/07/2015	1.5	0.1

* Since the General Conditions for Agricultural Development Financing was amended in 2009, financing agreements between IFAD and governments enter into force upon the signature by both parties (unless the respective financing agreement states that it is subject to ratification). Prior to this, financing agreements used to contain conditions for effectiveness, upon fulfilment of which the financing agreement was declared effective. Hence, for the financing agreements signed after this change, the date of effectiveness, or now called "entry into force" is the same day as the date of the financing agreement.

** Effectiveness was subject to parliamentary ratification

Source: IOE project evaluations; ASP Financing Agreement 2010; IFAD-Government of Georgia communications on AMMAR effectiveness (15 June 2015); IFAD GRIPS 2017

Table 3.2

Management cost analysis for portfolio

Project	Design management costs (USD '000) (A)	Design total project cost (USD '000) (B)	Percentage design management cost (C=A/B)	Actual management costs (USD '000) (D)	Actual total project cost (USD '000) (E)	Percentage actual management cost (F=D/E)	Actual-design deviation (E-C)
ADP	300	27 098	1%	1 632	26 845	6%	-5.0%
RDPMHA*	1 403	9 233	15%	562	10 169	6%	9.7%
RDP	1 514	34 705	4%	1 830	31 270	6%	-1.5%
ASP	1 256	17 158	8%	704	12 816	6%	1.2%
AMMAR	774	31 318	2%				

* Project organization component in RDPMHA also had funding allocated for credit union development

Source: compiled from data in annex VII tables 1.6 & 1.7

Table 3.3
Cost per beneficiary at design and completion for portfolio

<i>Projects</i>	<i>Design</i>			<i>Completion</i>			<i>Difference Design-completion (A-B)</i>	<i>Percentage difference completion-design (B/A)</i>
	<i>Total project costs (US\$ '000)</i>	<i>Direct beneficiaries</i>	<i>Cost/beneficiary (US\$) (A)</i>	<i>Total project costs (US\$ '000)</i>	<i>Direct beneficiaries</i>	<i>Cost/beneficiary (US\$) (B)</i>		
ADP	26 800	130 000	206	26 845	157 890	170	36	82.5%
RDPMHA	9 233	10 640	868	10 169	9 816	1 036	-168	119.4%
RDP	34 705	30 000	1 157	31 270	n.a.	n.a.	n.a.	n.a.
ASP	17 158	19 631	874	12 817	6 376	2 010	-1,136	230%
AMMAR	35 505	40 000	888	2 082				

Source: compiled from data in annex VII tables 1.2, 1.3 and 2.10

iii) Sustainability of benefits

Table 4.1
MFI sustainability indicators (2009-2016)

MFI	Indicators	2009	2010	2011	2012	2013	2014	2015	2016	Average	Change 2009-2016
Credo	Funding Expense Ratio	9.7%	9.3%	8.3%	7.2%	7.4%	9.0%	8.2%	10.6%	8.7%	0.9%
	Operations costs/loans	20.6%	23.7%	21.7%	20.5%	20.1%	19.5%	17.3%	17.7%	20.1%	-2.9%
	LLP/loans	3.9%	0.4%	0.5%	0.7%	0.6%	1.1%	1.6%	2.5%	1.4%	-1.4%
	Equity protection against inflation	0.9%	0.8%	0.8%	0.7%	0.8%	0.9%	0.9%	1.0%	0.9%	0.1%
	Min. Interest rate to be applied before profit margin	35.1%	34.2%	31.4%	29.1%	28.9%	30.5%	27.9%	31.8%	31.1%	-3.3%
	Actual Portfolio Yield	34.8%	41.2%	39.6%	38.7%	38.2%	37.8%	33.6%	36.2%	37.5%	1.4%
	Safety Margin	-0.3%	7.0%	8.3%	9.6%	9.3%	7.3%	5.7%	4.3%	6.4%	4.6%
Finca	Funding Expense Ratio	9.3%	9.9%	8.6%	7.9%	6.5%	7.0%	8.5%	10.1%	9.4%	0.8%
	Operations costs/loans	21.4%	23.0%	19.9%	20.9%	20.4%	22.4%	23.1%	17.9%	14.9%	-3.5%
	LLP/loans	-0.2%	-0.2%	-0.1%	2.7%	0.7%	4.3%	6.2%	6.2%	2.4%	6.4%
	Equity protection against inflation	1.2%	1.1%	1.3%	1.3%	1.7%	1.7%	1.4%	1.4%	1.4%	0.2%
	Min. Interest rate to be applied before profit margin	31.7%	33.8%	29.7%	32.8%	29.4%	35.5%	39.2%	35.6%	33.4%	3.9%
	Actual Portfolio Yield	39.8%	39.5%	40.0%	40.5%	36.3%	36.5%	34.5%	30.2%	37.1%	-9.6%
	Safety Margin	8.0%	5.7%	10.3%	7.7%	6.9%	1.0%	-4.7%	-5.5%	3.7%	-13.5%
Crystal	Funding Expense Ratio	6.6%	6.8%	6.5%	5.9%	6.4%	6.8%	7.5%	7.1%	6.7%	0.5%
	Operations costs/loans	17.8%	18.0%	17.6%	19.7%	17.1%	14.8%	14.7%	14.3%	16.7%	-3.6%
	LLP/loans	0.2%	0.5%	-0.2%	1.0%	0.6%	1.5%	1.7%	2.1%	0.9%	1.9%
	Equity protection against inflation	1.6%	1.5%	1.6%	1.6%	1.2%	0.9%	0.8%	1.1%	1.3%	-0.5%
	Min. Interest rate to be applied before profit margin	26.2%	26.8%	25.6%	28.2%	25.3%	24.0%	24.7%	24.5%	25.7%	-1.7%

	Actual Portfolio Yield	33.0%	32.0%	32.3%	38.0%	35.9%	34.7%	34.9%	34.4%	34.4%	1.4%
	Safety Margin	8.5%	7.5%	6.7%	9.8%	10.6%	10.8%	10.2%	9.8%	9.2%	1.4%
Lazika Capital	Funding Expense Ratio (adjusted in 2010-12)	7.7%	8.9%	9.3%	7.9%	9.8%	9.5%	10.2%	4.3%	8.4%	-3.4%
	Operations costs/loans (adjusted in 2010-12)	13.7%	10.4%	15.4%	15.6%	20.1%	22.1%	27.7%	21.1%	18.3%	7.4%
	LLP/loans	3.1%	2.7%	-0.1%	4.0%	0.4%	0.7%	6.1%	2.4%	2.4%	-0.7%
	Equity protection against inflation	2.1%	1.5%	1.7%	1.7%	2.0%	2.5%	2.9%	2.1%	2.1%	0.0%
	Min. Interest rate to be applied before profit margin	26.5%	23.4%	26.3%	29.3%	32.3%	34.9%	46.9%	29.9%	31.2%	3.3%
	Actual Portfolio Yield	40.5%	43.0%	42.6%	37.8%	35.4%	37.3%	35.9%	36.3%	38.6%	-4.2%
	Safety Margin	13.9%	19.6%	16.3%	8.6%	3.0%	2.5%	-11.0%	6.4%	7.4%	-7.5%
	Total average Cost of Funds	8.3%	8.7%	8.2%	7.2%	7.5%	8.1%	8.6%	8.0%		
	Operations costs/loans	16.9%	18.4%	17.1%	17.2%	16.8%	16.6%	16.3%	13.6%		
	LLP/loans	1.7%	0.8%	0.1%	2.1%	0.6%	1.9%	3.9%	3.3%		

Source: compiled by CSPE mission from data provided by RDP partner MFIs

3. Tables for chapter V

i) Project Status Review ratings

The following tables provide average PSR ratings across all indicators for the portfolio. It should be noted that two PSR scores were given to RDP in 2009, ASP in 2015, and AMMAR in 2016. ADP did not have any PSRs conducted

Table 5.1

Average Project Status Review ratings for Georgia Portfolio (RDPMHA, RDP, ASP, AMMAR)

<i>Project</i>	<i>Quality of financial management</i>	<i>Acceptable disbursement rate</i>	<i>Counterpart funds</i>	<i>Compliance with financing covenants</i>	<i>Compliance with procurement</i>	<i>Quality and timeliness of audits</i>	<i>Quality of project management</i>	<i>Performance of M&E</i>	<i>Coherence between AWPB & implementation</i>	<i>Gender focus</i>
RDPMHA	4.6	3	4.1	3.9	3.9	4.2	3.3	3.1	3	3.4
RDP	5.7	3.3	4	4.7	5.1	5	4	3	2.6	3.4
ASP	5	4.2	5.3	4.5	4.7	5.7	4.3	4.2	3.8	4
AMMAR	4.5	4.5	4	4	4	4	4	4	3.5	3.5
Overall average	5	3.6	4.3	4.3	4.4	4.7	3.8	3.4	3.2	3.6

Average Project Status Review ratings for Georgia Portfolio (RDPMHA, RDP, ASP, AMMAR) – continued

<i>Project</i>	<i>Poverty focus</i>	<i>Effectiveness of targeting approach</i>	<i>Innovation and learning</i>	<i>Climate and environment focus</i>	<i>Institution building (organizations, etc.)</i>	<i>Empowerment</i>	<i>Quality of beneficiary participation</i>	<i>Responsiveness of service providers</i>	<i>Exit strategy (readiness and quality)</i>	<i>Potential for scaling up and replication</i>
RDPMHA	3.8	3.6	2.8		2.7	3.2	3.6	3.7	3.4	3.6
RDP	3.1	3.2	2.4		3.7	2.4	3.7	3.4	2.8	3.5
ASP	4.5	3.8	4.3	5	4	4.2	3.8	4	4.5	4.7
AMMAR	4	4	4	4	4	4	4	4	4	4
Overall average	3.8	3.6	3.3	4.4	3.6	3.3	3.7	3.7	3.7	4

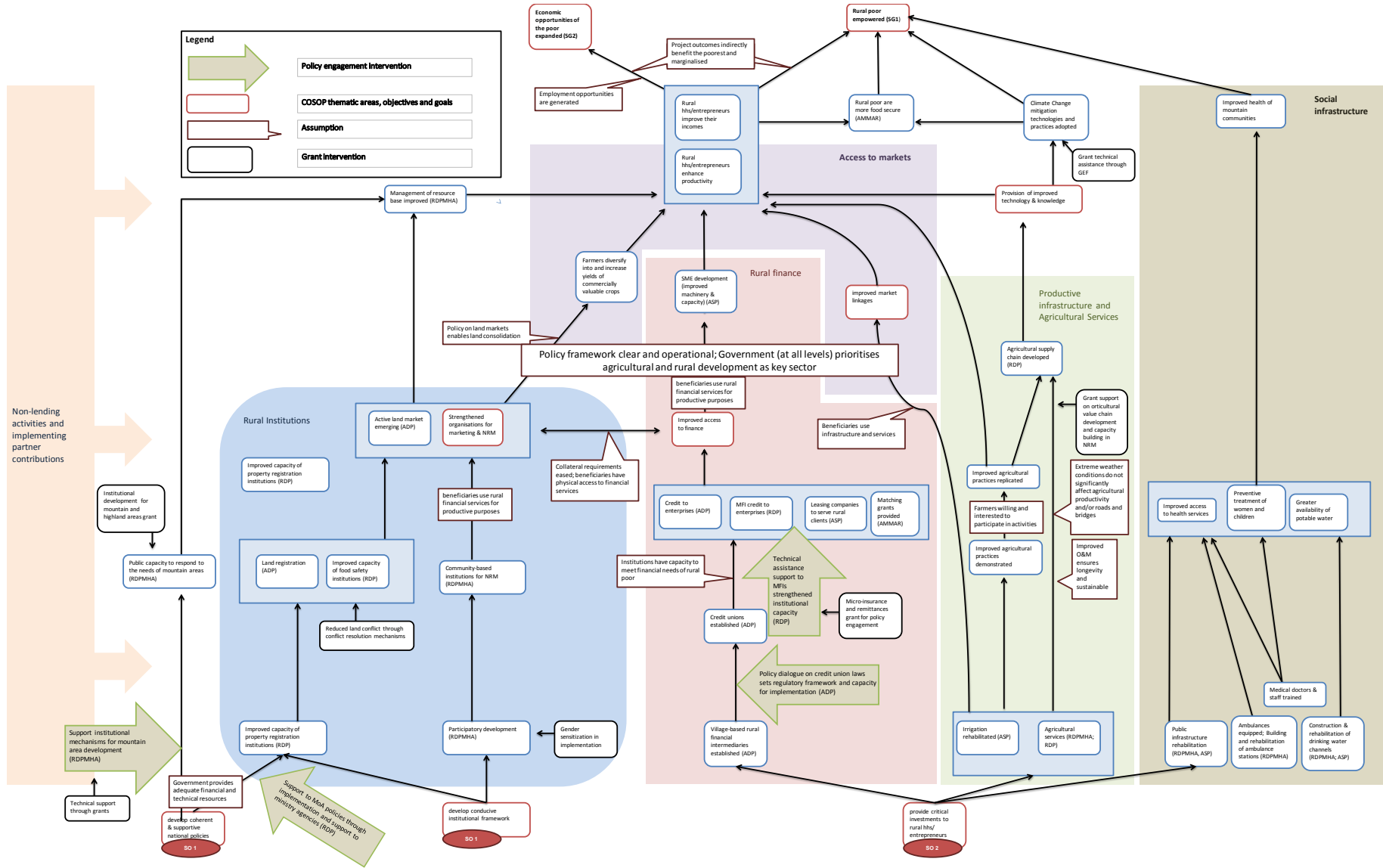
Average Project Status Review ratings for Georgia Portfolio (RDPMHA, RDP, ASP, AMMAR) – continued

<i>Project</i>	<i>Physical/financial assets</i>	<i>Food security</i>	<i>Overall implementation progress</i>	<i>Likelihood of achieving the development objectives (section B3 and B4)</i>	<i>Quality of natural asset improvement and climate resilience</i>	<i>Frequency of supervision</i>	<i>Quality of supervision</i>	<i>Impact on project implementation</i>	<i>Overall Supervision Rating</i>
RDPMHA	3.4	3.8	3.3	3.2		3	4	3	4
RDP	3.6	4.8	3.6	3.3		3.3	3.3	3.8	3.2
ASP	4	4	4.2	4.5	5				
AMMAR	4	4	4	4	4				
Overall average	3.8	4.2	3.7	3.6	4.4	3.2	3.6	3.5	3.5

Source: PSR ratings database 2003-2017, retrieved 8 August 2017

Theory of Change

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Case studies

1. Microfinance in Georgia and IFAD's role in the sector
2. Beneficiary perspectives on increased access to rural finance
3. Grants on remittances (IOM FFR, Crystal)
4. Land ownership and registration in Adjara
5. ECMI grant project – actions and impacts
6. Pastures
7. RDP's demonstration plots

Case study 1: Microfinance in Georgia and IFAD's role in the sector

1. **Context:** Since 2013, Georgia's rural finance policy was based on providing subsidized credit through commercial banks to rural segments of the population. Key problem areas present in rural financial markets were and still include lack of credit in rural areas; absence of modern technology in agriculture; low savings capacity in rural areas; and prevalence of usurious moneylenders. Commercial banks do not extend their credit schemes to the rural poor as they are not considered creditworthy. In this situation, the rural poor are forced to approach moneylenders who charge exorbitant rates of interest. Georgian microfinance institutions with socially oriented credit practices started to emerge in the late nineties and early 2000s. However, only less than a dozen organizations out of 100 officially registered organizations nominally called MFIs have the capacity to perform in the socially oriented credit sector.
2. As elsewhere in the world, microfinance in Georgia consists of providing loans and other financial services to poor people for self-employment and business development. Generally, small amounts are disbursed as loans, and the timeframe for repayment of loans is also smaller compared to commercial banks. Together with providing financial services, some microfinance institutions work for social development in the areas in which they operate. Microfinance institutions generally have the following characteristics:
 - a. Providing small loans for the working capital requirements of the rural poor.
 - b. Softer appraisal of borrowers and investments as compared to commercial banks.
 - c. Collateral demanded to a lesser extent by those MFIs having more capacity to operate sound versus safe credit practices applying innovative guarantee schemes.
 - d. Based on the loan repayment history of the members, microfinance institutions extend increasing larger loans to the members successively.
3. **Innovative practices in RDP MFIs:** Capital and expertise provided by international donors allowed Georgian MFIs to provide the necessary monetary support to the rural population. MFI activities also include providing training for basic skills required for doing business. In certain cases, they extend marketing facilities to undertake activities to improve agricultural practices and financial literacy. The following RDP-supported MFIs developed multiple novel practices:
4. Credo has a system of village counselors. Acting as an MFI agent, counselors identify potential clients, disseminate information in the community, and carry out the initial paperwork for the loan application without the farmer having to go to a branch. Dealing mostly with a rural population with no banking experience, counselors provide training in repayment planning, as well as facilitate special trainings in those aspects of farming where financing is provided. "This is one of the main keys to our success in reaching out to rural clients"- says CEO, Zaal Pirkhelava. Although this system allowed Credo to reach the most remote rural areas and keep the loan non-repayments to minimum, it is being criticized by some peer microfinance practitioners for being a non-corporate element in management, which sometimes ends up in conflict with good practices, i.e. when dealing with problem loans, respecting the dignity and privacy of the client often becomes an issue.
5. Crystal places its emphasis on value chain development and financing schemes and works with professional non-commercial organizations that implement donor- supported funding in its areas. As a result, financing a hazelnut value chain in western Georgia using the innovative warehouse receipt financing led to a successful enterprise launch and operation. "The biggest priority for us is forging partnerships to raise the productivity level of rural farming, which is very low and has great potential for growth. Better farming practices that lead to higher outputs is where the new market opportunities for Crystal and other Georgian MFIs are", says Crystal's COP, Kakha Gabeskiria, and continues: "IFAD's programme played a significant role in getting our internal systems in line with rural crediting".

6. Finca and Lazika use agricultural experts, either in-house or on a service contract, who provide periodic trainings in agricultural cycles for the front office loan officers and the risk management unit. The loan officers then provide necessary information to the clients during the monitoring visits or on an ad hoc basis at the farmers' requests.
7. **Institutional strengthening and rural outreach:** new clients came from both the existing and new branches opened during the programme implementation. Almost 100 per cent of the IFAD credit resources were directed to rural areas as it was mandated. All MFIs had rural presence to different degrees prior to the programme and expanded the outreach in the course of implementation. Credo and Finca, as the biggest of the five institutions, had been consistently increasing their rural presence and expanding their branch network. RDP contributed to this process. Lazika benefited the most relative to others. According to the CEO: "back in 2009 we had just started operating as an MFI and the IFAD Programme helped us to raise new funds in the next few years. Although, the Programme did not directly result in the decision to open new branches in 2010-2013, it significantly helped to expand our rural clientele." Crystal management decided to repay the credit line earlier by replacing it with a cheaper credit line. Again, as in Lazika's case, RDP's credit line was a crucial factor in raising the additional funds in parallel to the Programme and enabled the MFI to triple its portfolio from 2012 to 2015. However, this increase has not resulted in the expansion of the rural presence to the same degree. FinaAgro seems to be only outsider. Even though the IFAD Programme constituted almost half of its portfolio, the MFI was not able to leverage its operations the same way as Lazika and Crystal.
8. **Issues remaining on the institutional level:** MFIs, as Non-Banking Financial Institutions engaged in rural financing, have no mechanisms for compulsory savings for the rural poor, which is an important factor to reduce risk, together with the means of promoting general financial literacy and business prudence. Credo and Finca became banks in 2016 which enabled them to solve this problem, however, their long-term strategy and competition in the formal banking sector will force them to concentrate on the SME sector, eventually drifting away from traditional rural financing.
9. Other types of financial products have not yet developed to a reasonable degree. Microfinance practitioners in Georgia agree that the National Bank regulation needs to change to allow for minimum saving mechanisms at least on a transactional level. An IFAD-supported grant led to the creation of a platform where rural clients could use an electronic purse and make transactions without handling cash. Certain changes in the regulations were also introduced in 2012 in the framework of this project. However, further work needs to be done to arrive at a comprehensive solution. Additionally, agricultural insurance for rural poor is still in rudimentary form. Products are too expensive and coverage for most risks is not yet available.

Case study 2: Beneficiary perspectives on increased access to rural finance

1. **Introduction:** Between 2009 and 2017, MFIs receiving RDP credit line funds provided access to finance for more than 20,000 rural poor. These were first time clients of the MFIs, and the vast majority (over 90 per cent) had no other alternative source of finance aside from money lenders to cover their financing needs. The following paragraphs are first-hand accounts of a beneficiary's experiences on having improved access to finance.
2. **Beneficiary view:** Before 2012, Gulnari Gigiloshvili (Gulnari), age 47, from the village of Mukuzani, Kakheti region, had no hopes to get the financing she needed to make her tiny cattle farm productive enough to feed her family of four children and husband. One day, a village counselor of Credo visited her and told about the MFI's rural financing opportunity and its terms and conditions. "I got very enthusiastic about this possibility"- she says. She decided to apply and received her first loan, 500 Lari, which was used to purchase forage to feed the cattle in the winter as well as to make a stock of food for the family. In a year, right after the successful repayment of this loan, Gulnari took a bigger loan of 3,500 Lari in 2013 to purchase new cattle and piglets and started a new enterprise. She said: "My very first ever loan from Credo gave me a stimulus and confidence, and later I was able to take a risk which was rewarded with increased income for my family. I also use other services offered by Credo: agricultural purchase credit card, short term purchase loans, payments and remittances".
3. **Impact:** Gulnari was one of the several thousand women in rural areas of Georgia, including high mountains regions, who improved their living conditions with the help of RDP. Credo, Finca, Crystal, Lazika and FinaAGro helped thousands of rural poor to improve their lives by extending loans to them to start their own enterprises. With microfinance expansion in the rural areas, the standard of living of the poor section of the population is expected to improve. Most of the rural clients who are good payers, and do not have bank accounts, are loyal to the MFI they are banking with, simply because they have no other options. All MFIs use a system of stimulus for the loyal, repeat clients in the form of rate discounts and discounts on other services (such as money transfer, credit purchases and other services).

Case study 3: grants on remittances (IOM FFR, Crystal)

1. **Context:** Georgia, and especially its rural areas, is highly affected by labour migration and highly dependent on migrants' remittances. Through its grants portfolio, IFAD explored and set up models that aimed to capture and link remittance flows to local rural development.
2. **Grants purpose:** The grant implemented by IOM and funded through IFAD's Financing Facility for Remittances (FFR) was an interesting pilot initiative, focused on Tianeti region. The project facilitated access and use of remittances for Georgian migrants in Greece and their families in Georgia. It was also a piloting outreach to rural communities who normally have very little contact with and access to formal financial institutions.
3. This grant was followed up by another, implemented by Crystal Fund and funded through Spanish supplementary funds and co-financing from Crystal Fund. The FFR project has the merit to have provided information on how agreements between Georgian and foreign phone companies could work, and provided a model. The first grant on remittances can be considered as an entry point for the grant Crystal.
4. **Activities:** The FFR project empowered the community of Tianeti region in terms of financial literacy through innovative approaches, such as the provision of remittance-related services within the banking system, including through mobile phones. The project worked closely with the local authorities. It did, however, overlook the importance of policy changes to ensure the success of the programme. The Crystal project offered financial products to remittance recipients and encouraged a service provider, Kerketi, to start working with Georgian migrants in Greece.
5. IFAD's policy dialogue contributed to the acceleration of the new Law on Payment Systems and to set up an enabling regulatory framework for remittance transfers and other financial services. The Ministry of Finances defined tax-related aspects of such services and produced binding ruling. The project resulted in greater financial self-reliance. The grant also included a capacity and institutional development component as it helped establishing a network of 60 financial agents.
6. **Impact:** The FFR and Crystal grants provided a springboard for many other long-term results. After the closing of the project, Crystal Fund built on its results by establishing a multi-stakeholder private sector coalition on Financial Literacy whose advocacy work contributed to the adoption of a National Strategy on Financial education. Since the end of the project Crystal Fund has grown five-fold, creating employment opportunities for 800 people. Crystal now serves 25,000 farmers, who use agro loans and agro-insurance services, as well as benefitting from training and applying technological solutions. Among the latter the platform 'Akido' – which allows farmers to acquire agricultural components online with an interest-free loan – was initially conceptualized under the FFR grant.
7. Since project completion Crystal Fund's private sector partners (JSC MFO CRYSTAL and JSC MFE) continue working in this comparatively new field. JSC MFE, through Kerketi, obtained a license from the National Bank of Georgia to launch a new mobile money service. Both the FFR and Crystal grants demonstrate the added value for IFAD to invest in both migrant communities abroad alongside the target population in the country of origin.

Case study 4: Land Ownership and Registration in Adjara

1. **Context.** The Autonomous Republic of Adjara lies in south-west Georgia, bordering Turkey to the south and the Black Sea to the west. Its total area is 2,900 km², of which 97.5 per cent is classified as mountainous. Its population is 336,500, of which 149,000 (44 per cent) live in rural areas. The majority of rural inhabitants are closely involved in the agricultural sector, with agriculture being the main source of income. According to the Ministry of Agriculture of Adjara, in 2016 the region's arable area accounted for 25 per cent of the total area, out of which 72,900 ha was agricultural land. In 2016, only 38 per cent of land plots were registered, which includes 12,600 ha of private lands and 11,600 ha of state lands. Only 17 per cent of private and 16 per cent state of agriculture land were registered.
2. **Issue.** An effective land registration system is a critical factor to facilitate an effective land administration policy, and to ensure the protection of private and public interests related to land ownership, land markets, and investments. An effective system of land administration and comprehensive land registration represents the basis for the productive functioning of market economies, the development of the agricultural sector, and the sustainable and effective management of land resources, which contribute to economic growth. IFAD supported land registration reforms in Georgia in two loan projects (ADP and RDP) with total budget of US\$2.6 million. Both projects were implemented with the cooperation and funding of the World Bank. During 2003-2005 additional assistance was provided through the implementation of a grant project: *Endowment for Community Mobilisation Initiatives in Western Georgia*. IFAD financed loan programmes were implemented in line with Government's land reforms (phase 1 and phase II).
3. **Policy shifts in land registration specifically affected Adjara.** The implementation of land reforms in Adjara failed twice, in 1992-1999 and 2004-2006. During the first phase (1992-1999) the Government of Adjara did not support the land registration reform process initiated by the central Government. The implementation of the second phase (2004-2006) of the land reform also failed in Adjara because of the low level of preparedness of the local beneficiaries and irregularities in legislation. In the third phase (2007) the Central Government made some amendments in legislation that favoured the population of Adjara, but the new provisions were never implemented. As a result, the number of farmers with registered land is about 16-17 per cent against 25 per cent in other regions of Georgia. The land registration process is also hampered by the fact that, according to the legislation, it is prohibited to register land plots under private ownership within 15 km from the state border. In the case of Adjara, this includes almost 20-30 per cent of agricultural lands in high mountainous regions (Khelvachauri, Shuakhevi and Qeda municipalities) that cannot be registered under private ownership.
4. The fourth phase of land registration reforms started in 2016 when amendments to the Law on Registration of Land were adopted by Parliament. This current phase significantly eased the process for farmers. Following the provisions of the Law, mediation, requests for information and other notarial services are now free of charge to the public. The question of inaccurate survey drawings has been addressed to remove a constant problem faced by farmers throughout the past several years. It is expected that the pilot period for the registration of the land plots will take place until the end of 2017. The Ministry of Justice created a mechanism that mitigates the risks of the abuse of the provisions of the law through the development of uniform standard for survey drawings; mandatory certification of land surveyors, free of charge inquire documents certifying ownership; defective documents are legalized based on fact statement and assistance has been provided in dispute resolution.
5. **Tensions not solved by current legislation.** According to the Municipality of Shuakhevi, as a result of the Government reforms almost 30 per cent of Shuakhevi's population has already applied for land registration. Nevertheless, a significant majority of land does not appear in the national cadastre now in place. This raises a significant concern about the

transparency of land ownership and land markets in Adjara as well as in whole Georgia: at present it is rather difficult to establish clear boundaries between land belonging to the state and land belonging to the private, as well as boundaries between land belonging to private individuals and businesses. The lack of clarity in boundaries will keep conflicts between individuals as well as between individuals and the state open and unresolved. It also impacts foreign direct investment if property claims are unclear and open to counterclaims.

Case study 5: ECMI grant project – actions and impacts

1. **Context:** After the 1990s land reform programme, land allocation to individual owners in Georgia resulted in extremely small and fragmented plots. Most pastures and other types of agricultural land remained under Government control. Within this situation, the ECMI project, implemented between 2003 and 2005, aimed to enhance community assets and to provide legal knowledge and skills to Community Based Organizations in five villages of the Imereti region. Institutional development and capacity building was at the core of the grant.
2. The case of Sakraula is an illustrative example of the component on transfer of pastureland to community ownership. At the beginning of the grant, residents of the village raised the issue of using alpine summer pastures. Residents complained that ten years before they were able to use the pastures. Yet these pastures were within the territory of the Borjomi-Kharagauli National Park. At the time of the grant, residents faced limitations on engaging in specific activities (e.g. from moving in the park while carrying firearms, or using hunting dogs) within the park.
3. APLR, the implementing agency, explored the issue and found that these pastures had been expropriated from the village and pasture management responsibility had been transferred to the Gamgeoba municipality. Meanwhile, ownership had been transferred to the national park by decree since the pastures were located in the middle of the park's limits. There was a threat that use of pasture by residents would have been prohibited in future. The village of Sakraula was part of the national reserve's auxiliary zone, with residents having the right to move in the territory and use "shepherding" pastures without any restriction on the quantity of sheep. This provided APLR with a good case for supporting the transfer of pastures to community ownership.
4. **Project interventions:** Mapping was pivotal to this initiative. Initially, the borders of pastures were identified and cadastral information on pasture land for each village was collected. After the collection of relevant information, meetings with local residents were held to inform them about their rights and obligations regarding their presence in protected territories of Georgia. Due to several years of activity in title registration, APLR had different types of cadastral information, and satellite and orthophotos. By combining this information with field visits, it was possible to have a satisfactory picture and produce cadastral plans.
5. Cadastral plans were presented to representatives of local self-governance, Community-Based Organizations and land arrangers. Training was provided about the use of this information in different branches of agriculture, land arranging, forestry, natural resource planning, fishing, urban surveying, etc. APLR handed orthophoto plans and cadastral maps to local self-government representatives. Community-Based Organizations were also provided with maps.
6. Finally, pastures land was transferred in village ownership and rights registered in two highland villages, Sakraula and Mekvena. Training on common-use pasture management was provided. Community ownership rights were registered in a Public Registry and ownership certificates were handed to communities at an informal ceremony
7. **Impacts on the ground and in policy:** Now that community organizations are owners of pastures, they are in the position to regulate the area and supervise municipality representatives in order to prevent illegal tax collection and land distribution.
8. This served as a pilot for APLR and basis for the preparation of a concept and draft amendments to the law on agricultural land ownership. In December 2004 the Concept (re: transfer of pasture land to community ownership) was introduced by the Ministry of Economic Development to the Government and approved. Later the Bill was submitted to the Agrarian Committee of the Parliament for discussion in 2004 but it was never approved. This is possibly because, despite its important economic value, pasture land tenure reform in Georgia holds a smaller relative importance to other measures compared to the tenure

reforms conducted on arable land. It may also be symptomatic of Georgia's struggles with decentralisation and long-term goals for rural development.

9. The adoption of the draft law on introducing amendments to the Law on Agricultural land ownership would have allowed registration of pastureland into community ownership not only in highland villages but in each village throughout the country. No evidence of the approval of these amendments was found. Georgia's Civil Code does not mention anything about community property, as well. This type of property does not, therefore, bear any legal implication without definition contained in the Civil Code. The lack of an institutional and legal framework for the sustainable use of common pastures has resulted in unsystematic and unorganized grazing on those lands.
10. Nonetheless, the community land ownership component of the ECMI project is believed to be the most significant and has contributed to advance land policy issues at the national scale.

Case study 6: Pastures

1. **Context.** In Georgia, natural pastures and hay cover nearly a million ha of Georgian territory, consisting of 143 thousand ha of hay and 1.8 million ha of pastures. These lands range across multiple altitudes, from lowlands, foothills, subalpine, and alpine zones.
2. The major part of Georgian pastures is either used as common pastures or is owned by the state. State-owned pastures are either rented out at short-term leases or informally used. Many of these pastures sustain only modest animal performances and provide low incomes for the farmers using them. Moreover, inadequate pasture use, particularly overuse of erosion-exposed pastures, contributes to expose populations, property and infrastructure to natural risk of landslides and inundation. Improving pasture practices is therefore not only an issue in economic development, but also in Disaster Risk Reduction. The common pastures are managed and legally owned by the municipalities or a corporative body licensed by the municipality. The pastures are divided into animal pasturing rights which are divided under the members of the municipality and cannot be sold. They are being acquired by joining the municipality and lost by leaving it.

Picture 1&2

Degraded pastures due to soil erosion



3. Due to the lack of natural grasslands, farms cannot fully utilize great potential opportunities for food production, which can be achieved as a result of the improvement of important areas of natural food lands. Furthermore, incorrect use and removal of conservation measures and the gradually decreasing area of hay-grasslands had led to meadows being covered with shrubs, sticks, and other negative processes. As a result a large proportion of Georgian pastures are lost to bush and forest growth.
4. The consequences are considerable. Apart from the general loss of agriculturally productive surfaces, reduced available pastures in the productive lowlands means that sheep stay longer on winter pastures, which increases pressure on existing pasture and reduces the time for recovery. Moreover, sheep and cattle move earlier to the summer pastures, which increase the pressure in the moment of the year where erosion is most significant. Similarly, there has been a lack of knowledge on how to reduce or contain the unwanted species.
5. **Donor interventions in pasture management.** During the last decade many IFIs and donor organizations have been involved in the development of the agricultural sector in Georgia. However, in relation to pasture management only two projects were implemented, one by the Swiss Development Agency (2014-2015) and another by the EU (2013-2016). The EU-UNDP co-financed Clima East project was the EU's initiative to assist Government to mitigate and adapt to the climate change by introducing innovative pasture management practices. The project was focused on the pasture management in the Vashlovani Protected Areas (Kakheti region). The main results were that 4,000 ha of degraded pastures and 300 ha of sheep migratory routes were fully rehabilitated and two pilot farms were set up, demonstrating best practices for sustainable pasture management.
6. **IFAD interventions in pasture management.** IFAD was the first donor to provide loan-financed support to Government and local municipalities for the development of summer pastures in high mountainous regions of Georgia. Through RDPMHA, it implemented several

- pasture management demonstration projects in four areas – Racha, Adjara, Dusheti and Samtskhe–Javakheti – covering 5 municipalities, and contain more than 200 000 ha of pastures.
7. The activity aimed to increase grassland productivity in demonstration plots by means of introduction of mineral fertilizers (nitrogen, phosphate) and inter-seeding of perennial grasses (meadow trefoil, orchard grass, pasture ryegrass).²¹⁷ The total area of natural grass pastures in the pilot municipalities were 204.9 thousand ha²¹⁸, which amounted almost 10 per cent of the total pastures. Prior to start of the demonstration plots a comprehensive training programme was implemented for demonstration farmers. For this purpose, the project prepared several manual and guidelines for farmers including specific manuals for each pilot region. A proper amount of ammonium nitrate was given to each demonstration farmer (300kg/ha). Control fields were used to determine the impact of the introduction of mineral fertilizers. The average yield of green mass in fertilized grasslands of demonstration plots was 25.5 tons/ha compared to control plot yields of 14,2 t/ha
 8. **Impact.** Based on the results of research, recording, observations and analyses carried out during two years, it was assessed that that the best economic impact was provided through the introduction of N₁₂₀. The output of introduced mineral fertilizers along with the hay yield surplus was between 21.5-32.9 kg of hay, and output of one spent GEL with the cost of hay yield surplus was between GEL 3.2 and 6.8. The project proved that it was possible to increase productivity of the pastures to 3-3.5 tons using different improvement methods. The programme supported improved pasture technology demonstrations involving 88 farmers, with new techniques resulting in significantly increased yields (50 per cent-300 per cent). The return on investment ranged from 30 per cent to 490 per cent.
 9. Pastureland tenure reform has the potential to unleash investments in finance and labour in pastures in the medium altitudes of Georgia. Its efficiency and social sustainability, however, also depends on advances in the economic framework conditions, the technical knowledge of actors involved, and the amendment of legal provisions that ensure that access to pastures and livelihoods of pasture users with low incomes are not affected. Land tenure reforms will not change the resource use in mountain and dry pastures, because for natural grassland pasture the return on any investments is insufficient under any land tenure legislation.

Picture 3

Restored pastures in Adjara

²¹⁷ According to research performed by the project the following fertilizers were used: ammonium nitrate and granulated triple super phosphate. The norms of inter-seeding of fodder grass mixture were: meadow (red) tre-8 kg/ha, orchards grass-10 kg/ha and pasture ryegrass -10kg/ha

²¹⁸ Dusheti-125.1 thousand ha, Aspindza-52.5 thousand ha, Ambrolauri—25.1 thousand ha, and Shuakhevi- 2.2 thousand ha. Prior to the pilot project the yield of natural grassland-pastures in Dusheti Rayon did not exceed 8-10 c/ha, Aspindza 11-12 c/ha, Ambrolauri 12-13 c/ha and Shuakhevi 14 c/ha.

Case study 7: RDP Demonstration Plots

1. **Context.** Demonstration plots were one of the principal vehicles used by the IFAD Georgia portfolio to pass on new agricultural knowledge and techniques. These are key experiences for smallholders to learn and adopt new techniques, which, depending on the nature of what is taught, can subsequently lead to increased production, yields, improved sustainability, etc. Under RDP, 43 demonstration plots were laid out, composed of 17 hazelnut plots and 26 citrus plots. There were set up across Adjara and Samegerelo regions in Western Georgia. It is reported that apart from the 43 farmers on whose lands the plots were demonstrated, close to 600 farmers indirectly benefitted as they observed the improved ways of pruning, rejuvenation, weed, pest and disease control and crown formation demonstrated by agricultural consultants. Six of these plots were visited by the CSPE.²¹⁹
2. **State of demonstration plots.** Plots lay abandoned and overgrown, weeds throttling the trees and too many shoots competing for the limited nutrients from the soil. Unattended, diseased leaves were observed; dense foliage; over and under ripe fruits, of varying sizes, on the same branch are disincentives for a potential buyer. During conversations with the surrounding communities, there was no evidence that the 600 or so other farmers who had witnessed the demonstrations had adopted them.

Image 1

Citrus demonstration plot



It's difficult to see where the weeds end, and the trees start on this citrus demonstration plot. There is also no pruning.

3. **Factors limiting effectiveness.** Three factors are identified:
 - a. While the plots were laid out on lands of farmers who had land to spare, these farmers were not really interested in improved farming production. A number of them were engaged in other business ventures, and merely took up an offer given that they had nothing to lose. The identification of the progressive farmer is important. He or she has to be keen in producing more and better and willing to lead the way and encourage others.
 - b. The observed plots were in inaccessible places, away from the main road, in hidden corners, and some on terrain poorly conducive to observing the benefits of improved soil and crop management. Demonstration plots clearly sign boarded and nearer main roads are able to attract more of the neighbouring rural communities
 - c. There was very little follow up by the project. Records show that the consultants to undertake this activity were hired in late 2009 or 2010. RDP started in 2006 and ended in 2011. There was little time for follow-up. Activities like this, which rely on attitudinal

²¹⁹ the Ministry of Agriculture stated that the whereabouts of the others are not known

change, encouragement and technical support, require constant engagement with the target group

Image 2

Detail of hazelnut shoots



Competing shoots, that should have been removed, divert food and water from the main plant bearing hazelnuts.

4. Demonstration plots today. Innovations have been made under AMMAR, where the demonstration plot concept has been re-introduced. A well-regarded service provider, with years of experience in promoting agricultural technology advancement, has been recruited. Trainings of indirect beneficiaries now include a systematic exposure – a theoretical part in the morning at the Ministry of Agriculture’s Regional Information and Consulting Centres and an afternoon component on-site where the beneficiaries practically apply the knowledge learnt, and more rigorous follow-up as the service provider has staff stationed in the field. It remains to be seen though if AMMAR’s approach fares better than that of RDP as the activity has just been initiated. Until July 2017, six demonstration plots had been laid. More are planned included ones introducing anti-hail nets.

Follow-up of previous IOE evaluation recommendations

ADP completion evaluation (2007)		
Partnerships	Clarify priorities for co-financing <ul style="list-style-type: none"> Determine comparative advantage in the region Define targeting strategy Decide components for co-financing 	Fully followed up
Targeting	Raise the issue of very poor households in project design and policy dialogue <ul style="list-style-type: none"> Identify target groups and strategies to reach them Draw Government's attention to the risks of marginalisation Increase number of potential borrowers through enhanced marketing opportunities Protect rural households from land speculations 	Not followed up
Rural finance	Emphasize sustainability for credit unions <ul style="list-style-type: none"> Learn from ADP lessons Focus on building management capacities Support savings mobilisation activities Set high performance standards for credit unions 	Not followed up
RDP PPE (2014)		
Rural finance	Expand rural finance services <ul style="list-style-type: none"> Consolidate progress made by RDP; ensure MFIS continue lending to SMEs. Policy dialogue and interventions to enhance support for financing supply chain development, etc. Rural credit scheme to complement the Government credit line 	Not followed up
Access to markets	Enhance marketing interventions <ul style="list-style-type: none"> Emphasize marketing and value chain development Include wide range of activities, e.g. capacity building in marketing, cold chain development, market information, technology transfer 	Fully followed up
Institution building	Continue strengthening food safety institutions <ul style="list-style-type: none"> Continue unfinished work in terms of capacity building and equipment provision Cooperate with other partners 	Not followed up
RDPMHA PPA		
Partnerships	Emphasize government ownership and leadership <ul style="list-style-type: none"> Components must be relevant to Government strategy Project management through semi-autonomous unit of MoA Exit strategy to ensure maintenance 	Fully followed up
Project design	Keeping project design simple and realistic <ul style="list-style-type: none"> Project design to fit local management capacities Component mix to be based on needs assessment 	Partly followed up
Access to markets	Prioritizing access to external markets <ul style="list-style-type: none"> Choice of income-generating activities based on market analysis Include wide range of activities, e.g. capacity building in marketing, cold chain development, market information, technology transfer 	Partly followed up
Targeting	Two agricultural development scenarios <ul style="list-style-type: none"> High mountains: ease poverty and enhance quality of life by improving subsistence system and increasing surplus production Low areas: enhance marketing, increase crop and livestock productivity, promote business association, credit and technology development 	Partly followed up
ASP IE (2017)		
Project design	Apply a holistic approach to infrastructure rehabilitation when attempting to achieve a measurable change in the lives of farmers.	n/a

Institution building	assess the institutional voids of the particular context when aiming for long term sustainability of infrastructure	n/a
Project design	A longer term programmatic approach is necessary for infrastructure related interventions.	n/a
Institution building	Minimize the gap between irrigation potential created and that utilized by promoting environment and natural resource management.	n/a
Project design	When introducing innovating products in the rural financial space, undertake analysis of both the demand and supply sides to ensure that new products meet the needs of all concerned.	n/a

Country programme timeline

Year	IFAD operations		Country Strategy	Loan Portfolio	IFAD non-lending activities			
	CPM	Supervision*			Grants approved	Policy engagement and partnerships		
1997			no strategy	ADP approval	ADP (grant)			
1998				ADP effective	Livestock restocking project			
1999								
2000			UNOPS		1999 SUSOP	RDPMHA approval	RDPMHA (grant); Caucasus Mountain Network	
2001						RDPMHA effective		
2002								
2003						ECMI Project (land rights)		
2004	A. Rahman	2004 COSOP					meeting with the EU Chair of the Donors Coordination Committee on Agricultural and Rural Development in Georgia' meeting with UN resident coordinator; dialogue with WFP.	
2005					ADP completion; RDP approval	Gender consultant	IFAD took part in discussions with representatives of the EU Food Security Programme and the USAID AgVantage (Agricultural Policy Analysis Unit) to define the boundaries of IFAD involvement in agriculture sector policy and strategy development as a follow up to previous discussions.	
2006	P. Turilli		2004 COSOP	RDPMHA suspension; RDP effective				
2007				RDPMHA suspension lifted; LDP formulation				
2008	H. Pedersen		2004 COSOP		Remittances (IOM)			
2009				ASP approval		Policy dialogue described as problematic in 2010 CPIS		
2010	L. Coppola	Direct supervision	no strategy	ASP effective	Remittances (Crystal)			
2011				RDPMHA & RDP completion; SMP design		recent engagements with Government partners improving, according to 2012 CPIS		
2012						Intensive policy dialogue with Government and other development partners is creating positive impetus for implementation of ASP, according to 2013 CPIS		
2013	D. Saleh		no strategy		Smallholder capacity building	IFAD to focus on supporting enhanced agricultural productivity and resilience to climate change in policy, according to 2014 CPIS		
2014				AMMAR approval; ILMD design		IFAD to focus on supporting enhanced agricultural productivity and resilience to climate change. (CPIS 2015)		
2015			AMMAR effective	Horticultural value chains	NEN Director visits Georgia			
2016			ASP completion; LIMA design	Micro-insurance	President visits Georgia			

* ADP and RDP were supervised by the World Bank

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