

Consolidated Annual Report

Implementation of Regional Development Programme of Georgia for 2015-2017

Ministry of Regional Development and Infrastructure of Georgia

Introduction

The draft of Consolidated Annual Report on implementation of Regional Development Programme 2015-2017 (RDP) has been prepared in line with the requirements set in the existing *Monitoring Plan* adopted by the Governmental Commission on Regional Development of Georgia (GCRD) on December 26, 2014.

The information provided in this report builds on the RDP Mid-year Progress Report January-July 2015 endorsed by the GCRD on 23rd of October, 2015. Detailed information on the progress in implementation of relevant Programme Measures in the second half of 2015 and a summary for the whole year have been delivered by the ministries or agencies in charge of preparation of the respective *Information Sheets*. Complementary information has been collected through series of consultation meetings with all institutions involved in implementation of the measures, from relevant experts as well as other sources, including the draft of Updated Analysis of Regional Disparities in Georgia.

Following a broad consultation process including representatives of the sub-national administrations, civil society organizations, members of academia, donor community and private sector¹, discussions within the Inter-Ministerial Monitoring Working Group for the implementation of 2015-2017 Regional Development Program of Georgia, the draft is presented for approval to the Governmental Commission on Regional Development.

This document is the first annual report prepared according to the RDP Monitoring Plan. Understandably, as was the case for the first RDP Mid-Year Implementation January-October 2015 report, for all participating parties the process of preparation of information sheets and the final consolidated report at the level of MRDI, must be seen as a *'learning by doing'* process and preparation for the broader application of monitoring instruments, methods and technics into being currently formulated² a system of management of public strategies, programs and plans in Georgia.

Ultimately this should help in more efficient implementation of regional policy in Georgia.

¹ For more info on the consultation process see Annex 2: Consultation process

² The works inside the Government on the Law of Georgia on Regional Policy and Development Planning, which sets a comprehensive system of programming, implementation, monitoring and evaluation of regional policy in Georgia according to the EU standards are to be finalised soon.

Executive summary

Implementation of the Regional Development Programme 2015-2017 started at the beginning of 2015. By the end of 2015 expenditure on the implementation of measures included in the RDP amounted to 1166.3 M GEL, which is 90.3% of the original RDP allocation for 2015, and 93.3% according to the justified State Budget for December 2015. This is a significant improvement on the first half results of 380.6 M GEL, which represents only 29.7% of the overall initial annual allocation. This sterling result enables the RDP 2015-2017 implementation to meet the condition set in the Financial Framework Agreement concerning regional development sector support, signed by the Government of Georgia in November, 2014 with the EU - that **at least 70% of allocation should be spent according to the financial plan.**

The large improvement in the second half of the year can be attributed to constraining factors affecting the first half period's activities in the major measures, such as in the initial preparation and tendering process and the inclement climate conditions, which slowed down the process of implementation of infrastructural projects in the first half of the year. Reported in the second half of the year good progress in preparation of infrastructural projects, under the majority of measures, (especially roads, water delivery and sewage infrastructure) has ensured that the financial implementation of the RDP increased significantly in the second half of the year.

The first half of the year showed major differences among the priorities and measures in terms of financial performance. The tendency was changed during the year and at the end of 2015, when all the priorities but one (priority 2 – SMEs development), were satisfactory in terms of percentage of money spent (close to 100% targets) with the most successful, being Priority Axis No 4 “Tourism Development” (over 230 of the initial allocation or 99.7% according to amended December's budgetary figures). The „overspend" of target allocations is mainly due to the availability of additional funds during the year from budget adjustments to match Government policies, savings from previous years and use of ‘own – resources’, for example – savings on tender allocations or income from commercial activities.

Closer look at measures reveals however that, there were significant differences in speed of implementation of individual sub-measure activities. Generalizing the observed progress, the most successful measures are to be found in the area of:

- Construction and rehabilitation of the roads of international and national importance, where projects of 474.1 m. were implemented (98.8%);
- Tourism promotion under which, with relatively little public expenditure, and taking into account the natural and cultural richness of the country, an increase in the number of visiting tourists and in revenues from tourism, can be achieved relatively quickly;
- Agricultural and rural development;
- Delivery of drinking water for public, which are obvious priorities for the Georgian Government.

Considering the largest budget RDP measure, the slowest implementation speed can be observed in the measure - 2.1 SME support, where only 76.5% of allocated funds have been utilized by the end of December 2015. The low level of execution was also due to the fact that RDP does not include the projects completed in Tbilisi and Autonomous Republic of Adjara.

The progress in implementation of the 2015- 2017 RDP **in physical terms, in** relation to set targets, can be summarized as follows:

- in majority cases, the measures achieved its output targets for 2015 and are on a good track to meet their 2017 targets;
- cuts in allocations, made during the year, especially acute in roads and Regional Development Fund, did not influenced substantially possibility to meet the output targets;
- in regard to many infrastructural measures, the physical progress was limited due to the weather and climate condition, which slowed down the process of implementation, especially in the first half of the year;
- for some measures physical performance was smaller than expected due to the lack of appropriate funds.

In total, in 2015 RDP contributed to: building 29 km of the highway in the Tbilisi- Kutaisi - Batumi corridor, building and rehabilitation of 44 bridges, closing 13 old and rehabilitation of 15 dumps, connection of more than 4700 new customers to the water supply systems and more than 900 to the sewerage systems in cities, 40 000 tons of hazardous waste disposed safely, allowing for creation of 610 micro and small businesses in regions, realisation of 44 rehabilitation and new irrigation projects, training of 1200 people in tourism promotional activities, renovated and equipping 17 VET colleges in specified regions, training of more than 2300 public official in regions in order to strengthen the quality of public service, number of studies, reports and analysis

needed for policy design and its implementation in many areas important from the socio-economic and territorial development point of view. The Regional Development Fund financed more than 600 projects, allowing for construction /rehabilitation of 436 km of roads, 552 km of water supply systems, 52 kindergartens and 22 sports facilities, etc.

With respect to the **achieved specific results in 2015, the implementation of the RDP has got a significant influence on improving socio-economic conditions for development of Georgia and individual regions**, especially in the area of international and national roads and water supply infrastructure, sewage and dump rehabilitation and development of tourism, agriculture, human capital. The precise data and analysis of the impact of the RDP should be provided by the evaluation done at the end of the Programme implementation.

At this stage of implementation of the RDP 2015-2017 there **is no possibility to quantify the impact on the regional cohesion**. However, the outputs and the specific results should give a good indication of the progress towards achieving the goals. This would need more detailed and comprehensive analyses and evaluations done after the programme is completed (after 2017). **By far the biggest share** of funds, which are attributable under RDP to regions was in 2015 spent in Imereti (34%). This can be explained by the fact that this is the most populous region (after Tbilisi) in Georgia and within its borders were concentrated the most costly works - building international highway linking Tbilisi-Kutaisi and Batumi. The next two regions Samegrelo-Zemo Svaneti and Kvemo-Kartli received respectively 14.6% and 12.7% of total expenditure attributable to regions. The region receiving the smallest share of the total attributable to regions funds under RDP in 2015 was Racha – Lakchumi and Kvemo Svaneti – only 2.4%. In general, due to the equalization distribution mechanism of the Regional Development Fund, less populated and in general poor regions like Racha – Lechkhumi and Kvemo Svaneti or MtsKheta-Mtianeti (partially very poor) are receiving the highest transfers per capita. Thanks to this Fund, the poorer regions can partially cover their infrastructural needs and participate in development processes of the whole country.

The implementation process of the RDP during the whole year was influenced by several factors of a different nature: including the macro-economic and financial situation, administrative capacity, weather conditions and natural disasters. The most important factors for the overall performance are the situation of the state budget and mentioned above climate and weather conditions.

The economic and financial situation of Georgia remains stable, however changes made in 2015 State Budget Law requires amendments in the RDP financial tables by the GCRD. Reference should also be made to further strengthen the administrative capacity, and to the need for better coordination between the state structures and the donors, referring to the projects encompassing co-finance mechanisms.

The report makes some recommendations in order to improve performance in implementation of the RDP in coming years and strengthen the regional cohesion in Georgia. The most important include:

- there is a need for continuation of strengthening of the administrative capacity of the governance system, in order to deal with programming, implementation and monitoring issues according to the EU standards;
- need for continuous work on further improvement of the reliability and accuracy of the monitoring process of the RDP 2015-2017;
- a need for better coordination of ministries, agencies and other stakeholders especially operating within the same sectors (e.g. MDF, Georgian Water Company, RDF);
- in some measures, especially in case of the Regional Development Fund, in order to implement projects more quickly, necessary preparatory processes (formulation of project proposals, preparation of documentation, and cost-assessment) should be done before the start of the budgetary year;
- allocate more money for implementation of the regional policy based on the regional development strategies and the action plans;
- ქველ კვანგეს წილ რესპექტუპროდონ ლუტე ლქქსემ ო-annual and annual monitoring რეკონტ დუ ტა ტე მ დმ ატკ წილ ტე თრასურუ ბუფეტყუ. კვანგე ტა ქლ30 ფრტე semi-ანს ულრეკონტან ქტბერ31 - for the annual.

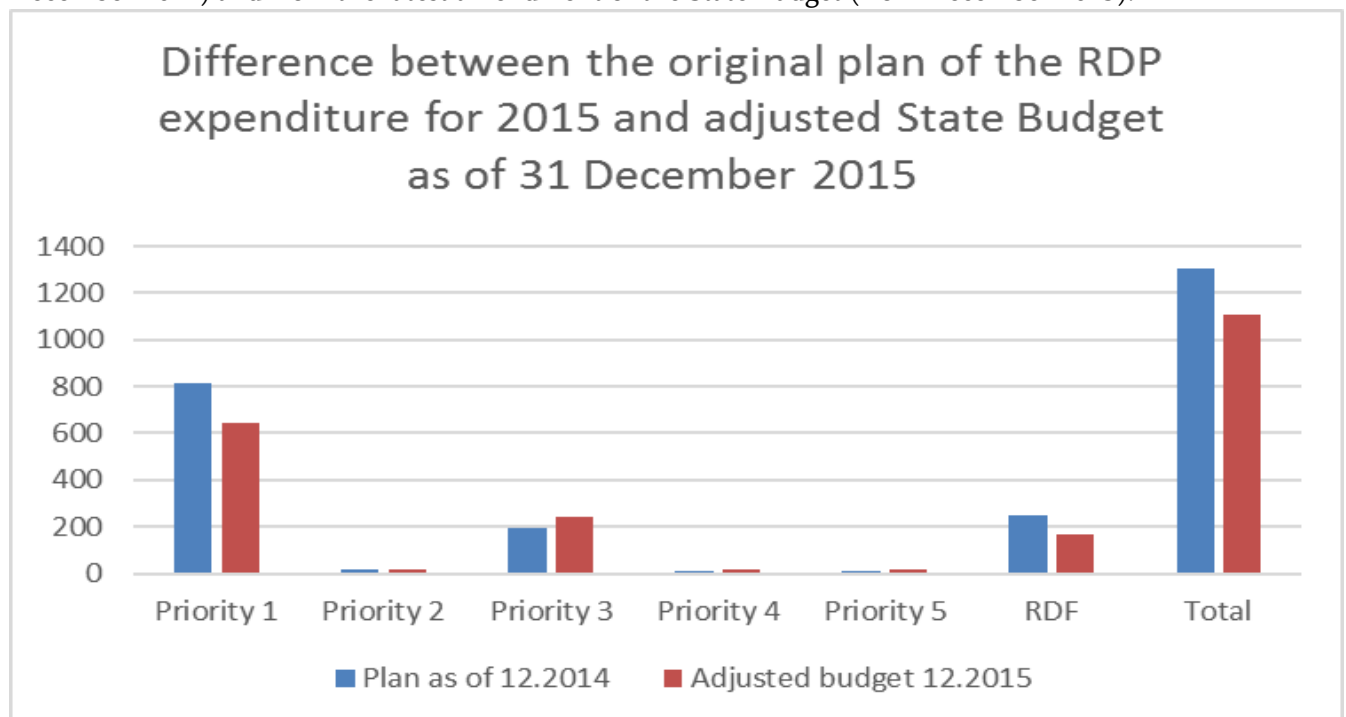
1. Key information on the implementation of the RDP 2015-2017 in the reporting period

Section 1. Overview of the implementation of the RDP 2015-2017 in the reporting period

Below can be found a comparative analysis of the financial and physical progress of the RDP. Detailed information about the progress in implementation of selected individual measures are to be found in the relevant information sheets, prepared by all ministries involved summarised in Annex 1:

- second – based on the amended State Budget, justified in November 2015. Due to the situation of the public finances and overall economic environment, the State Budget had to be amended several times during 2015 – the last amendment occurred at the end of 2015³.

Chart 1. The comparison between the planned expenditure under RDP: the original (from December 2014) and from the latest amendment of the State Budget (from December 2015).



and

3.2 Access to finance – to 60M and 3.3 “Other Rural Development Programmes” (from 70.6 to 152.9M GEL). At the same time, substantial cuts were reported in case of the biggest allocations in financial terms for the measure - 1.1 Roads of international and national importance - from 638,7 to 474,1 M GEL;

Summary of financial progress

The implementation of the Regional Development Programme 2015-2017 started at the beginning of 2015. By the end of 2015 expenditure on the implementation of measures included in the RDP amounted to 1166.3 M GEL, which is 93.3% according to amended State Budget in December 2015.

In both cases this is remarkably higher than the EU Financing Agreement performance **condition for 2015 - at least 70% of allocation should be spent according to the financial plan.**

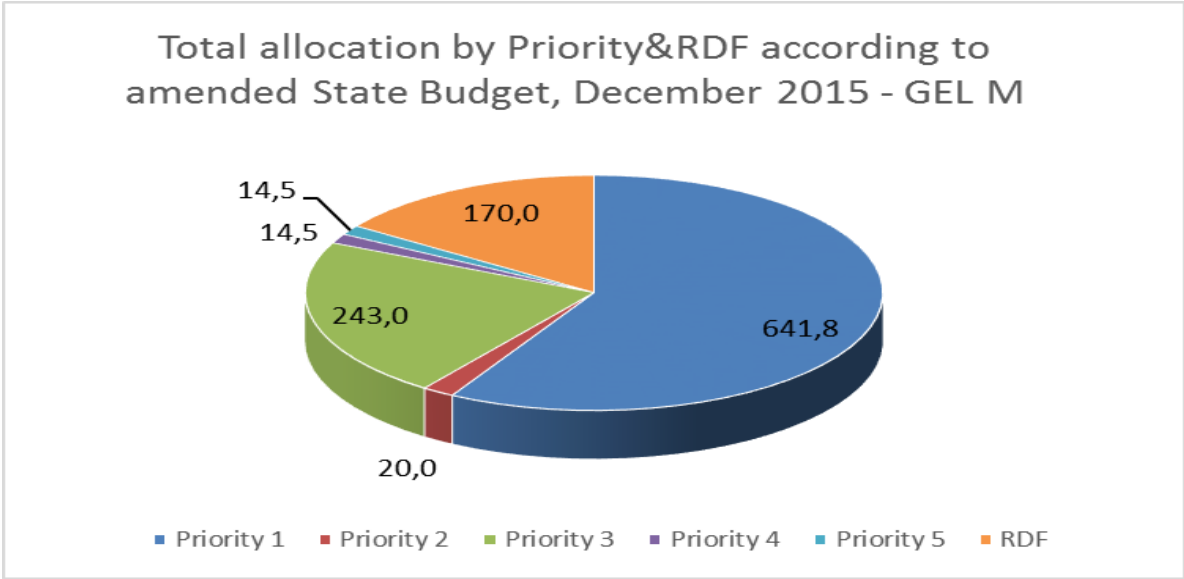
The large improvement in the second half of the year can be attributed to constraining factors affecting the first half period's activities in the major measures, such as in the initial preparation and tendering process and the inclement climate conditions which slowed down the process of implementation of infrastructural projects in the first half of the year. For example, the allocation for construction, modernisation and maintenance of roads (measure 1.1) stands alone for almost 50% of the total RDP 2015-2017 allocation so it is understandable that slower progress under this measure (because of contracting/ preparation and the weather conditions and preparatory process of projects) in the first half of the year influences the overall performance of the whole programme. Reported good progress in preparation of infrastructural projects under the majority of measures (especially roads, water delivery and sewage infrastructure) has ensured that the financial implementation of the RDP increased significantly in the second half of the year.

The „overspend“ of target allocations is mainly due to the availability of funds during the year from budget adjustments to match Government policies, savings from previous years and use of ‘own – resources’, for example, savings on tender allocations, income from commercial activities.

The first half of the year showed significant differences in expenditure between priorities and measures in their financial performance. This changed during the year and at the end of 2015 when all the priorities, except one (priority 2 – SMEs development), were satisfactory in terms of percentage of money spent, with the most successful, being Priority Axis and 4 “Tourism Development” (99.7%) and 1 - Improvement of physical infrastructure and Environment Protection (98.8%)

In the second half many of the measures had an increase in spending so that by the end of the year most priorities and measures had reached over 70% and many were at 100% of RDP target allocations.

Chart 2. The breakdown between priorities and RDF of the RDP annual financial allocation for 2015 (amended budgetary figures in December 2015) in M GEL is:



There has been a significant improvement in the financial disbursement and implementation of the RDP measures over the year 2015, particularly in the reporting period good progress in preparation of infrastructural projects under the majority of measures (especially roads, water delivery and sewage infrastructure) has ensured that the financial implementation of the RDP increased significantly in the second half of the year; A closer look at the implementation progress - both at the level of priority axes and at the level of individual measures shows, however, that there were significant differences in the pace of implementation of individual sub-measure activities.

Chart 3. Percentage of 2015 expenditure to RDP allocation used until the end of December 2015 at the level of priority axis (in regard to the amended State Budget in December 2015)

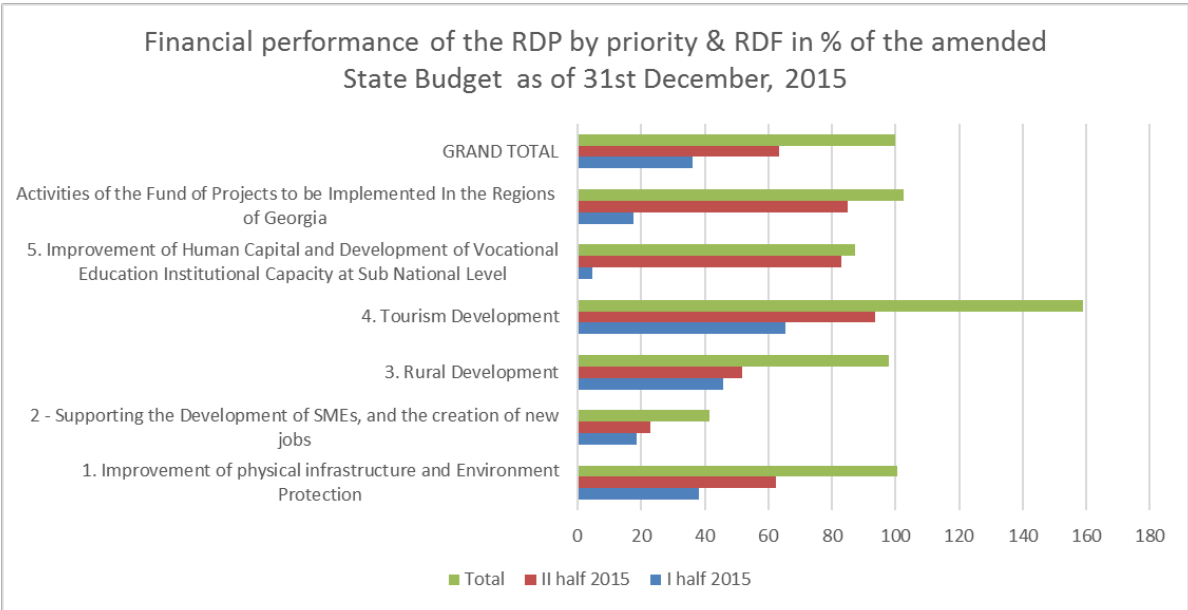
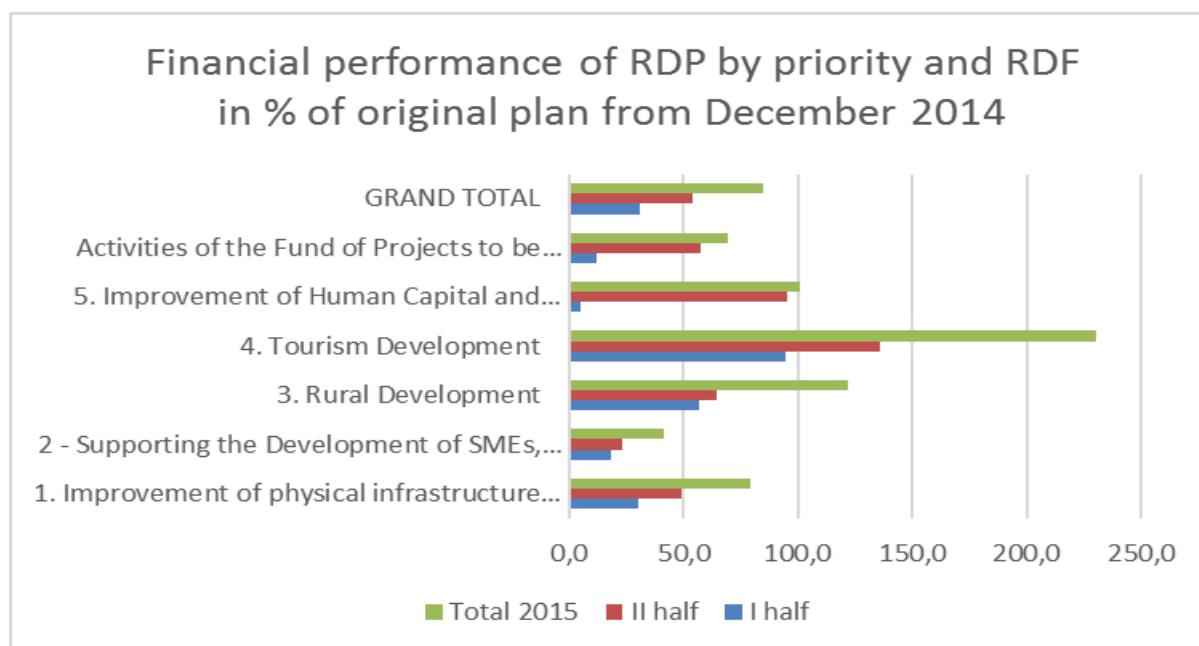


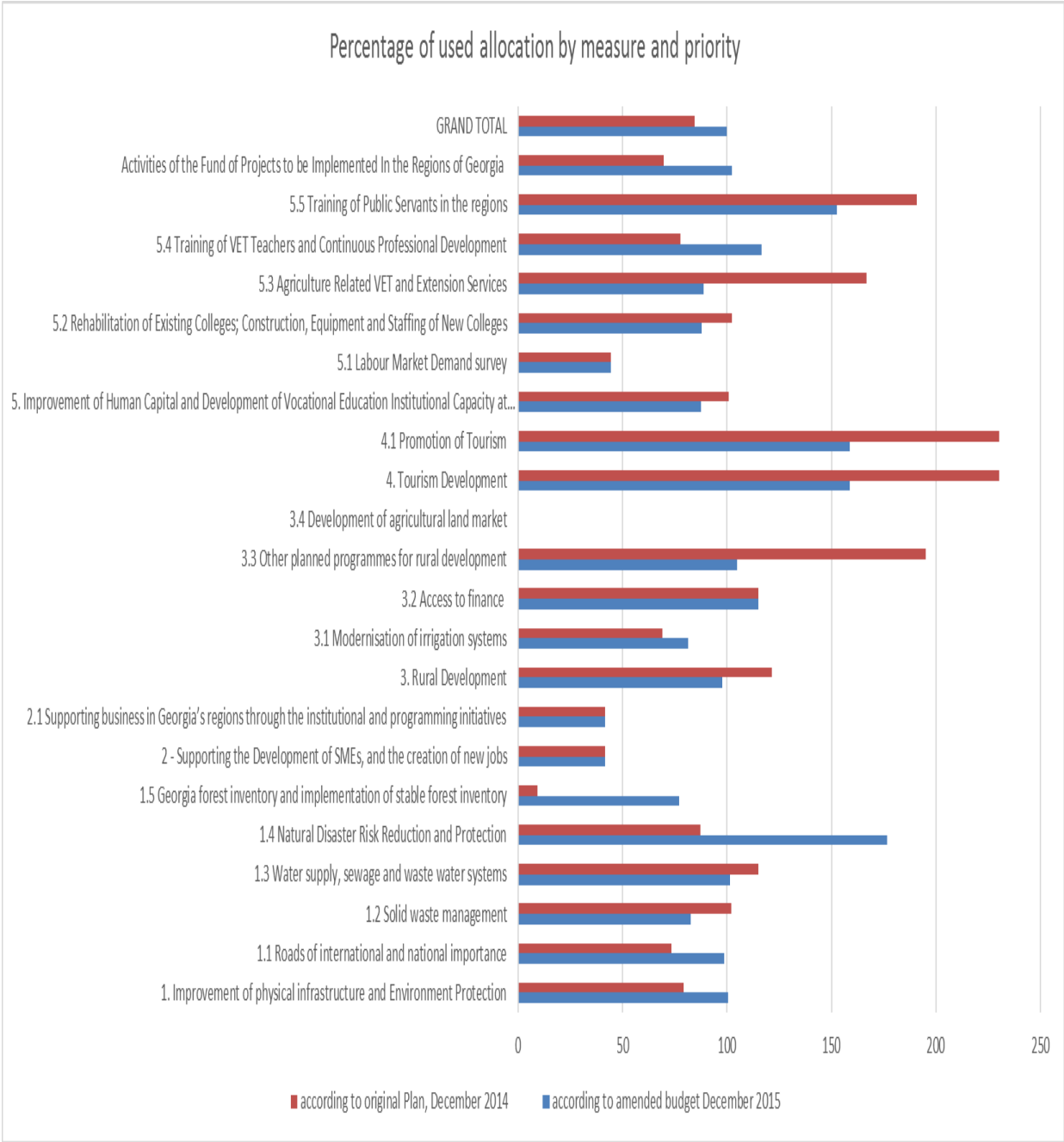
Chart 4. Percentage of 2015 expenditure to RDP allocation used until the end of December 2015 at the level of priority axis (in regard to the original Plan set in December 2014).



At the level of measures, the highest level of implementation can be observed in relation to:

- 5.5. Training of Public Servants in the regions – 169.6%;
- 5.3. Agriculture Related VET and Extension Services – 166.7%;
- 1.3. Water supply, sewage and waste water systems – 101.3%;
- 3.2. Access to finance - 100% of used allocation;
- 5.2. Rehabilitation of Existing Colleges; Construction, Equipment and Staffing of New Colleges (100%);
- 4.1. Promotion of tourism – 99.7%. This over usage of the allocated budget is partially explained by additional funds made available for the organisation in 2015 a series of marketing and advertisement events, including media campaign organised abroad and in Georgia, and prioritization of tourism promotion by the government;
- 1.1. Roads of international and national importance (98.8%);

Chart 5. Progress in implementation of RDP 2015-2017 at the level of priority axis at the end of 2015



Generalizing the observed progress - the most successful measures are to be found in the area of:

- tourism promotion under which, with relatively little public expenditure, and taking into account the natural and cultural richness of the country, an increase in the number of visiting tourists and thus in revenues from tourism can be achieved relatively quickly.
- Agriculture and rural development, as well as delivery of drinking water for public, which are obvious priorities for the Georgian Government.
- The situation in the performance of the Regional Development Funds can be assessed as good as well with the execution of 103,1% according to the amended State Budget.

The slowest implementation speed can be observed in the measure 2.1 - SME support only 76.5% of allocated funds has been used by the end of December 2015.

It is important to note that despite slow start in the first half of the year of the measure 5.2 Rehabilitation of existing colleges, construction, equipment and staffing of new colleges, its overall 2015 performance can be assessed positively and reached 100% of the Plan.

In view of postponement of launching activities until 2016 under measure 3.4 “Development of Agriculture Land Market” implemented by the Ministry of Justice, no progress was reported at all.

Summary of achieved outputs and results (for more details see Annex 1)

The description of the progress in the implementation of the 2015-2017 RDP needs some initial explanations. Annex 5 of the RDP Monitoring Plan, adopted by GCRD in December 2014, set a number of indicators for individual measures; however, the majority of them were not quantified in terms of targets, neither for 2015 and 2016/2017. However, during 2015, the Ministries, at the request of MRDI and the European Commission, made an effort to establish target values for the indicators (especially for the year 2015). In cases where, after assessment of the Ministries, setting targets for agreed indicators was not possible due to the lack of data or differences in the system of monitoring of projects. Hence, the new indicators were introduced. In this way, the table below represents progress in achievement of substantially redefined set of output indicators and their targets to be presented in the updated annex 5 of the RDP Monitoring Plan.

The remaining gaps in setting targets for some indicators (for measure 1.3 “Construction and Rehabilitation of Water Supply and Sewerage Systems”; partially for measure 3.3 “Other Rural Development Programs”, 4.1 “Tourism Promotion”; 5.3 Agriculture Related VET & extension Systems” and others) require further efforts from the side of ministries. Setting these targets is crucial in order to show the effectiveness and efficiency of the measures concerned and the whole of 2015-2017 RDP.

In regards to the impact of the RDP, they should be assessed by the evaluation at the end of the RDP 2015-2017 implementation. Some result indicators were identified in the description of the relevant measure sheets, but very rarely targets were set. In addition to the physical outputs ministries and implementing agencies were asked by MRDI to provide in their annual information sheets, also their assessment about the specific results achieved at the end of 2015. This assessment is given below together with reporting the progress in implementation of the individual measures.

On the basis of information sheets and additional information provided by ministries and implementing agencies, the progress in implementation of the 2015- 2017 RDP in physical terms in relation to set targets can be summarized as follows:

- In majority cases the measures achieved its output targets for 2015 and are on a good track to meet their 2017 targets.
- Cuts in allocations, made during the year, especially acute in roads and Regional Development Fund, did not influence substantially possibility to meet their targets,
- in regard to many infrastructural measures, the financial progress was limited due to the weather and climate condition which slowed down the process of implementation especially in the first half of the year.
- For some measures progress was limited due to the lack of appropriate funds.

In regards to the achieved specific results in 2015, there is no doubt that the implementation of the RDP has had a significant influence on improving socio-economic conditions for the development of Georgia, especially in the area of international and national road and water infrastructure, sewage and dump rehabilitation supply infrastructure and development of tourism. However, the analysis of available data suggests that there are at least three issues, which must be addressed in the near future by the Georgian Authorities in order to improve the impact of the programme on the socio-economic development of the country:

- scarcity of funds available for human resource development,
- modest share of funds allocated (and used!) for SMEs development (outside the agriculture sector),
- lack of funds available for direct promotion of FDI and developing links between high education system, business and administration which would for sure in the biggest cities (Tbilisi, Kutaisi, Batumi) help in building capacity to absorb and produce innovative technologies,
- lack of efficient system of cross-sectoral coordination allowing for more coherent and integrated use of funds being at disposal of various ministries and agencies.

Measure 1.1 Roads of International and National Importance

Very good progress in achieving set for 2017 targets. This measure is an obvious economic priority and is on a good way to achieve its 2017 targets. The main target is to build until 2017 of 80 km highway allowing for better connection between Tbilisi-Kutaisi and Batumi – the main transport axis in Georgia. The works in 2015 concentrated in Imereti and Shida Kartli apparently boosting prospects of economic development of the country and regions concerned.

Measure	Indicator	Value	Target value 2017	2015		
				I H	2 H	Total
1.1 Roads of International and National Importance	Rehabilitation periodical maintenance works on roads	- km	700 (2017)	55	199	254
	Construction of hay way	km	80 (2017)	12,5	17	29
	Bridges construction / rehabilitation	Unit	120 (2017)	10	34	44

Measure 1.2 Solid Waste Management

Good progress in relation to set indicators for 2017. The measure contributes to the improvement of life of citizens and expanding business opportunities in regions through cleaning environment and promoting better organisation of solid waste collection and storage.

Measure	Indicator	Value	Target value 2017	2015		
				I H	2 H	Total
1.2 Solid Waste Management	Number of new dumps	Unit	0	0		0
	Number of old closed dumps	Unit	17 (2015)	0,0	13,0	13,0
	Number of rehabilitated dumps	Unit	22 (2017)	9,0	6,0	15,0

Measure 1.3 Construction and rehabilitation of water supply and sewerage systems

Lack of set targets! This measure is implemented by two companies Municipal Development Fund and United Water Supply Company Ltd.. The measure contributes directly to the quality of life and business opportunities in regions and municipalities in which water and sewage systems are being rehabilitated/build. There is a need for building the system of efficient coordination of activities between agencies and donors.

Measure	Indicator	Value	Target value 2017	2015		
				I H	2 H	Total
1.3 Construction and rehabilitation of water supply and sewerage systems (United Water Supply Company of Georgia Ltd.)	Number of constructed and rehabilitated head works	Number	No target	0	0	0
	Number of constructed filtration facilities	Number	No target	0	0	0
	Number of metered new customers	Number	No target	0	0	0
	Length of rehabilitated or newly constructed sewerage system pipes	Km	No target	0,24	0	0,24
	Length of rehabilitated or newly constructed water supply pipes	Km	No target	43	76	119
	Number of new customers connected to the sewerage systems	Number	No target	296	315	611
	Number of new customers connected to the water supply system	Number	No target	525	450	975

1.3 Water supply, sewage and waste water systems (MDF)	Number of constructed and rehabilitated head works	Unit	No target	0	0	0
	Number of constructed filtration facilities	Number	No target	0	0	0
	Number of metered new customers	Number	No target	925	2802	3727
	Length of rehabilitated or newly constructed sewerage system pipes	Km	No target	0,24	0	0,24
	Length of rehabilitated or newly constructed water supply pipes	Km	No target	181	305	485
	Number of new customers connected to the sewerage systems	Number	No target	296	0	296
	Number of new customers connected to the water supply system	Number	No target	925	2802	3727

Measure 1.4 Natural Disasters Risk Reduction and Prevention and Management of Old Industrial Polluted Sites

The realisation of this measure helps in prevention of negative impacts of natural disasters and in mitigation of environment and health risks connected with the contaminated soil. The overall progress in achieving target set for 2017 is good, however lack of resources in the future, especially for prevention and management of old industrial polluted sites, can slow down the speed of implementation.

Measure	Indicator	Value	Target value 2017	2015		
				I H	2 H	Total
1.4. Natural Disasters Risk Reduction and Prevention and	Analytical study on natural hazards forecasting including recommendations	Number		1	4	5
	Regional natural hazards/disasters	Number of		0	3	3

Management of Old Industrial Polluted Sites	forecasting early warning system	regions				
	Municipal plans of preventive measures for natural hazards	Number	For all vulnerable municipalities	1	1	1
	Coast Fortification Works	Number of projects	50 (2017)	11	10	21
	Natural Disaster mitigation and prevention works	Number of projects	70 (2017)	22	9	31
	Amount of hazardous waste disposed safely	tonnes	50,000 (2015)	40 000		40 000

Measure 1.5 Georgia Forest Inventory and Implementation of Stable Forestry Strategy

Very good progress in relation to set targets, except the target of number of km of forest roads to be build/rehabilitated, which hasn't been achieved. The measure has importance for keeping in a good shape one of the most valuable natural resources in Georgia and potentially very important from economic point of view – forest and timber.

Measure	Indicator	Value	Target value 2017	2015		
				I H	2 H	Total
1.5 Georgia Forest Inventory and Implementation of Stable Forestry Strategy	Number of normative documents (Legislative base established)	Number	2	2		2
	Number of trained specialists of National Forest Agency	Number	300 (2015)	240	60	300
			900 (2017)			
	Improving sanitary conditions of forest	ha	26,800 (2015)	26000		26000
			86,800 (2017)			
	Forest roads rehabilitation	km	250 (2015)	0	123	123
			750 (2017)			
Forest sustainable management conception					0	
Number of regional forestry districts equipped with firefighting tools	Number	46 (2015)	46	0	46	

Measure 2.1 Supporting business in Georgia's regions through institutional and programming activities

This measure is potentially very important for economic development of the country and individual regions (jobs created!) but have a relatively small resources. Despite slow progress in relations to the set financial indicator (only 76,5% of used funds) output targets were achieved or even overpassed by 2-3 times, what means a need for improving planning and shows big demand for this type of activities.

Measure	Indicator	Value	Target value 2017	2015		
				I H	2 H	Total
2.1 Supporting business in Georgia's regions through institutional and programming activities	Established new businesses	Number of businesses	44 (2015)	10	16	26
	Upgraded businesses	Number of businesses	20 (2015)	12	25	37
	Value of loans issued by commercial banks within the programme	M GEL	145 (2015)	39	57	96
	Total investment	M GEL	210 (2015)	57	75	132
	Micro and small businesses set up in regions (micro and small entrepreneurship support part)	Number	3 030 (2017)	0	610	610
	New jobs created	Number	2 530 (2015)	0	1130	1130
	Beneficiaries trained (micro and small entrepreneurship support part)	Number	5 800 (2017)	0	3118	3118

Measure 3.1 Modernisation of irrigation systems

The progress in physical terms can be assessed as a good one, however the targeting should be apparently improved. The measure is crucial for improving conditions for efficient agriculture. Additional funds channelled were added to this measure during 2015 what reflects the level of needs and importance for the Georgian economy.

Measure	Indicator	Value	Target value	2015
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			2017	I H	2 H	Total
3.1 Improve agriculture water management	Number of rehabilitated and new irrigation projects	Number	No target	18	26	44
	Acreage of additional irrigated land plots	ha	199	4 123	8 284	12 407
	Acreage of land with proper drainage system	ha	18,600 (2017)	975	1 020	1 995

Measure 3.2 Improve access to finance

The program of loans for agro business turned to be very successful thanks to the very high demand - actual implementation is higher than original plans. Concessional Agro Credits program generated additional 4092 loans interest rate subsidized (target was 2500 in 2015)

Measure	Indicator	Value	Target value 2017	2015		
				I H	2 H	Total
3.2 Improve access to finance	<i>Number of new enterprises and farms financed through this program</i>	<i>number</i>	50 (2017)	5 (11 in H1)	3	8
	<i>Number of loans under this programme</i>	<i>number</i>	2500 (2017)	2173 (2134 without Tbilisi)	1999 (1958 without Tbilisi)	4172 (4092 without Tbilisi)

Measure 3.3. Other programmes

This measure is composed of various support agriculture activities (for details see annex 1) therefore there is a variety of the achieved outputs. For majority of activities target was not set so it is difficult to assess the performance of the measure however the implementation of the measure has got apparently the very high important for the increasing the agriculture output and the quality of agriculture products in general and in wine making sector in particular. The information provided by implementing agencies suggests, that especially program of the support of viticulture was very successful – the program was granted additional funding during the year so it allowed to increase the number of supported farmers producing wine by 2.5 times in regard to original plan. It is important to note that the program “Support for Small Land Owner Farmers Spring activities vouchers” has really very broad range – altogether under the project have been supported 619,000 beneficiaries in the regions. As a result, of these activities additional 225,000 hectares of arable land have been ploughed and seeded with different crops affecting primary production numbers and average yields.

Measure	Indicator	Value	Target value 2017	2015		
				I H	2 H	Total
3.3 Other rural development programs	<i>Number of food and agribusiness enterprises monitored against food safety measures</i>	<i>number</i>	No target	3 239	4 985	8 224
	<i>Number of research projects completed or in pipeline</i>	<i>number</i>	No target	43	5	48
	<i>Number of events financed through the Georgian wine promotional campaign</i>	<i>number</i>	34 (2015)	24	15	39
	<i>Number of agriculture cooperatives formed</i>	<i>number</i>	No target			856
	<i>Number of tests conducted for food safety and quality control</i>	<i>number</i>	No target	1 144	3 076	4 220
	<i>Area of land prepared for demonstration plots</i>	<i>ha</i>	30 (2015?)	30	93	123

Measure 3.4 Develop the agriculture land market

In the reporting year no progress was observed due to postponement of launching the whole programme until 2016.

Measure 4.1 Tourism promotion

This measure develops Georgia's brand and positioning its tourism industry on the international market and increases Georgia's competitiveness with similar tourist markets. The performance of the measure is difficult to assess - targets for 2015 were not set up. The value of the measure was substantial increased (by 50%) during the year allowing for organisation of additional promotional, marketing and training for tourism industry activities. Implementation of the measure helps in economic development of the country. The data suggests that the realisation of measure influence directly the number of foreign tourist to visit Georgia. In 2015 the target set in the tourism strategy: 7% increase in foreign visits, was fully met, thus contributing to the economic development of the country and individual regions,

Measure	Indicator	Value	Target value 2017	2015		
				I H	2 H	Total
4.1 Promotion of Tourism Development	<i>Number of regional studies completed</i>	<i>number</i>	No Target value	0	5	5
	<i>Number of information centres established</i>	<i>number</i>	No Target value	0	0	0

	<i>Number of training courses provided</i>	<i>number</i>	No target value	9	8	17
	<i>Number of participants of training courses</i>	<i>number</i>	No target value	770	430	1200
	<i>Number of marketing activities</i>		No target value	65	80	145
	<i>Number of “tourism products” developed.</i>	<i>number</i>	No Target value	4	21	25

Measure 5.1 Labour market demand-side survey

As planned under this measure a country wide but focusing on the situation in individual regions, labour market demand research has been prepared. This study revealed the current trends and distribution of demanded professions for different regions. It can have positive impact for matching business needs with citizen’s skills so contributing to the better use of regional labour force.

Measure 5.2. Rehabilitation of Existing Colleges; Construction, Equipment and Staffing of New Colleges

This is very important activity realised in all regions: extension of the existing network of VET colleges (to 26 as foreseen in the educational strategy) and equipping existing ones will have direct impact on building regional human skills for attraction of businesses in targeted regions and localities. The process of construction of new and equipping existing colleges is well advance.

Measure	Indicator	Value	Target value 2017	2015		
				I H	2 H	Total
5.2 Rehabilitation of Existing Colleges; Construction, Equipment and Staffing of New Colleges	<i>New regional colleges constructed/renovated, equipped and staffed by specified regions</i>	<i>number</i>	at least 1 in 3 years	2 (in preparation)	Commenced: expending of 4 VET facilities In Progress: Development of 1 new VET facility;	0 newly established, 9 in the process of preparation
	<i>Number of existing colleges renovated and equipped in specified regions.</i>	<i>number</i>	Professional education facilities funded by the State (20)	5	12	17

Measure 5.3 Agriculture Related VET & Extension Systems

Measure	Indicator	Value	Target value 2017	2015		
				I H	2 H	Total
5.3 Agriculture Related VET & Extension Systems	<i>Trained VET teachers and extension workers</i>	<i>number</i>	No target	20		20
	<i>Supported projects to improve learning environment (infrastructure, training materials, and equipment)</i>	<i>number</i>	No target	19		19
	<i>VET colleges and Information Consultancy Centres which have introduced effective and innovative agriculture study programs and capacity to deliver extension services in agriculture</i>	<i>number</i>	No target	0		0
	<i>Trained persons providing VET services (veterinarians, zoo-technicians, food processors, agriculture, machinery operators, input suppliers and animal food producers)</i>	<i>number</i>	No target	25 sturdy tours		25 study tours
	<i>Creation of the public-private cooperation platform to ensure coordination of consultation service and provision of agricultural training and extension services</i>	<i>number</i>	No target	2 topical working groups were created		2 topical working groups were created

Measure 5.4 Training of VET Teachers and Continuous Professional Development

Under this measure are being realised activities aiming at establishment of the comprehensive system of VET teachers training and development what in exchange should attract new employees in vocational education institutions and increase the quality of teaching. In 2015 works started on the formation of the vocational education teachers training and professional development system in accordance with the 2015 Action Plan. As reported by the end of the year significant progress has been achieved in this regard what included creation of the database of the VET teachers, creation of the thematic group of teachers, various trainings, and further legislative works (7 Sub-laws of teachers' professional development). Totally almost all targeted teachers have received training.

Measure	Indicator	Value	Target value 2017	2015		
				I H	2 H	Total
5.4 Training of VET Teachers and Continuous Professional Development	<i>Formation of professional development system for VET teachers</i>	<i>number</i>	Creation of system for teachers' professional development			Finished: 2015 Action plan for Professional Education Students' Development Conception State program on development professional education of students was implemented Current: 7 Sub-laws of teachers' professional development

	<i>Number of trainings defined according to the needs assessment and number of teachers trained</i>	<i>number</i>	100% of VET teachers	519	1. 348 teachers involved into the training on IT technologies 2. First stage introductory course – 341 teachers Second stage - 298 teachers 3. Education and professional testing for students with special needs - 277 teachers	2015 Action plan for Professional Education Students' Development Conception
	<i>Number of trained teachers in a real working environment (enterprises)</i>	<i>number</i>	State VET teachers' 100%	0	29 trainings delivered and 110 teachers were involved (about 15%)	State program on development professional education of students was implemented
				Data base and the conception		

Measure 5.5. Training of Public Servants in Regions

Achieved outputs show that the implementation of the measure is very efficient almost all targets set for 2015 are already met. The project has a significant importance for increasing the quality of the public service in the regions thus contributing directly to building required intuitional capacity to deal with socio-economic in general and regional development issues in particular.

Measure	Indicator	Value	Target value 2017	2015		
				I H	2 H	Total

5.5 Training of Public Servants in Regions	<i>Number of municipalities with effective HR policies</i>	<i>number</i>	10 (2017)		56 (training and coaching were delivered to 56 municipalities)	56
	<i>Number of new training programmes (curricula)</i>	<i>number</i>	12 (2017)	11	22	33
	<i>Number of joint actions of the training providers and municipalities implemented</i>	<i>number</i>	12 (2017)	0	0	0
	<i>Number of persons/days of trainings organized</i>	<i>days</i>	4500 (2017)	1541 training days	5881 training days	7422 training days
				(38 training courses)	68 training courses	106 training courses
<i>Number of local officials trained (gender disaggregated)</i>	<i>number</i>	2,000 (o/w 600 female / 1,400 male)	768 (338 female / 430 male)	1571 (768 female/803 male)	2339 (1106 female / 1233 male)	

Regional Development Fund

This Fund represents an important source of finance for various infrastructural needs of municipalities. The Fund achieved all set targets (see the table below). In majority cases actual implementation exceeded the plan. The RDF contributes directly to covering infrastructural needs of municipalities – first of all local roads and water supply systems but also is important for expanding local sport, cultural and educational (kindergartens) facilities. Despite its name the Fund allows for financing identified locally projects of municipalities chosen at national level according to local and regional strategies but its impact on building competitiveness and conditions for socio-economic development of regions concerned is limited. The Fund is used primarily to cover very basic infrastructural needs of local self-government rather than an additional funding source for financing of the genuine pro-development projects.

Measure	Indicator	Value	Target value 2017	2015		
				I H	2 H	Total
Regional Development Projects Fund	Roads construction/rehabilitation	meter		56,4	379,6	436,0

<i>Water supply other infrastructure system construction/rehabilitation</i>	<i>meter</i>	468,493 (2015)	14,0	538,2	552,3
<i>Water supply other infrastructure system construction/rehabilitation</i>	<i>number of projects</i>	49 (2015)	-	52	52
<i>KGs construction/rehabilitation</i>	<i>number of projects</i>	114 (2015)		128	128
<i>Sports facilities construction/rehabilitation</i>	<i>number of projects</i>	23 (2015)		22	22
<i>Culture facilities construction/rehabilitation</i>	<i>number of projects</i>	24 (2015)		24	24
<i>Street lighting</i>	<i>meter</i>	50 770,0	-	50 770,0	50 770,0
<i>Bridges construction/rehabilitation</i>	<i>number of projects</i>	14		15	15
<i>Coast fortification system construction/rehabilitation</i>	<i>meter</i>	2 373,0	-	2,4	2,4
<i>Drainage system construction/rehabilitation in progress</i>	<i>meter</i>	3 909,0	-	40,0	40,0
<i>Multi family dwelling construction/rehabilitation</i>	<i>number of projects</i>	220		264	264
<i>Other infrastructure/rehabilitation</i>	<i>number of projects</i>	95		127	127

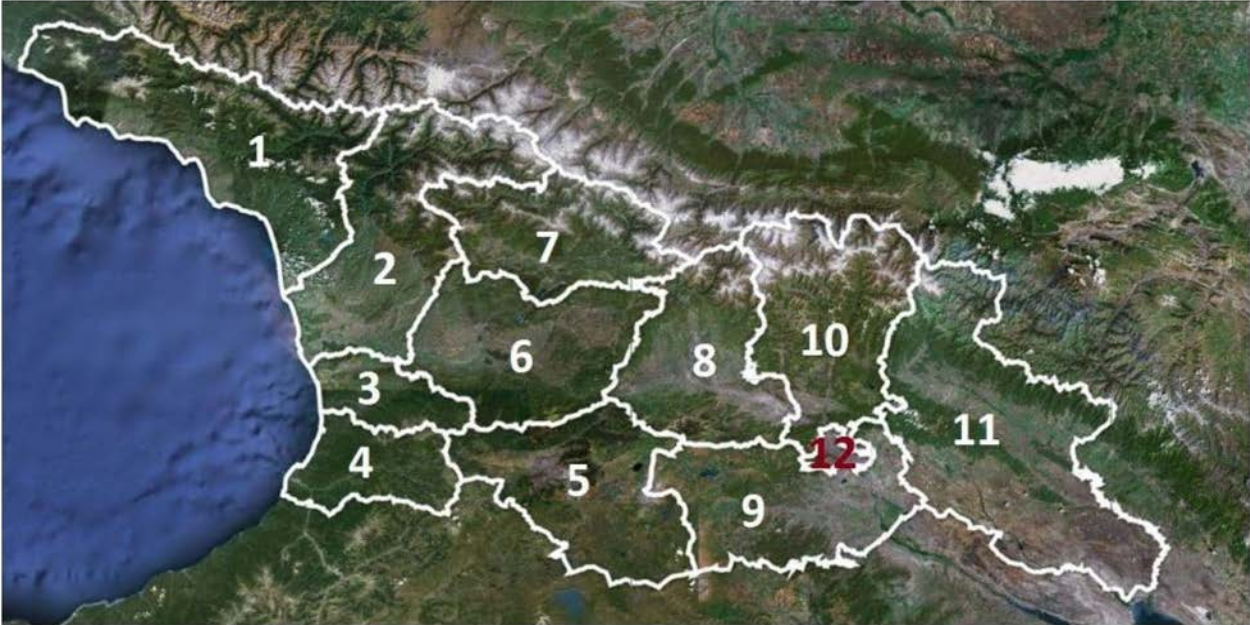
Section 2. Progress in achieving regional cohesion objectives as defined in the RDP.

Regional distribution of funds (for regional distribution of outputs see annex 1)

Regional Development Programme 2015-2017 identifies a number of socio-economic and territorial factors which contribute to uneven economic and social development of Georgia. The analysis underlined particularly the imbalance between what might be called greater Tbilisi and the rest of the country. The another important issues, which should be subject of public intervention under regional development policy include imbalances between the major urban settlements and the surrounding rural areas and particular challenges facing sparsely populated mountainous areas in the north of the country as well some post mono-industrial cities, though in this regard the High Mountainous Settlements Development law that enters in force in 2016 and

respective fund should be mentioned. Actions undertaken under the Programme therefore concentrate on addressing the issues that contribute to these imbalances.

Map. 1 Regions of Georgia



1	Autonomous Republic of Abkhazia	7	Racha-Lechkhumi and Kvemo Svaneti
2	Samegrelo-Zemo Svaneti	8	Shida Kartli
3	Guria	9	Kvemo Kartli
4	Autonomous Republic of Adjara	10	Mtskheta-Mtianeti
5	Samtskhe-Javakheti	11	Kakheti
6	Imereti	12	Tbilisi

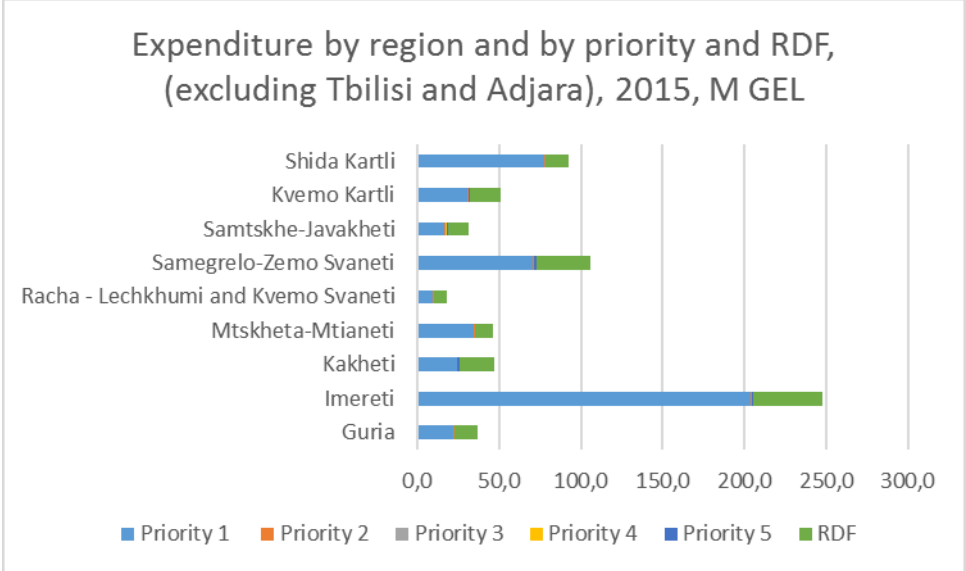
The overall objective of the Programme is to contribute to more balanced and sustainable socio-economic development across Georgia. This objective is composed of two strategic objectives:

- a) Support to economic development and creation of new jobs in regions with low levels of employment
 - b) Improvement of living standards especially in rural and underdeveloped areas.
- and realised through 5 priorities and implementing them measures.

At this stage of implementation of the RDP 2015-2017 it is not possible to quantify the impact on the regional cohesion. This would need more detailed and comprehensive analysis and evaluations done after the programme is finished (after 2017). However, in the second half of 2015 the implementing institutions made an effort to collect both financial and physical data for as much as possible measures implemented under RDP. In total, for almost 69.2% (726.9m GEL) of all spent funds, it was possible to present regional breakdown. Unfortunately for priority 3 (Agriculture) and majority of measures under priority 5 Human Resource Development it was not possible to obtain regional breakdown therefore the major influence on the picture of regional distribution of

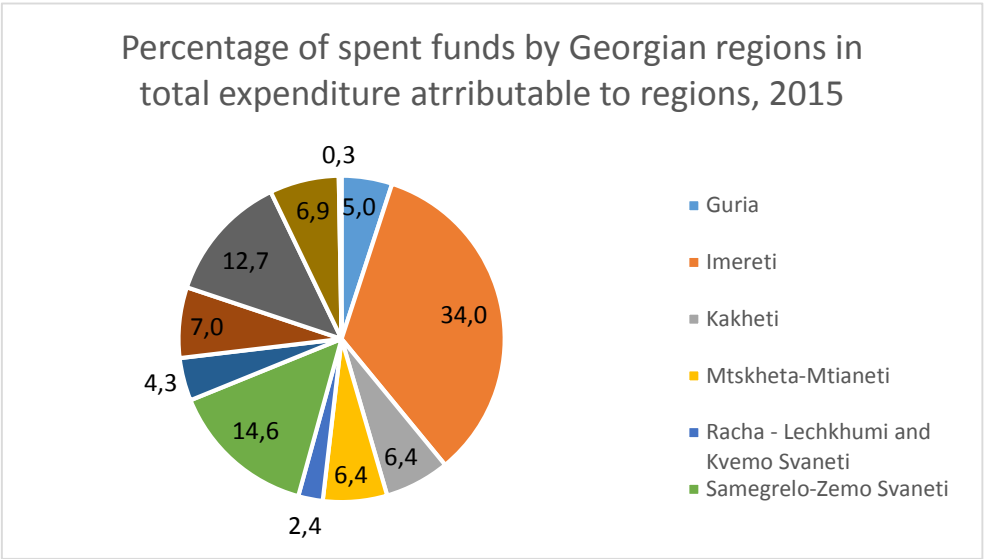
funds has priority 1 (infrastructure) as well Regional Development Fund. It must be noted that in principle, RDP funds do not include Tbilisi and Adjara as they have their own sources of financing development activities, however some expenditure was reported under measure 1.1. (Roads). In total, 50 M GEL were spent in Adjara and 2 M GEL in Tbilisi.

Chart 6. Expenditure by region by priority and RDF (excluding Tbilisi and Adjara), 2015, M GEL.



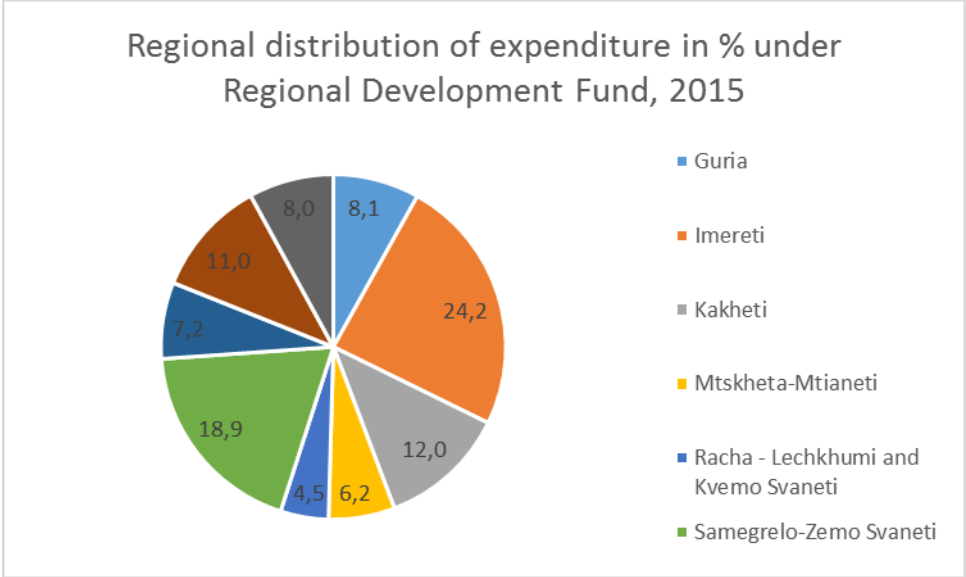
By far the biggest share of funds (chart 7), which are attributable under RDP to regions was in 2015 spend in Imereti (34%). This is can be explained by the fact that this is the most populated region (after Tbilisi) in Georgia and within its borders were concentrated costly works - building the international highways linking Tbilisi-Kutaisi and Batumi. The next two regions Samegrelo-Zemo Svaneti and Kvemo-Kartli received respectively 14.6% and 12.7 of total expenditure attributable to regions. Kvemo-Kartli is the third (after Tbilisi and Imereti) most populated region in Georgia and is situated in the vicinity of Tbilisi, but Samegrelo – Zemo Svaneti is the region bordering Abkhazia and Russian Federation comprising a lot of high mountainous, poor areas.

Chart 7. Share of funds spent in individual regions, 2015



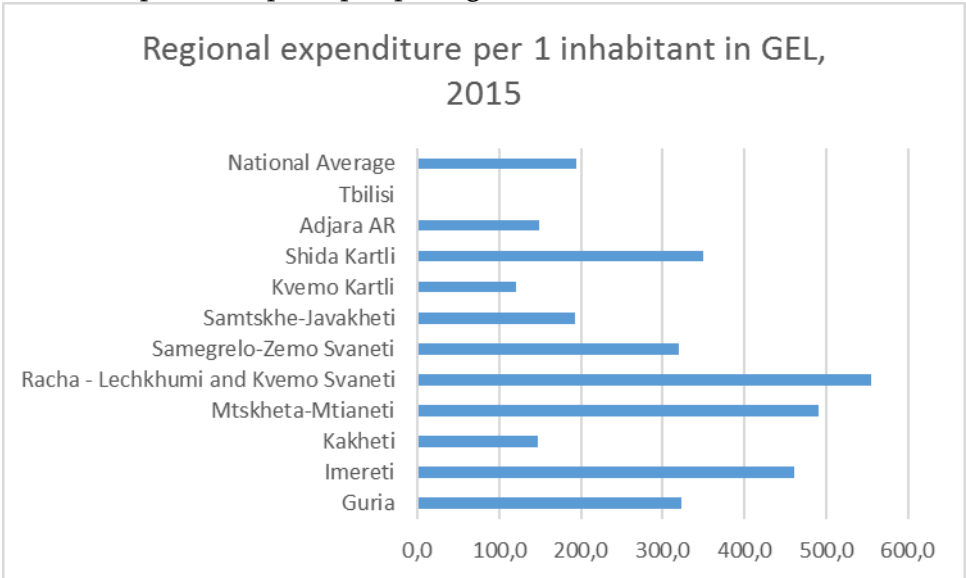
It is interesting to note that in the case of Samegrelo -Zemo Svaneti the share of Regional Development Fund in expenditure is higher than in Kvemo-Kartli, what shows equalization function of this fund (chart 8). Altogether, Samegrelo -Zemo Svaneti received 14.6% of the Regional Development Resources in 2015.

Chart 8. Share of Regional Development Fund spent in individual regions, 2015



The region receiving the smallest share of the total attributable to regions funds under RDP in 2015 was Racha – Lechkhumi and Kvemo Svaneti – only 2.4%. The region received higher in percentage terms but also the smallest share of Regional Development Fund – 4.5%. This can be explained by low population level (only 31,900 inhabitants) but as can be seen from another chart (9) this region is getting the highest allocation per capita - 554 GEL – 2.5 times more than the national average! In terms of spent money in comparison to the number of population the Mtskheta -Mtianeti comes second and Imereti third.

Chart 9. Expenditure per capita per region, in GEL, 2015



Regional distribution of RDP expenditure shows that the biggest infrastructural works financed from the State budget are conducted currently in the central part of the country: Imereti and Samegrelo-Zemo Svaneti and in the vicinity of Tbilisi - Kvemo-Kartli. Such picture is obtained mostly due to their economic role, the size of population as well their geographical central position. However, due to very strong pro-cohesion, equalisation distribution mechanism of the Regional Development Fund favouring less populated and in general, poor regions like Racha – Lechkhumi and Kvemo Svaneti or Mtskheta-Mtianeti (partially very poor) the map of distribution of funds per capita looks differently (Chart 9). Thanks to this, Fund poor regions can cover partially their infrastructural needs and participate in development processes of the whole country.

Section 3. Analysis of factors influencing the progress in achievement of objectives and financial and output targets set at measure level in the reporting period (for more details see description of individual measures in Annex 1)

The main factors which influenced realisation of the RDP 2015-2017 during the year 2015 can be summarized under several sections: macro-economic and financial situation, administrative capacity, weather conditions and natural disasters, and others.

Macro-Economic and Financial Situation.

The economy in Georgia has been affected by the global economic situation and the challenging economic and geopolitical situation in the region. The country's economy has **slowed through 2015 to an estimated GDP Growth of 2% (source ADB) from 4.8% for the whole of 2014**. The slowdown largely reflects the global slowdown and declines, based on provisional data, of 5.2% in manufacturing and 2.5% in trade, which was ameliorated by strong growth of 22.9% in mining and 17.2% in construction. Bank credit fell significantly in line with slower growth. The preliminary current account deficit is estimated to be 10% of Gross Domestic Product in 2015.

In addition, the GEL exchange rate depreciation translated into higher prices on imported durable goods, which contributed to higher consumer prices. On the other hand, the increase in inflation was dampened by weak aggregate demand and lower food and oil prices on international markets. Annual average inflation in August 2015 amounted to 3.2%- and was expected to reach 6% (NBG) by the end of 2015- as large increases for tobacco and alcoholic beverages (13.1%) and furnishings, household equipment, and maintenance (9.3%) offset smaller declines for transport (-1.6%) and clothing and footwear (-0.9%).

Continuing moderate inflation, despite depreciation of the Georgia lari by nearly 33% since November 2014, reflects weakening domestic demand (as much domestic credit is denominated in US dollars) and reduced profit margins for firms, along with lower prices for imported food and energy. Inflationary expectations have increased in the period and this was countered by the National Bank of Georgia raised its policy rate in steps by 200 basis points to reach 6.0% in August. Export data for the first 6 months of 2015 suggest a further cut in exports of nearly 24%, reflecting a drop in vehicle exports by nearly two-thirds, while lower oil prices helped cut imports by about 9%. Sharp declines in remittances—from the Russian Federation by 41%, Greece by 19%, and Italy by 12%—caused total remittances to fall by almost 23% in the first half of 2015.

The financial situation of the budget during the year remained stable although changes in the structure of foreseen revenues called for several amendments of the budget, which had a direct impact on the implementation of some RDP measures.

In comparison to the original State Budget provisions (from December 2014) the total amount of budget receipts was reduced by 139.1 M GEL (as of December 2015).

As for the key fiscal Indicators, despite the changes according to the amendment to the law on state budget 2015 and supplementary fiscal plan, the fiscal balance for 2015 stands at -3%, while the same indicator amounted to -3.1% in case of the Law on state budget for 2015. Therefore, there are no significant differences in this aspect.

The situation of the state budget and lack of other available sources (from the EU or international donors) influence negatively possibility to realise many important goals from the overall socio-economic and regional development point of view. This has been reported in relation to the promotional activities in tourism (although this measure in general turned to be very efficient and successful), under measure 1.4 (management of polluted old industrial sites) and Regional Development Fund operations in municipalities and regions. The lack of appropriate funding under RDF makes impossible to finance fully goals and projects (especially those in business support, SMEs and human resources development) identified in the Action Plans of the regional development strategies for 2015-2021.

Administrative capacity

Administrative capacity effectiveness is to be understood as an overall ability of the procedural and institutional system (including human resources) to implement measures as planned according to financial and output targets. Taking into account the overall performance of the RDP in 2015, which must be assessed as satisfactory both in financial and physical terms, indicates that the administrative capacity of the State institutions to deal with development issues according to set plans, **should be assessed in general as positive.**

The personnel, working on the management of the measures in the Ministries and other organizations are competent in their field but are learning a new process and methodology following the results-based management, which slows the RDP monitoring reporting.

There appears to be no major constraints in using government management and financial data for the RDP annual reports, provided the programmes/projects are clearly identified in the Ministry and GoG budget account system. The type of difficulties faced by the line ministries in reporting on RDP were not fundamental but mainly related to an unclear understanding of results-based project management, of eligibility criteria, and on the use of government accounting systems for RDP purposes.

The staff of IMG personnel in the ministries generally comprises a core group of 2 or 3 persons per RDP measure directly undertaking the management, monitoring reporting and financial control for RDP, with counterparts in line departments, providing the information requested.

It seems that one of the crucial issues to be addressed in this context is the capacity of the MRDI to coordinate the whole process of implementation (including reporting process) and deliver proper measures to strengthen the capacity of all stakeholders (ministries, agencies, regional and local level administration, other development partners).

It should be noted that the implementation process of the RDP revealed there are potential areas for development in the fields of human resource capacity and operational systems development, which should be tackled carefully by the Georgian Government together with its EU and other development partners. These include:

- General information on the implementation systems of regional policy in various EU states, focused on MRDI and core RDP staff and senior managers in ministries.
- Training in general RDP principles and practices for specialist staff (financial officers) and counterpart staff in line departments, to enhance accurate reporting.
- A series of training session in RDP horizontal matters connected with the programmes and individual projects implementation such as project based approach in the fields of management, monitoring and finance, and more specifically project management cycle, public procurement, monitoring system -in particular indicators,
- In the near- to medium- term the RDP needs operational guidance notes to provide standardized and correct methods and process for managing, monitoring and financial control of measures. This is partially prepared and can be developed further;
- A project/measure management information system (MIS) maybe be developed in the medium term and later enhanced to a full electronic system.

Climate and weather conditions. Natural disasters

In the case of implementation of infrastructure projects one of the most important factors influencing progress in implementation of measures and individual projects is climate, weather conditions and natural disasters. This was reported in the case of construction of roads, construction and installation works in a number of rehabilitation solid waste projects (measure 1.2) and also in the case of measure 1.3 “Water supply, sewage and waste water systems”.

Climate conditions influenced also negatively the process of implementation of some activities in area of the support for agriculture. The effect of weather has reduced the crop production by about 2% in 2015.

For the Regional Development Fund, the climate conditions and geographical location affect to a high extent, the implementation of some municipal projects. For example, in high mountains the works on the implementation of infrastructural projects are possible only during a few months of the year.

In regards to natural disasters occurred during reported year should be mentioned flooding in Tbilisi. Late on 13 June 2015, following hours of heavy rainfall, a landslide was released about 20 km southwest of Tbilisi. The landslide, carrying 1 million m³ of land, mud, and trees, moved down into Tbilisi. The Vere river, which is a right tributary of the Mtkvari (Kura) had overflow.

The flood inflicted severe damage on the nearby streets and houses and Tbilisi Zoo, resulting in at least 20 deaths. More than 40 families were left homeless and 22,000 people were left without electricity. The Georgian government reported a preliminary estimated flood damage cost from Gel 40 million to 100 million.

By NEA was conducted analysis of geological hazards occurred on July 13-14, 2015, prepared preliminary assessment and emergent visual engineering-geodynamic conclusions: assessment of houses and plots of 51 inhabitants under high and medium risk category, as well as of infrastructural objects and geodynamically tense areas. During the reporting year in order to improve floods forecast was installed 2 rainfall measuring devices and one water level measuring equipment in rive Vere basin.

Other factors

The list of other important factors, having a direct impact on the speed and the quality of realisation of activities include:

- For road infrastructural projects the implementation process was affected **by delays in tendering procedures and postponing of other works**. In turn it affected negatively the possibility to achieve the output targets and the speed of the implementation, especially in the first half of the year;
- Huge depreciation of GEL exchange rate against USD and EURO in 2015 negatively affected the demand for the micro and small loans and possibility to finance other activities but on other hand increased available money from loans and grants of the international organisation, which were denominated in USD or Euro (5.3, 5.5 and several activities under other measures);
- Old Soviet construction norms and rules are important obstacle for many infrastructural projects. USSR's Construction Norms and Rules were added and modified many times, however they are archaic. That is why it is necessary to adopt new ones - however it is not reasonable to copy directly the legislation from developed countries – always it must be adapter to the local context, culture and administrative traditions.
- Redistribution of local budgets for 2016 after the introduction of the mountainous regions development law;
- Mine clearing of previously military training ground (in case of Integrated Solid Waste Management Kutaisi” project);
- Lengthy process of reaching an agreement with land owners, for the territories, where infrastructure was planned to be developed;
- Absence of a proper agriculture land registry system makes it difficult to control usage of water and water users. This significantly limits the possibilities of development of a proper billing system and improvement of water management.

Section 5. Recommendations concerning management, implementation and programming of RDP 2015-2017

State of the fulfilment of the recommendations from RDP Mid-year Monitoring Report 2015

As was noted recommendations presented in the RDP Mid-year Monitoring Report and accepted by the GCRD in October 2015, had got mostly a preliminary nature and were concerning mostly technical implementation issues. Majority of them were taken into account by Georgian Authorities to improve the system of monitoring of the RDP 2015-2017 and strengthen the capacity of the administration to deliver good quality quantitative and qualitative socio-economic and territorial analysis, however some of them, requiring more systemic approaches, are still valid and repeated in this annual report.

Table . Fulfilment of recommendations from the RDP Mid-Year Annual Report⁴

No.	Recommendation	Assessment of fulfilment	Remarks
1.	Further strengthening of the administrative capacities of MRDI and other implementing institutions involved in programming, realization and monitoring of public policies.	Good progress – strengthened structural unit at MRDI, delivery of TA, trainings, workshops	Ongoing process. The same recommendation for the 2016.

⁴ For the full list of recommendations please refer to RDP Mid-year Monitoring Report

		learning-by -doing etc., however still need to be continued	
2.	Further improvement of the reliability and accuracy of the monitoring process of the RDP 2015-2017	Substantial progress in comparison with the Mid-Year Monitoring Report	
	a) Update financial table (currently Annex 6 to the RDP Monitoring Plan), introduction of new measures proposed by ministries.	Fully implemented Table has been updated according to changing State Budget provisions	The same recommendation for the 2016
	b) Continuation of efforts to refine and collect output indicators and set targets for indicators for all measures,	Implemented partially Moderate progress – some new targets added	The same recommendation for the 2016
	c) Bringing more territorial dimension to the reporting about the implementation of measures.	Implemented fully – for majority of priorities and measures	The same recommendation for remaining measures without identified territorial dimension, whereas applicable and possible
3.	Improving coordination between budgetary spending and activities financed or implemented by international donors.	Partially implemented - more activities financed by donors identified under RDP.	More precise recommendations for the 2016
4.	Selection criteria and implementation procedures of the Regional Development Fund (RDF) require simplification and hospitalization.	Implemented - The Government of Georgia introduced two important set of amendments in the Decree on “Procedures and criteria for selection of local and regional projects to be financed via the Regional Development Fund”; a) through the addenda #594 dated November 25, 2015 – which ensure the simplification of rules related to the receipt	Discussions on further possibilities take place permanently

		<p>of funds under the Fund, and b) through the addenda dated January 18 – which refine the procedures and conditions for local and regional projects to be financed under the Fund. In addition, on August 20, 2015 the GoG adopted the Order #1750, which defines the Guiding Principles on Elaboration of the RDS Action Plans.</p>	
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Recommendations after one year of the implementation of the RDP 2015-2017

After one year from the start the Regional Development Programme 2015-2017 implementation and its performance can be evaluated as a good one, however broader socio-economic and territorial impact of the programme can't be assessed without additional studies and evaluations, which should be organized after 2017. Recommendations drawn below are based on observations provided by ministries and implementing agencies as well close monitoring of the whole process and concern mostly (which is natural at this stage of implementation) different aspects of management and implementation of projects. Recommendations concerning the content of the regional policy have preliminary nature and should be confirmed by other studies and analyses facilitated by the Ministry of Regional Development and Infrastructure, other public institutions as well independent evaluators.

Recommendations concerning management, programming and monitoring and implementation of the RDP

1. In general, in the process of implementation of the RDP during 2015 could be observed a very good mobilization of the Georgian Administration. This shows its capacity for adapting to new requirements and ability for fast response to arising needs from the process of alignment with the EU standards. However, taking into account still uneven quality of the implementation and monitoring process between different measures, there is a need for continuation of strengthening the administrative capacity of Georgian Administration to deal with programming, implementation and monitoring issues according to the EU standards. This need can be met both by horizontal programs tackling the whole administration at national, regional and local level (e.g. public procurement, monitoring process, including expected results and other indicators, project management cycle) and more focused activities organized on the basis of detailed Training Needs Assessment targeting different groups of administration or organized thematically (e.g. EU environmental standards, promotion

of innovation, local development, technical norms and standards in infrastructure modernization and development).

2. In addition, in some ministries and agencies there is also a need for increasing the number of staff dealing with planning and monitoring development related activities – the necessity for this will be growing in line with the deepening of socio-economic and political cooperation between the EU and Georgia.
3. There is a need for continuous work on further improvement of the reliability and accuracy of the monitoring process of the RDP 2015-2017, which include:
 - a. Necessity for better defining the reference point for measuring financial performance of the Programme for 2016 and 2017. It is recommended to update current Annex 6 of the RDP Monitoring Plan two times a year by the decision of the GCRD only with the information referring to the situation as of 31 December and 31 of June of the year in question. The reference point for 2016 (updated Annex 6 of the RDP Monitoring Plan) should be adopted by the GCRD together with this report and based on the Law on the State Budget adopted in the December 2015;
 - b. Defining all output targets (output indicators) for 2017. It is recommended that new updated output table (Annex 5 of the RDP Monitoring Plan) should be adopted by the GCRD together with this report;
 - c. More attention paid to defining broader socio-economic expected results (impact) at the level of individual measures and more focus on presenting links with the broader socio-economic goals, set in the Regional Development Programme 2015-2017, when reporting on the progress in its implementation. However, at this stage of implementation the RDP it is not recommended to define targets for result indicators;
 - d. Where relevant more reporting about the physical and financial progress in implementation of measures in individual regions. This could be also complemented with the creation of the ITI monitoring support instrument to help in data collection and its analysis.
4. In relation to the comments made by some ministries and implementing agencies and in view to improve communication and quality of the process of implementation and monitoring RDP activities there is a need for further improved coordination of ministries, agencies and other stakeholders in regard to programming, monitoring and implementation of the regional policy. This may include:
 - a. Strengthening further the capacity of the MRDI to deal with various coordination activities undertaken in the regional policy area, including better staffing, additional trainings, more power in relation to setting standards for programming, monitoring and implementation and the application of territorial dimension to sectoral policies. In turn it should lead to increased capacity of the Ministry to play the leader role in relation to regional policy issues in Georgia, which is crucial for participating and making good use of the EU regional development funded programs;
 - b. Further efforts for aligning RDP priorities and instruments with regional development strategies and action plans to the extent practical and possible. Development of the more direct links between RDP 2015-2017 and the RDS Action Plans.
 - c. As some examples show, there is also a need for ensuring improved coordination between different agencies operating in the same field (e.g. MDF,

Water company, RDF). This should lead to harmonisation of selection criteria of the same types of projects - what in turn should decrease the risk of the overlapping and competition between public institutions, improve planning and increase effectiveness and efficiency of the public expenditure;

5. In some measures, especially in case of the Regional Development Fund, in order to implement projects more quickly, the necessary preparatory processes (formulation of ideas, preparation of documentation, and calculation of costs) could be done before the start of the budgetary year. This would make it possible to spend money for implementation of projects from the very beginning of a new year.

Recommendations concerning regional policy

6. For future regional development programs at national and regional level there is a need for increasing, in relation to expenditure reserved for infrastructure, financial allocations for human resource development, SMEs support, support of innovation and foreign investment and delivery of other essential public services (education, health, etc.). Those non-infrastructure investments are crucial for building sustainable prospects of growth of all regions in Georgia. In addition, in some cities (first of all Tbilisi, Kutaisi and Batumi) it should be also more funds available for supporting higher education and development of linkages between academia, administration and business in order to - first absorb and to produce in a longer run, innovations (e.g. in agriculture or food processing). This is crucial for prospects of growth and competitiveness of the whole Georgia in XXI century.
7. It is recommended to consider further possibilities to allocate more money for implementation of a complex regional policy. In practice it could mean:
 - a. converting Regional Development Fund from the source of money for municipalities to cover their infrastructural needs into more complex instrument for promotion of socio-economic development of regions.
 - b. improving coordination between the budgetary expenditure and activities financed or implemented by international donors and focusing more on regional needs instruments,
 - c. soliciting more funds and projects from the EU financial support frameworks for Georgia allocated directly to regional development.

Table . Action plan for fulfilment of recommendations

No.	Recommendation	Timetable	Institution in charge
1.	Continuation of strengthening the administrative capacities of MRDI and other implementing institutions to deal with programming, implementation and monitoring issues according to the EU standards	On-going process	MRDI – strengthening further capacities of its relevant structural unit; facilitation and coordination of further trainings, TA support, special workshops, etc. Other implementing

			institutions – allocation of more staff involved in programming, implementation and monitoring
2.	Continuous work on further improvement of the reliability and accuracy of the monitoring process of the RDP 2015-2017, which include:		
	a. Update current Annex 6 of the RDP Monitoring Plan	Twice a year, the targets for 2016 in April 2016	Decision of the GCRD taken together with the adoption of the Annual Report
	b. Defining all output targets (output indicators) for 2017.	The targets for 2017 in April 2016	Decision of the GCRD taken together with the adoption of the Annual Report
	c. More attention paid to defining broader socio-economic expected results	Annual reports for 2016 and 2017, updated description of measure sheets	Implementing ministries and agencies, MRDI, GCRD
	d. Where relevant and possible, more reporting about the physical and financial progress in implementation of measures in individual regions.	Mid-Year and Annual Monitoring Reports	Implementing ministries and agencies, MRDI, GCRD
3.	Better coordination of ministries, agencies and other stakeholders in regard to programming, monitoring and implementation of the regional policy.	On-going process	MRDI
	a. Strengthening the capacity of the MRDI, including better staffing, additional trainings, more power in relation to setting standards for programming, monitoring and implementation and the application of territorial dimension to sectoral policies	On-going process	Georgian Government, MRDI and support programs
	b. Further efforts for aligning RDP priorities and instruments with regional development strategies and action plans to the extent practical and possible.	Until the end of 2016	GCRD, MRDI, Regional authorities,
	c. Ensuring further coordination between different agencies operating in the same field (e.g. MDF, Water company, RDF)	Until the end of 2017	GCRD, MRDI, other ministries and implementing agencies concerned

4.	Implementation of improved/simplified internal procedures under various measures including Regional Development Fund	On-going	MRDI, ministries and implementing agencies,
5.	For future regional development programs, consider increasing of expenditure reserved for infrastructure, financial allocations for human resource development, SMEs support, support of innovations and foreign investment and delivery of other essential public services (education, health, etc.).	Programs after 2017	Georgian Government, MRDI, donor community
6.	Efforts to allocate more money for implementation of more effective regional development policy.	Gradually, depending on the political and financial situation	
	a. Consider possibilities for converting Regional Development Fund from the source of money for municipalities into more complex instrument for promotion of socio-economic development of regions.	From 2016	Georgian Government, MRDI
	b. Further efforts to improve coordination between the budgetary expenditure and activities financed or implemented by international donors and encouraging more focus on regional needs instruments	From 2016	Georgian Government, Ministry of Finance, MRDI, donor community,
	c. Soliciting more funds and projects from the EU financial support frameworks for Georgia allocated directly to regional development.	After 2017	Georgian Government, EU

Annex 1. Summary of the financial and physical progress at the level of individual measures

1.1 Roads of international and national importance

The increase in the quality Georgian roads ultimately up to EU standards is one of the most important challenges of 2015-2017 RDP. This is reflected by the largest by far allocation of funds to this measure – half of all allocated funds for 2015 were made available for building roads. In the reportable year 186 contracts were signed and by the end of the year 73 projects have been fully implemented and 113 commenced. In comparison to the first half of the year in which mostly preparatory works had been implemented, in the second half of the year implementation of the measure considerably speed up. As a result annual financial targets were fulfilled by about 100% in all activities. In physical terms all annual targets were met with some additional works in natural disaster prevention. Implementation of some projects will be continued in 2016.

The highway's construction was the priority in 2015 and during the year the construction works were carried out on 97 km in the west and east part of the country (Tbilisi – Batumi road).

Construction of roads

Under those activities 98 per cent of allocated money was disbursed. As a result 29 km of highway sections were laid, with 19.5 km of four-lane highway, (totally 39 km of road surface was covered). The rest 9.5 km was dual highway. In 2015 the traffic was opened on 19.5 km of high way, the construction of 13 bridges is at the finishing stage and construction of additional 11 bridges has been just commenced. Expected result of the construction roads is an increase in a road safety and driving conditions, as well as reduction of travel times especially between major urban centers of Georgia (Tbilisi – Kutaisi-Batumi).

Rehabilitation of roads

In 2015 MRDI disbursed 153.7 MGEL for rehabilitation of roads and other transport structures. Altogether 245 km of roads (40 per cent out of 2015-2017 target) and 36 bridges were rehabilitated while 8 new bridges were constructed, that represented 40 per cents of 2015-2017 years' target. As a result, technical and operational conditions of the roads were improved, the transportation became more comfortable and less time-consuming.

Maintenance of roads

Maintenance of new and rehabilitated roads represents very important part of the measure. In 2015 38.9 MGEL has been spent for maintenance of roads. During the year different kinds of maintenance activities were carried on - in particular: repairing of the broken sections of roads, cleaning and prevention from fallen stones, cleaning from snow during winter period. By the end of the year intensive cleaning works were fulfilled due to the big snow almost in the whole territory of country. The snow cleaning machines and technical salt was used in many places. The contracted companies worked during 24 hours and were coordinated and monitored by the representatives of Roads Department supervisory department. That works were conducted in almost 6000 km of roads. As a result of maintenance activities an operational quality and safety of roads increased.

Regional dimension

All activities under this measure are implemented in various regions of Georgia thus contributing directly to an increase in their competitiveness and accessibility.

Regional distribution of the expenditures in 2015 shows that:

Works on construction of the highways were concentrated in Shida Kartli and Imereti where the main road between Tbilisi, Kutaisi and Batumi is stretching,

Regional distribution of works on rehabilitation of existing roads were more balanced and almost all regions had their fair share apart of small Guria in which only 0,3 kilometers of roads and 1 bridge was rehabilitated.

1.2 Solid Waste Management

During the first half of 2015 Solid Waste Management Company (SWMC) implemented construction and rehabilitation works on following 8 municipal landfill: Kaspi, Poti, Sachkhere, Terjola, Khashuri, Bolnisi, Dedoplistskaro, Ninotsminda. On Bakuriani one the construction works were carried out.

Regional Dimension

During the second half of 2015 construction and installation works were implemented on the following 6 municipal land fields: Oni, Dmanisi, Kazbegi, Tianeti, Chokhatauri and Aspindza. In the same period 13 municipal landfills were closed down in Chiatura, Khoni, Kharagauli, Senaki, Khobi, Tsalendjikha, Abasha, Ckorotskhu, Kareli, Mtsketa, Kvareli, Ureki and Zestaponi.

In total during the reporting year construction and rehabilitation works were done on 15 municipal landfills and 13 were closed down. This figures represent respectfully 76 and 68% of the planned for 2017 targets. In addition, during 2015 complex measures for improving the environment conditions in the municipalities were conducted by SWMC. The strategy foresees decreasing of negative impact on environment, inhabitants and ecosystem via rehabilitation and improvement as well as consolidation and closing down of landfills.

As a result of centralization and consolidation of landfills their number decreased that should positively affect the environment. The improvement of landfill conditions also positively affected environment and public health. The upgraded landfills are paved and covered by sand, thus preventing solid waste from wind, animals, fires and taint.

International Projects

As the continuation of the consolidating process Solid Waste Management Company of Georgia Ltd. with financial support of KfW (Entwicklungsbank) plans in coming years to implement a large project aimed at building of a new regional sanitary landfill in Kutaisi in accordance with international standards, which will serve Imereti, Racha-Lechkhumi and Kvemo Svaneti region. The construction works hasn't been started yet, currently the project design works are in progress implemented by ERM consulting company. Finishing of the land field construction is planned in 2017.

1.3 Water Supply, sewage and waste water systems

Under this measure 6 different activities are being implemented: 4 of them by the Municipal Development Fund (MDF) and financed by international loans and grants (EIB, SIDA) and planned under budgetary codes 25 04 from 01 to 04) and 2 of them by the

Georgian State Water Company (GSWC), which are financed under budgetary codes 25 04 05, 25 04 06.

Part A. Activities implemented by MDF

During 2015 MDF implemented projects which started before 2015. Projects aim to construct and rehabilitate water supply, sewerage and waste water systems in order to improve infrastructure and support increase of tourist potential in regions. The projects are financed by largest donors - European Investment Bank (EIB), Swedish International Development Agency (SIDA), ORET-Netherlands Export Development Program and the State Budget as a co-financing source. Within the projects water pipelines were renewed, new pump stations were built, water meters were assembled, chlorination buildings were rehabilitated and etc. During 2015, total 3727 new customers were connected to the water supply network and 296 to the sewerage systems in Georgia. Length of rehabilitated or newly constructed water supply pipes reached 485,4 km. The more general results of the projects include: improving of living conditions in Georgian regions, rehabilitation of water supply and water sewage systems. In general, works were done according to the schedule. However, in some cases the terms of contracts were changed due to financial or other problems of contractor companies.

1.3.1 Kobuleti Sewage Project - European Bank for Reconstruction and Development, ORET-Netherlands Export Development Program 25 04 01.

The project is being realised in Kobuleti. The project includes construction of the sewage cleaning facility. The contracted company delivered works with delay so this caused the termination of the contract and need to find a new company. Due to the bad weather conditions some changes were done in the project that caused the delay in starting of the implementation process. Despite the abovementioned complications, the financial indicator for 2015 was fully reached.

1.3.2 Water Infrastructure Renovating Project-European Investment Bank (EIB)- 25 04 02

The program includes the rehabilitation of water supply systems in three different municipalities: in Guria-Chokhatauri, in Imereti-Zestafoni (3rd phase) and Terjola. Chokhatauri and Zestafoni works were finished. The set up indicators included improvement of living conditions of the population and rehabilitation of water system. During the project the following works have been delivered: pipelines were changed, new pumps were constructed, water meters were assembled and the chlorination buildings

were renovated. Broader results include the water system improvement and supply of population with quality water in Kobuleti.

In the reporting period the annual financial execution was 96% (2.8 MGEL)

1.3.3 Water Infrastructure Renovating Project II EIB, EU – 25 04 03

Within this activity water system was rehabilitated (among others pipelines renovation and installation of new water meters) in:

- Kakheti: Akhmeta, Lagodekhi, Sagarejo, Tsnori, Sighnaghi Telavi-Kurdgelauri, Gurjaani;
- Racha-Lechkhumi Kvemo Svaneti: Oni;
- Imereti: Tkibuli, Zestafoni;
- Samegrelo-Zemo Svaneti: Abasha, Khobi, Senaki;
- Guria: Ozurgeti;
- Shida Kartli: Kareli;
- Kvemo Kartli: Tetrtskaro, Tsalka, Bolnisi;
- Samtskhe-Javakheti: Akhaltsikhe, Aspindza, Likani-Tsagveri;
- Mtskheta-Mtianeti: Dusheti.

In Oni and Gurjaani projects were completed by the end of the year and the rest are in progress. Within the project also engineering and consulting supervisory works were performed. The expected results of the activity include increasing of living conditions through improvement of water supply system in regions. According to the donor requirements projects were redesigned thus construction works started with delay in 2015 instead of 2014. In order to correct/redesign project documentation ILF – a supervising consulting company was recruited. It didn't affect however the financial annual execution, that was about 100% (31.3 MGEL) in the reporting period.

1.3.4 Sustainable Management of Sewage System (SIDA) – 25 04 04

Within this activity is implemented rehabilitation of sewage systems in Tskaltubo (Imereti) and Telavi (Kakheti). The project started in 2014 and in 2015 the following activities were carried out:

- Preparation of feasibility study of clearing facilities for waste water in Telavi and preparation of technical specifications for Telavi and Tskaltubo cleaning facilities.
- Preparation of environmental effect assessment of clearing facilities in Tskaltubo and Telavi.

The amount of financial resources allocated under the activity was 0.461 MGEL that have been absorbed completely.

PART II. Activities implemented by GSWC

Georgian State Water Company implements the **Investment Program of Improving Urban Services (budgetary code 25 02 05)** financed by one of the largest donor - Asian Development Bank (ADB). The program currently contains 4 active tranches and covers three regions: Guria, Imereti, Samegrelo-Zemo Svaneti. The description below reflects the share of work done and amount disbursed compared to the total value of each particular contract because some contracts were finished in 2015, some started in the reportable year and some – will be finished in following years (e.g. 2016, 2017 or 2018). Few contracts were signed in Q3 of 2015 and amounts in advance were transferred.

The **first tranche** of the abovementioned Investment program includes: Head work and water main network construction in Mestia which commenced on 20 July, 2015; Kutaisi, Poti, Anaklia water supply system construction/rehabilitation. As of 31st of December 2015 88 % of contractual work was done and 81 % of amount was disbursed. Under Mestia and Anaklia water cleaning head work construction 21 % of contractual work was done and 19.3 % of contractual money disbursed. Water supply and construction of sewage system in Ureki project is financed from 3 tranches, as of the end of reportable period 22 % of work was done, while 21.4% of contractual value disbursed. The construction of the company's head office in Tbilisi is also included in this tranche. The contract was signed on December 1, 2015 and the start of works is planned on March 2016.

The **second tranche** includes construction and rehabilitation of water supply and sewage system in Mestia and Anaklia. As of December 2015 25,5% of contract works was done and 25% of the value of contract disbursed.

Within the **third tranche** Ureki sewage cleaning head work is in progress. As of the end of 2015, 21.5 % of contractual volume of work was done and 15% of value disbursed. The second phase of Kutaisi water supply system construction-rehabilitation: 8.4 % of work was fulfilled and 7.3% of contractual value disbursed.

Within **the fourth tranche** the contract on Zugdidi water system construction-rehabilitation was signed on October 26th, 2015. On December 25, 2015 the contract of Poti sewage system construction was signed.

In addition to construction works all abovementioned tranches cover also consulting, supervision costs, engineering of projects, auditing costs and individual consultations of ADB.

Within the activities of water supply support (other than ABD projects) with the budget code 25 04 06 1.9 MGEL was disbursed in the first half of 2015 and 1.8 MGEL - in Kaspi (Shida Kartli), 0.7 MGEL–Udabno (Kakheti). 9 MGEL were subsidized by the Government and projects were planned and added, during 2015. It resulted in notable increase (up to 167 %) of annual financial indicator comparing with planned one. Projects implemented by ADB are implemented in the following regions: Guria (Ureki), Imereti (Kutaisi) and Samegrelo-Zemo Svaneti (Poti, Mestia and Zugdidi). In addition, in Tbilisi the head office building project is also funded from the same source. Within the activities of water supply support (other than ABD projects) with the budget code 25 04 06 projects were funded in following municipalities and regions: in Kaspi (Shida Kartli) and Udabno (Kakheti).

Measure 1.4 Natural Disaster Risk Reduction and Management of Polluted areas of old Industrial sites

The measure is composed of different types of activities implemented as a part of the MRDI budget for roads: budgetary Code 25 02 02 05 (Works to be carried out as the immediate response to natural disasters and prevention) and 25 02 02 07 (Coast fortification works), policy framework elaboration by the National Environmental Agency (budget code 38 07) and also Project of Mitigation of Industrial Waste supported by the Dutch Government for which the responsible institution is the Ministry of Environment and Natural Resources Protection of Georgia (budget code 38 01).

Within the part implemented by MRDI following activities have been carried out:

The coast fortification works

The coast fortification works were carried out on 21 places in 2015 and 18 were commenced. 3 projects will be continued in 2016. regarding financial performance the actual expenditure for the activity was 6.8 MGEL which is about 100% of the target value

for 2015. The expected sustainable result is prevention against erosion and protection of the population from consequences of floods.

Sub-measure 1.4. (a) Natural disasters liquidation and prevention works

The relevant works were fulfilled in 31 places of which 21 projects were finished in 2015. The works met 44 per cent of 3 year estimated target value. As the result of works relevant road sections were rehabilitated that increased safety and improved the movement of vehicles

Regional Distribution

Works have been carried out according to the needs for the preventive activities (coast fortification activities) and natural disasters occurring during 2015. The biggest number of realised projects are found in Kakheti (In total 12 projects) but the biggest amount of money was spent in Mtsheta-Mtianeti (2,2 MGEL) followed by Guria (2,0 MGEL)) and Kakheti (1,5 MGEL)

Environment protection, monitoring, forecasting and prevention (only own resources)

As regards a part of the measure implemented by the **National Environmental Agency (NEA)** **this was** financed entirely by own resources of the Agency. For 2015 the planned expenditure of the Agency under 38 07 code (part of the code) was set up at 0.2 MGEL, but the expenditure for the activity was 0.587 MGEL. The execution was about 2.5 times more than the amount set in the target of the activity.

Moreover after the corrections made to the Budget during the 2015 year, actual budget of the Agency for 2015 (more specifically, the Agency's own revenues) under the code 38 07 was set at 11.6 MGEL. Total expenditures for 2015 equals to 10.68 MGEL(92%).

The list of activities and outputs elaborated during the year 2015 include:

- annual informational bulletin “Results of Geological Hazards Development in 2014 and Forecast for 2015 in Georgia”, which was delivered to the Governors of ten (10) regions of Georgia (including Tbilisi and Adjara), different ministries and institutions;

- the observation and data analyses on hydro meteorological stations and posts on daily basis (24 hours) for the whole territory of Georgia aiming at forecasting weather and natural hazards.
- forecasts and warnings for expected hydro meteorological events (in reporting period 69 warnings were issued);
- forecasts of the spring flood and flash floods from river basins and geological hazards (landslides, mudflows, hail,) for 11 regions (including Tbilisi and Adjara) of Georgia;
- establishment of the temporary station for forecasting Natural hazards/disasters (landslide, mudflows) on the slope of mountain Mkinvari , Developed the conception of creation early warning (alarming) system in Stepantsminda;
- preparation of the natural hazard maps (1:10000 and 1:5000 scale) of floods and avalanches, elaborated preventive measures and recommendations, for mountain zone (Mestia Municipality);
- elaboration of hydro meteorological and topographic surveys on 12 main rivers of Georgia among them on Mtkvari River;
- elaboration of 153 visual geo-engineering conclusions in accordance with the requests from different regions' municipalities and citizen's applications, assessed visually 378 populated areas and 1014 households, developed recommendations for conducting emergency measures and preventive activities against forecasting natural geological hazards;
- analysis of geological hazards, prepared preliminary assessment and emergent visual engineering-geodynamic conclusion on "Bigger" Tbilisi territory – Tskneti borough, village Akhaldaba and Tsveri territories about situation induced by geological phenomenon on June 13-14, 2015;
- annual geological monitoring in 11 regions of Georgia, developed 44 geodynamic and geo-ecological assessment reports;

Regional Distribution

NEA activities in 2015 have been implemented almost in all regions of Georgia. The detailed list of activities in regions include:

Mtskheta-Mtianeti region—establishment of temporary station for forecasting Natural hazards/disasters (landslide, mudflows) on the slope of mountain Mkinvari . Development of conception of the early warning (alarming) system in Stepantsminda;

Samegrelo-Zemo Svaneti region - preparation of the natural hazard maps (1:10000 and 1:5000 scale) of floods and avalanches, elaboration of preventive measures and recommendations for Mestia Municipality Mestia village and Mulkhuri community

Racha-Lechkhumi-Kvemo Svaneti and Imereti regions - carrying preliminary works for planned river bank protection projects in 4 municipalities (Oni, Lentekhi, Tsageri and Samtredia) in the frame of the UNDP funded project; Monitoring explorations on 3 landslide prone areas in Imereti and in the framework of the project “Developing climate resilient flood and flash flood management practices to protect vulnerable communities of Georgia”;

Mtskheta- Mtianeti region- Carrying out an assessment of hazardous geological processes (landslide, mudflow, debris flow, rock fall, etc.) in the valley of river Aragvi in Dusheti municipality; design of geological hazard maps using modern methodology; elaboration of recommendations for future measures; set up of monitoring network on several locations in the framework of project funded by the Czech Development Agency.

Preparation of the visual engineering-geological conclusion on disaster induced by geological hazard in uninhabited territory of high mountainous part of the region (Khevsureti, **Mtskheta- Mtianeti region**);

1.4 Sub-measure (b): Old Polluted Industrial Sites

Decontamination of the old industrial polluted zones is the state responsibility. In this regard, the Ministry of Environment and Natural Resources Protection of Georgia implemented project “As contaminated waste in Georgia” in 2011-2015. The project was financed by the Dutch Government (budget 750 000 Euro). The available financing was not enough for safety disposal of existing volume of As contaminated waste and additional amount of finances was allocated from state budget of Georgia. In March of 2015 was allocated in equivalent amount of GEL 114 294 Euro (about 0.278 GEL) under the code 38 01.

The annual financial target for 2015 was fulfilled by about 98.6%. In physical terms the annual target was not met in safety disposal of As contaminated wastes in Racha district (village Uravi). Some activities were transitional with continuation in 2016. The detailed list of activities include:

- Construction of sarcophagus (volume 3000 m³) for disposal low contaminated construction and extractive waste in site 1/“Uravi 1”;
- Building of sarcophagus (volume 10 000m³) for disposal highly contaminated construction and extractive waste in site 3/ “Uravi 3”;
- Rehabilitation of existing sarcophagus (volume 7000m³) in the site 2/ “Uravi 2”;
- All sites were fenced and relevant signs were established;
- Demolition of buildings polluted by As contaminated construction and extractive wastes.

In total during 2015 20 000 m³ of As contaminated industrial waste in Racha was safely disposed (Ambrolauri municipality) district of the Racha-Lechkhumi-Kvemo Svaneti region.. As a result, the risk of environment pollution and negative impact on health of local population was decreased.

The main obstacle in assuring safe disposal of remaining in Georgia As contaminated industrial waste is lack of proper financial resources. Additional old industrial site of As contaminated waste is located in Kvemo Svaneti district (Village Tsana) in the Racha-Lechkhumi-Kvemo Svaneti region. In 2012 thanks to financial support of the "Environment and Safety Initiative" was implemented project for the assessment of environment pollution and estimation of existing hazardous waste amount. The amount of As contaminated waste was estimated at 52 000 ton accumulated in village Tsana, Kvemo Svaneti. Lastly the Ministry of Environment and Natural Resources Protection prepared and submitted to the government “National Waste Management Strategy 2016-2030 and Action Plan 2016-2020”. Adoption of above mentioned documents expected in March 2016. According to those documents safety disposal of waste existing in Kvemo Svaneti village Tsana is planned to be undertaken with donor assistance in 2017-2019. The required amount of funds is approximately 2,4 million Euro but funding is not assured.

Regional Distribution

The safety disposal of hazardous As contaminated waste conducted in only one region of Georgia-Racha Lechkhumi-Kvemo Svaneti region.

The main obstacle was insufficient funds. As a result the fortification of river Lukhumi bank near which located sarcophagus of site 2/ Uravi 2 was not conducted; Because of broken 15 km section of access road to the site 4 /Uravi 4 was not able to conduct planned activity- safety disposal of As contaminated hazardous waste.

Measure 1.5. Georgia's forest inventory and implementation of stable forest inventory

Georgia is the country with rich forest resources. Forests are one of the main natural resource providing the population with timber, building materials, forest secondary products and hunting/trade animals and birds. Promotion of stable forest management and use to ensure fair and equal distribution of benefits among local population is one of the challenges of 2015-2017 RDP.

Activities aiming at stable forest management are implemented as a part of the overall budget of the Georgian Forest Agency (LEPL). For this type of activities planned financial target for 2015 was 1,8 MGEL (corrected in July 2015). This annual financial target was fulfilled by about 76,4%. In 2015, LEPL National Agency, besides central budget allocation, also spent 0.2 MGEL from its own revenues on forestry activities. During 2015 the following activities have been conducted:

Georgia's Forest Save and restore

Activities directed to fight pests and diseases in Samtskhe-Javakheti were continued: pesticides to fight the pests were identified and 10 000 units of pheromone Ipsovit were procured. As a result, approximately 3 million pests were destroyed. Activities directed to fight pest in Mtskheta-Mtianeti were continued: dispersal of the pest was studied and locations to apply pesticides were identified and the type of pesticide was also established. In order to implement measures to fight pests related diseases identified in Imereti region, it was procured 150 units of pest traps and two types of pheromones (timovit and aquvit) to fight different ips beetles. In Guria, the grant agreement with Baku-Tbilisi-Ceyhan Pipeline and South Caucasus Pipeline Company (BP) was amended in order to prepare the study how to maintain and restore forest. In order to study pathogens of boxwood in state forests, 2000 boxwood cuts had been prepared for their multiplication and restoration in their natural habitat. As a result of great job in forest management we are applying new standards in forest management, by providing information and raising awareness on the number and conditions of forest in Georgia.

Forest Utilization Activities

In forests managed by the agency, road construction (new roads) and rehabilitation plans have been developed. As a part of the planning process in total 216.62 km of roads have been designed, including construction of 44.4 km of new and rehabilitation of 172.2 km of existing roads.

Georgia's forest inventory and stable forest management

Under this heading during 2015 were carried out following activities:

- Size of forests managed by the LEPL Forestry agency was revised.
- Two online tenders were announced and the contracts signed for forest area inventory works in Samtskhe-Javakheti region, namely in Akhaltsikhe (33 000 ha) and Aspindza-Akhalkalaki (20 500 ha). As a part of this contract, preliminary works (1st stage) is already completed and part of the 2nd stage – field work, is also done. Since the agency was able to identify winners of the tender only in the second half of 2015, there was not enough time to implement activities under the contract in the same year and therefore, the contract was extended into 2016.

Fire prevention

As regards fire prevention measures, (budget code 38 04 05), the expenditure within 2015 amounted to only 0,232 MGEL as compared with a target value 0,597 MGEL. So moderate progress occurred due failure to purchase a special tractor for fire prevention and mitigation (0,5 mln GEL). The other planned activities, including equipping of forestry districts with basic firefighting tools (46 units) and improving sanitary conditions of the forest (total covered area is 26 000 ha) were undertaken.

Also during 2015 few pieces of fire extinguishing equipment were procured as well fire extinguisher displays, gas-foam fire extinguishers, backpack/compact extinguishers. The equipment was distributed among 9 forestry services.

In the second half of the year, one online tender was completed for one bulldozer; however, the winner of the tender could not supply the unit. For this procurement the agency only paid an advance fee in the amount of 30%. The fact that the procurement procedure was not completed also had a negative impact on the execution (38.9%) of the planned budget.

Regional Distribution

The measure has been implemented in all regions of Georgia:

- In Racha-Lechkhumi-Kvemo Svaneti, Samegrelo-Zemo Svaneti and Samtskhe-Javakheti regions in order to execute special cutting activities, timber resource stocks have been recorded and revised and areas for special cuts identified;
- In Kakheti, Acacia growing have been studied, stocks evaluated and special functional location units and their size have been identified;

- In Samtskhe-Javakheti region - on the territory of 4 forest districts (Adigeni, Akhaltsikhe, Aspindza-Akhalkalaki, Borjomi-Bakuriani) 5 000 units of pest traps with pheromones were deployed. In the second half of the year from May to October 2015, 10 monitoring visits were conducted and pesticide in traps was changed. As a result approximately 3 million pests were destroyed
- In Guria region in order to study pathogens in Chokhatauri and Bakhmaro forest districts the draft version the project to maintain and restore forest district in Bakhmaro resort was prepared.
- In Kakheti and Samegrelo-Zemo Svaneti in order to mitigate pathogens, locations have been identified to prepare cuttings.
- In Imereti region, traps with pheromones were placed on Tkibuli forest district, where pests have been identified.
- In Samegrelo-Zemo Svaneti, Kakheti, Guria, Imereti and Racha-Lechkhumi and Kvemo Svaneti regions, international expert hired by ICUN conducted field research in order to plan activities directed to fight pests and diseases.

2.1 Supporting business in Georgia's regions through the institutional and programming initiatives

The overall performance of the measure can be assessed as relatively low in financial terms and despite this quite successful in regard to the number of supported business. The total target value for 2015 indicated in financial table was 12 MGEL. The EDA received from MoF in form of subsidy 9.8 MGEL to finance businesses instead of planned 12 MGEL. That amount was distributed among regions including Adjara and Tbilisi. Total share of actual execution of the program without Adjara represents 76.4%. To sum up - the main reason why the program financial execution was relatively low has been the cut in funds allocated by MoF for EDA for the co-financing of the businesses in both components.

Under this measure are implemented three components:

Produce in Georgia

“Produce in Georgia” is a state program aiming to support private sector development through increasing financial and technical assistance. During the reportable year the program focused on private sector needs and made respective changes in order to match

those needs. The changes resulted in growth of investment and loans volumes as well as increasing of number of supported businesses despite lower than planned availability of funds. In 2015, for the micro and small business development projects EDA (Enterprise Development Agency) required 12 MGEL 2015 but received only 9.8 MGEL. This amount was distributed among regions for supporting small and micro enterprises development and co-financing for banks and leasing company's loans. Due to lower than expected financing and in the same time high demand from the side of SMEs some business ideas will be co-financed in 2016.

Regardless the actual volume of MoF subsidy, which was less than expected, the number of newly opened enterprises reached 26 instead of 15 planned, number of upgraded business was 30 instead of 37 planned, volume of loans issued was 96.5 MGEL vis-a-vis 60 MGEL planned and actual total investment volume exceeded planned by 32.6 MGEL.

“Produce in Georgia” small and micro business development component aims to support development through equipment of small and medium entrepreneurs with necessary funding and knowledge. The component supports business ideas and provides intensive training in project management and business plan and offers co-funding for start-ups from 5 000 up to 15 000 GEL. During 2015, 610 new micro and small business were co-financed and started and almost all of them were in regions. It is one fifth from 2017 target; At the same time newly established businesses contributed to creation of 2100 new jobs - almost equal to the targeted value in 2015 (2530). Altogether the Program supported 1040 business ideas.

Co-financing of loans issued by commercial banks

The second component of the measure foresees co-financing of loans issued by commercial banks (minimum amount of loan 150 000 USD) and leasing companies (up to 50 000 USD) to finance various businesses in industry sector and purchasing of machinery and equipment. Within the Program Enterprise Development Agency signed 64 contracts of co-funding the interest's payable to commercial banks. Total expectable investment is 174 MGEL while volume of approved loans – 97 MGEL. Largest Georgian commercial banks (TBC, BoG, ProCredit Bank, VTB, Cartu Bank, Basis Bank, KorStandard Bank, Progress Bank and Bank Republic) issued loans for industrial (non-agriculture) production. During 2014-2015 EDA signed 88 loan contracts, of which 66 are banks' loans and 22 – leasing companies' loans.

Support to businesses infrastructure

Within the infrastructure support component of the programme the property was transferred to 21 beneficiaries during 2015. This is the leasing component and foresees the transferring machinery and equipment to businesses. Totally since the beginning of the Programme in 2014 the property was transferred to 47 beneficiaries and 8 from them are also participating in second (loans) component of the Programme.

Regional dimension

The Program has notable regional dimension. The Program's implementation resulted in establishing 10 new enterprises (other than micro and small) in the regions: in Mtskheta-Mtianeti-2, Samegrelo-Zemo Svaneti-3, Kvemo Kartli-4 and Shida Kartli-1. Already existed businesses were upgraded in Imereti-4, Mtskheta-Mtianeti-4, Samegrelo-Zemo Svaneti-2, Kvemo Kartli-3 and Shida Kartli-2. 60% of banks' loans (58,5 MGEL) were issued to regional businesses. The largest volume of loans was issued by the banks for businesses in Kvemo Kartli-33,7 MGEL, followed by Mtskheta-Mtianeti-10,7 MGEL. Banks' loans were received also by businesses located in Samegrelo-Zemo Svaneti (7.5 MGEL), Imereti (3.7MGEL) and Shida Kartli (2.8 MGEL).

The program supported regional small and micro businesses. 97% (517 out of 610) of micro and small business were created in the regions (outside Tbilisi). In two regions the number of newly created businesses exceeded 100: in Samtskhe Javakheti 125 and Imereti 112. Half of the new jobs (1054 out of 2100) were created outside Tbilisi.

3.1 Improve Agricultural Water Management

Since January 2015 51 rehabilitation projects aiming at modernisation of irrigation systems in the country have been financed from the state budget. By the end of the year the Georgian Melioration Ltd managed to finish rehabilitation of 44 projects (out of 51). As a result additional 12,000 ha of land are irrigated. Access to irrigation water has been improved for 9,000 ha of land. In total country has 108,000 ha of arable land under the irrigation. For this type of projects majority of allocated funds have been used 63.5 out of 64.40 MGEL of spent money

In addition, in 2015 under this measure 15 drainage projects have been initiated and 7 have been finished by the end of the year. As a result 1,375 ha of arable land have been equipped with the proper drainage system and on 620 system was rehabilitated. In total 1995 hectares of arable land got drainage system. By rehabilitation of irrigation system farmers and other consumers (80-90 thousand beneficiaries) will be ensured by full time irrigation water, water drainage systems will be removal from settlements and farmers will use the land areas, also settlements will be protected from flooding.

Regional dimension

Irrigation projects finalized in 2015 were concentrated in the following regions: Shida Kartli – 15 projects, Kvemo Kartli – 10, Kakheti – 6, Samtskhe Javakheti – 4, Mtskheta Mtianeti – 2. Drainage projects were realised in: Guria – 2, Adjara – 1, Samegrelo Zemo Svaneti – 4. Distribution of projects across the country reflects needs of individual regions and agricultural conditions and is based on the Strategy for Agricultural Development in Georgia 2015-2020 adopted in 2015 by the Government of Georgia.

Lack of the melioration data bank and registry limits possibilities to assess the real capacity of the system and make proper inventory that as a result affects management and development possibilities. Ministry of Agriculture should help the company to initiate the process of data bank and registry development. Georgian melioration needs up to GEL 1 billion for 2020 to reach the planned targets. It is important to have donor support and coordination of the activities between the government and international aid in order to avoid duplication and overlapping in infrastructure projects.

3.2 Improve Access to Finance

Concessional Agro Credits program subsidized interest rate of additional 4092 generated loans. In the first half of the year agency subsidized 2134 loans and in the second half 1958 loans respectively. The Agriculture Projects Management Agency (APMA) had GEL 30 million budget for this program however later on this budget has been corrected and increased GEL 34.47 million. This change affected the number of loans subsidized. This program generated fourteen (14) new enterprises that produce different agriculture and food products all over the country. APMA has already exceeded target (2500) almost by 100%. That shows good process of the programme implementation that in the long run will affect the local food production statistics in the positive manner. As a result of improving access to finance also will be increased effect of the Spring voucher programme, volumes of annual land perennial crops and by the government insurance

program, farmers in case of the loss will be reimbursement of production costs. Concessional Agro Credits programme gave the motivation to the investors to speed up investment processes and expand production and processing capacities. Not all the small scale farmers have access to the Concessional Agro Credits program because of the lack of financial management and bookkeeping information. This program is 100% implemented by the commercial bank that is why loan procedures are standardized. Small scale and medium scale producers lack access of finance experience and they do not know how to present their business ideas and plan in proper way. It is important to strengthen the capacity of the small and medium scale farmers and farm groups in order to increase their possibilities of access to finance. Support in development of the right business plans would be a very important step forward in this direction.

Regional dimension

New enterprises financed through the concessional agro credit program in 2015:

- Kakheti - 1
- Kvemo Kartli - 2
- Shida Kartli - 2
- Mtskheta Mtianeti - 2
- Samtskhe Javakheti - 1
- Imereti - 2
- Samegrelo-Zemo Svaneti - 3
- Guria - 1

Majority of the support under this measure in the form of subsidizing interest rates of the loans financed under the concessional agro credit program in 2015 went to Kakheti in which 1925 loans have been supported. The scale of support in other regions was much lower:

- Kvemo Kartli - 484
- Shida Kartli - 665
- Mtskheta Mtianeti - 60
- Samtskhe Javakheti - 177
- Imereti - 219
- Racha Lechkhumi - 14
- Samegrelo-Zemo Svaneti - 164
- Guria - 19
- Adjara - 24

3.3. Other Programs (Testing and distributing of new varieties, development of cooperatives, food safety and development of wine industry)

This measure is composed of various agriculture support activities and is implemented by four different agencies and centres of the Ministry of Agriculture. The biggest share of funds under this was allocated and spent for the project **“Support for Small Land Owner Farmers Spring activities vouchers”** (financed from the budgetary code 37 01 08) implemented by the Agriculture Projects Management Agency (APMA). In total in 2015 more than 46 MGEL have been spent on this program. Out of this amount one part has been spent on mechanization and other operations related to land preparation and the other one on voucher program for agriculture input (fertilizers, plant protection chemicals and etc.).

Project had 619,000 beneficiaries in the regions out of which 195,000 got the mechanization support and all the rest (more than 400,000 farmers) benefited from the input vouchers for fertilizers, plant protection chemicals and other inputs needed for agriculture production. As a result of these activities additional 225,000 hectares of arable land have been ploughed and seeded with different crops affecting primary production numbers and average yields.

In addition to day-to-day activities APMA had a couple of intervention activities related to the support of the grain harvest in the conflict zone bordering villages of Shida Kartli region. More than 1500 farmers got free of charge harvest of grain crops on 1700 hectares of arable land with the value spent GEL 155,000. Similar project was implemented in Kakheti region, Kvareli and Lagodekhi districts affected by hail in August-September 2015. Agency assisted 1500 farmers with the plant protection chemicals valued GEL 65,000.

Regional distribution

Table 1. Regional distribution of the project “Support for Small Land Owner Farmers Spring activities vouchers” in 2015:

Region	Planned Number of Beneficiaries	Planned Value of Support (GEL)	Real Number of Beneficiaries	Real Value of Support (GEL)	% of Real Beneficiaries VS Planned	% of Real Value VS Planned
Imereti	165,079	11,189,870	138,717	9,753,039	84%	87%
Kakheti	100,650	9,139,833	81,057	7,696,094	81%	84%
Samegrelo Zemo Svaneti	101,235	7,781,618	86,353	6,870,769	85%	88%
Kvemo Kartli	95,469	6,509,601	69,563	4,965,335	73%	76%
Shida Kartli	75,978	6,270,581	62,542	5,365,786	82%	86%
Samtskhe Javakheti	45,327	4,716,151	39,763	4,287,960	88%	91%
Adjara	62,796	3,430,441	51,720	2,916,372	82%	85%
Guria	49,594	3,133,188	42,526	2,929,224	86%	93%

Mtskheta Mtianeti	40,334	2,955,724	26,435	2,103,693	66%	71%
Racha Lechkhumi Kvemo Svaneti	24,364	1,350,208	17,214	1,051,584	71%	78%
Tbilisi (surrounding villages)	6,192	381,052	3,626	222,127	59%	58%
Total	767,018	56,858,267	619,516	48,161,983	81%	85%

The second biggest in financial terms activity under this measure is the project “**Development of Viticulture**” implemented by the National Wine Agency and financed by the State Budget under the code 37 03. National Wine Agency had GEL 19.9 million as a target value in 2015 budget but due to state budget amendments the value increased to 44.21. During first 6 months of the 2015 The Agency due to climate conditions had spent only 3.8 MGEL. In the second half of the year implementation of the program accelerated allowing for the use of 40.51 MGEL. This good financial performance of the activity reaching altogether 44,21 MGEL. Concerning the promotional activities related to the Georgian wine, national agency conducted 39 events in total (6 international exhibitions, organized 21 degustation events, one international conference and one wine festival).

As an indirect result of the promotional activities in 2015 more than 36 million bottles of wine have been exported to 46 foreign countries with the value exceeding USD 98.1 million. However political and financial crises on the neighbouring export markets affected and influenced export volumes and value of the export of the Georgian wine. Export quantities decreased on Russian and Ukrainian markets. It is important to continue diversification of the wine markets and actively promote Georgian wine on new markets. The National Wine Agency sees new markets like India and China as having a big potential for the Georgian wine exports and an area of concertation of the future promotional activities.

Regional dimension

Kakheti region as the biggest producer of wine grapes and wine attracted majority of funds under this program both under direct support to farmers and indirectly as target area of wine promotional activities. More the 18,000 farmers from Kakheti directly benefited from the program.

Food safety, plant protection and episodic safety was one of the most important activities implemented by the National Food Agency of Georgia. Target value of the budget was 24.7 MGEL. At the end of the year the NFA has used about 30 MGEL of funds for the activity, that is 23% more than the target value of the activity.

As a result of this spending, food agency managed to inspect more than 8,000 registered food operators that is important condition in cooperation with EU and for the harmonization of the legislation with EU standards. In addition, to that NFA also made significant increase in laboratory test of food products, having food safety lab tests channeled more than 4,218 samples to the private and public labs. Concerning the animal identification system more than 402,000 cattle and 86,000 sheep has been identified and tracked using the database. Concerning the phyto-sanitary measures NFA applied plant protection chemicals all around the country on 37,000 hectares (against American White Bight and grasshopper).

NFA has identified and fined seven business operators that had unsafety food on their shelves. Out of 8234 inspections conducted NFA has fined 1168 companies having outdated (expired storage date) food on the shelves. Up to seven business operators have been fined because of the incompliance with state regulations.

NFA has issues on the village levels while making plant protection applications. in most cases it is difficult to empty the field and pastures from the cattle and often agency is forced to postpone the treatments that is also connected with extra human and financial costs. NFA recommends better communication on the municipality level to guarantee the successful application of safety and the phito-sanitary measures.

Regional dimension

Most of the activities implemented by the national food agency are well distributed in all regions of the country. In 2015, National Food Agency conducted inspection of the food and agriculture enterprises. Below is the list of regions and number of inspections conducted on region level:

- Shida Kartli – 472
- Kakheti - 633
- Kvemo Kartli – 537
- Mtskheta Mtianeti – 235
- Imereti - 781
- Samegrelo Zemo Svaneti – 596
- Samtskhe Javakheti – 361
- Racha Lechkhumi Kvemo Svaneti – 91
- Guria – 321

Regional distribution of the food samples and inspection of the food enterprises is well diversified taking in account number of enterprises and number of inhabitants of each region.

Co-financing of Agro-Processing and Storage Enterprises was one of the most important programs implemented by the Agriculture Projects Management Agency. In 2015, value of co-financing of the agro processing and storage facilities reached GEL 5.6 million. Out of approved 29 projects final contract have been signed with 18 companies. Eleven (11) projects are already finished and factories are functioning. In 2015, project got better feedback because of the new changes initiated by the Government of Georgian that allows APMA to disburse the funding in 12 additional municipalities of the country. Since 2015 grant amount was increased to 60% (instead of 40%) and the minimum lump sum budget decreased to USD 100,000. This program will positively affect the regional economy and employment generation figures. Regional coverage of the projects is quite positive.

In 2015, APMA made changes in the program affected most vulnerable districts of the country most of them represent the mountain areas of the country. Government intends to promote investments in the economically less developed regions and for this purpose have been simplified the procedures for the companies that have willingness to invest. In addition to that special conditions have been developed for agriculture cooperatives and

they can have bigger portion of the grant rather than individual farmers. Capacity building and strengthening directions for the potential investors should be also considered as the complementary activity together with the grants.

Regional dimension

Activities under this program are well diversified by the regions. 29 projects approved in 2015 by regions (note only 18 contracts have been signed and 11 projects launched in 2015) with the APMA's co-financing value in USD.

- Kakheti – 3 projects (474,000 \$)
- Kvemo Kartli – 1 project (179,000 \$)
- Shida Kartli – 3 projects (597,000 \$)
- Mtskheta Mtianeti – 5 projects (991,000 \$)
- Samtskhe Javakheti – 1 project (130,000 \$)
- Imereti - 3 projects (621,000 \$)
- Racha Lechkhumi Kvemo Svaneti – 1 project (140,000 \$)
- Samegrelo Zemo Svaneti – 8 projects (2,095,000 \$)
- Guria – 3 projects (960,000 \$)
- Adjara – 1 project (400,000 \$)

Another important activity which has been realised in 2015 under this measure is **“Supporting measures for agriculture cooperatives”** implemented by the Agriculture Cooperatives Development Agency and finance by the State Budget under the code 37 01 05.

Initial budget of the program was 4.32 MGEL but during the year it was cut down to 2.68 MGEL. Agency has spent only 0.37 MGEL during first 6 months of the year but in the second quarter implementation accelerated and expenditure reached 2.2 MGEL. In total budget spending reached 2.57 MGEL, what represents 95.9% of the target value.

By the end of 2015, agency registered 1264 agriculture cooperatives, out of which 856 have been formed and registered in 2015. These cooperative unite 9302 shareholders (member farmers) with the capital investment exceeding 17.9 MGEL. In 2015, through the state support program 461 agriculture cooperatives got hand tractors (Moto blocks) and 55 hand seeding machines. Also government constructed hazelnut consolidation center in Darcheli village (Zugdidi district) and gave it to the agriculture cooperative Darcheli in long lease (up to 5 years). This cooperative has 500 shareholders.

There were not significant issues related with the registration of the cooperatives. In general budget cut have not affected the achievement of the output targets set at the measure level. Lack of funds in the local municipalities limit possibilities to give additional incentives to the agriculture cooperatives. In addition, lack of proper infrastructure on the district level affects agriculture cooperatives in logistic and other business related things. Lack of differentiation strategies among the agriculture cooperatives limit their possibilities to compete on the market. Food safety is also the bottleneck of the local farm groups and they lack quality and safety standards in place. As a remedy the Agency recommends to increase municipality budget and add funds to promote and support the agriculture cooperatives. This could help local municipalities in realisation of infrastructural projects. Cooperatives are in constant need of promotion and marketing and they require additional funds for the implementation of food safety and quality standards.

In 2015 the Agency received also technical assistance from EU ENPARD program (two years 2.5 MEURO) that is spent on technical assistance and capacity building of the Agency and registered agriculture cooperatives.

Regional dimension

Cooperatives are well distributed in the whole country although especially for the farmers from the mountain areas cooperatives seem to be the most important. Taking into account harsh natural conditions and low population density of mountainous areas, thanks to cooperatives farmers can secure financing for their infrastructure needs and assure better access to finance and market to produce and sell their products

List of cooperatives formed by the end of 2015 and their regional coverage:

- Kakheti - 70
- Kvemo Kartli - 123
- Shida Kartli - 81
- Mtskheta Mtlaneti - 46
- Samtskhe Javakheti - 199
- Imereti - 72
- Racha Lechkhumi - 74
- Samegrelo Zemo Svaneti - 71
- Guria - 120
- Adjara - 101

Implementation of scientific research measures in agriculture.

Scientific Research Centre implements project related to the introduction of new varieties and technologies. They have special demonstration plots in different climate zones where they test new varieties of fruit, vegetables and grain crops. Research and Scientific Center finalized 48 research projects in 2015. Out of this number 43 started in the first half of the year and 5 in the second half. Acreage of demonstration plots exceeded 122.9 hectares. 30 hectares have been organized in the first half and 90.2 in the second half. Budget of the research center have been GEL 10 million, but after the amendment in the state budget the amount decreased to 8.646 MGEL. After the budget cut real spending reached GEL 8.28 million (95.8%).

Farmers are reluctant to absorb information about the new technologies and varieties. Budget cut limited possibility to implement all the planned activities related to the development of the zoo technical laboratory and visits of the short term international experts specialized in agriculture risk assessment technics. These experts would share European experience related to the risk management in agriculture and agribusiness. Current procurement procedures are also obstacles to have needed equipment and machinery in time.

It is important to have following measures implemented in order to guarantee the well-functioning of the Research and Scientific Centre:

- Support the active extension system for the local farmers and producers
- Simplify the state procurement procedures and processes
- Actively involve international experts
- Regional action plans are very important for the successes
- Avoid budget cuts during the fiscal year when activities are implemented.

Regional dimension

They are not presented in all regions of the country and try to have regional coverage using the climatic zoning. List of demo plots established in 2015 and their regional coverage:

- Kakheti - 4
- Shida Kartli - 1
- Mtskheta Mtlaneti - 2
- Samtskhe Javakheti - 2

- Imereti - 2
- Racha Lechkhumi - 1

3.4 Develop Agriculture Land Market

Annual financial targets were estimated based on planned WB project. This measure has to be financed through the WB loan and implemented by the National Agency of Public Registry operating under the Ministry of Justice of Georgia. The measure aims to contribute to the development of agriculture land market, promote consolidation of fragmented parcels and increase investments in commercial agriculture. As a result will increase number of leases and sales and number of registered land plots. In the reporting period no progress was observed due to postponement of launching the whole programme until 2016 (work was ongoing on legal amendments). It should be mentioned that the project of GoG (pilot project is a part of it) through which the registration of ownership was accomplished is about both agricultural and non-agricultural land plots.

4.1 Promotion of tourism

This measure consisted of several activities with the overall aim to support and promote the development of Georgia's tourism industry. In charge of those activities including promotion, advertisement and realization of Tourism potential of Georgia is the National Tourism Administration (NTA) working under supervision of the Ministry of Economy and Sustainable Development. NTA develops Georgia's brand and positioning its tourism industry on the international market, increases Georgia's competitiveness with similar tourist markets; conducts press and media tours, trainings in tourism sector and participates in international exhibitions.

Activities implemented under the measure can be grouped under 5 major headings:

Research of mountain hiking trails and preparation of marking project

In order to increase tourism potential of the regions in Georgia the implementation of project was planned for 4 regions of Georgia namely: Samtkhe-Javakheti, Samegrelo-Zemo Svaneti, Racha Lechumi-Qyemo Svaneti, Mtskheta-Mtianeti. In 2015 in those regions in agreement with concerned local municipalities was conducted research of possible touristic mountain hiking trails and some preparatory work to implement the concept like belowmentioned:

- identification of connecting paths between the municipalities;
- identification of the most popular sites;
- elaboration of marking plans for recommended routes.

Development of a tourism information centres' network

In fact the transfer of the appropriate area/building was not carried out by relevant municipalities so construction / rehabilitation of Information centers was postponed until 2016.

Development of Service Quality

In 2015 in order to improve tourism service quality in total were conducted 17 training (training) sessions among others on: hotel service skills, basic English language courses essential for tourism sphere, providing service to disabled people. Moreover in support of organised in summer Tbilisi 2015 Youth Olympic Games, special training for volunteers/students was organised on appropriate service skills. For voluntaries of EBRD meeting was conducted training in following issues: emergency medical care/ first aid, the tax code and financial reporting. In total 17 thematic training courses were conducted, each held in several cities and municipal centers.

Promotion of the Country tourism potential through marketing activities

In 2015 the National Tourism Administration conducted promotion of Georgia's tourism potential, to attract foreign visitors through advertising, conducting marketing campaign in the 15 target countries, organizing 82 press and Introductory tours (70 press tour in foreign countries, 12 for local press and media), participating in the 25 International exhibitions where the promotion of country's tourism potential was carried out. Moreover a “diplomatic tour” for Ambassadors accredited in Georgia was organized.

Tourism Products and infrastructure

During 2015 following tourism product was developed:

- digital maps;
- pilgrim's catalog;
- 2 side illuminated billboards in Tbilisi and other 17 cities and towns;
- information signs „You are here” describing an important tourist places (in different cities and towns);;

- cycling paths in Gudauri and Bakuriani, project aiming at increasing accessibility of disabled persons to the historical monuments in Mtskheta.

The total expenditure for the measure 4.1 in 2015 was higher than originally planned target value (23 MGEL of actual expenditure against 14,5 MGEL original target from RDP Monitoring Plan). This increase is explained by the success of undertaken activities and high priority of tourism in realisation of the Georgia's economic development strategy. As the campaigns for summer time conducted by NTA led to a significant increase in the number of tourists in summer 2015, additional finances was mobilized for winter season marketing campaigns. So actual expenditure in second half of 2015 was 13, 5 mln GEL and an annual financial target was fulfilled completely (99.7%).

Achieved Results

According to the "Tourism Development Strategy of Georgia 2025", the average annual increase in number of foreign tourism visiting the country is set at 7%. The target was reached in 2015, the total number visitors was approximately 5,9 mln. tourist, that is 7% more in comparison with tourist number in 2014. This can be explained partially by the success of the promotional activities undertaken by the NTA. Apart of marketing and promotional activities an increase in the quality of tourism service in Georgia is still identified as a top priority for tourism policy in years to come.

5.1 Labour Market Demand survey

In line with RDP Monitoring Plan in 2015, as a part of the Governmental Strategy on Labour Market Formation (Decree of the Government of Georgia №199), a survey of demand-side of the labour market was conducted. Objective of the survey was to collect detailed information on employers' attitudes and demands, evaluate qualification and vocational training needs for employees, identify factors that influence creation of new work places and potential for employment in a specific geographic area.

In 2015, 0.406 MGEL was allocated to conduct Labour Market Demand survey from the state budget and at the end of the year the execution of the allocated funds was 0.401 MGEL (98.8%).

The survey was national-wide and covered all 11 regions of Georgia. Overall, quantitative component of the survey had 6000 respondents, while 240 individuals took part in qualitative data collection efforts. Field data collection was conducted in March to June, 2015. The survey used stratified sampling for each municipality and self-governing city.

Each municipality was split into sub-groups and the following criterias were used for stratification:

- Ownership status (private/public)
- Type of location (rural and urban)
- Altitude (Mountainous or not)
- Sector of activity (according to NACE classification at division level)
- Size of the organization

Size of the sample unit for each municipality was allocated proportionately to the number of individuals in each group. Selection of subject in each sub-group was done using simple random sampling approach.

The Survey findings revealed the current trends and distribution of demanded professions for different regions

As a preparation of Labour Market Survey will improve information: for jobseekers and entrepreneurs on business attitude and labour market and opportunities, also will increase opportunity for the government for developing and implementing labour market policy (its role priorities and activities)

5.2 Rehabilitation of Existing Colleges, Construction, Equipment and Staffing of New Regional VET Colleges

It was recommended by the Commission created by the order of the Ministry of Education and Science of Georgia in 2013 to establish 26 collages, which will respond to the socio-economic challenges existing in the regions of Georgia and develop the high quality services. The goal of the initiative is to increase territorial access to VET and support the socio-economic development through delivering a high quality vocational education.

In the first half of the year visual evaluation of more than 15 potential buildings for the establishment of colleges in 7 regions was carried out. Significant steps were made to increase the availability of VET and expanding the network of VET colleges. Based on the needs analysis of the specific regions a decision was made on expanding the geographical area of the VET institutions, based on which has been started (in some cases already finished) rehabilitation of the training bases of the existing colleges in additional 8

municipalities: Lagodekhi, Dedoplistskaro, Alvani - Kakheti, Khobi, Senaki - Zemo Svaneti, Baghdadi - Imereti, Stepantsminda, Tianeti – Mtskheta-Mtianeti.

Also in 2015 has been underway development of the college that was established in 2014 (Mtskheta-Mtianeti – Mtskheta, village Tsinamdzgvriantkari)

Besides expanding the educational network, according to identified needs of regions, in 2015 started also construction - rehabilitation of students' dormitories to make it possible for the population residing far from the colleges to get vocational education. LEPL "Educational and Scientific Infrastructure Development Agency" funded the public college "Iberia" to rehabilitate students' dormitory (Imereti - Kutaisi) and for the college in Mestia was prepared a construction project of students' dormitory (Zemo Svaneti, Mestia).

With the support from the Norwegian Ministry of Education and Research using the universal project design, which is tailored to the needs of persons with disabilities and special needs, rehabilitation of 3 Colleges are underway in Kakheti – village Kachreti, in Samtskhe-Javakheti-Akhalsikhe and in Imereti-Kutaisi.

In total during 2015 various types of infrastructure projects in 7 colleges have been implemented in order to create an innovative and modern learning environment in VET colleges throughout Georgia (Samegrelo-Zemo Svaneti, Adjara, Racha Lechkhumi-Kvemo Svaneti, Kvemo Kartli). Also in 10 colleges the process for arrangement of innovation laboratories (Samtskhe- Javakheti, Racha- Lechkhumi- Kvemo Svaneti, Adjara, Samegrelo – Zemo Svaneti, Kvemo Kartli, Kakheti, Imereti) started.

In this context the start of the educational reform in vocational education (works are underway to introduce the flexible, relevant to the labor market demands and competence-based modular educational programs) should be mentioned. Modular professional programs pose stricter requirements to the educational institutions in terms of arranging relevant infrastructure. To support the reform analysis of the infrastructural needs of the colleges established by/with participation of the State was conducted and works started on technical equipment and educational environment standards (according to the specific programs). The standards were created in consultations with the stakeholders - the relevant line ministries, trade unions and employer associations, international organizations, field specialists and educational institutions. According to the needs analysis all targeted public schools (17 educational institutions) were equipped– (Samtskhe-Javakheti, Kakheti, Imereti, Samegrelo-Zemo Svaneti, Adjara, Racha Lechkhumi-Kvemo Svaneti, Kvemo Kartli, Shida Kartli). In addition, colleges were

equipped with new office furniture, portable computers and other material-technical facilities.

5.3 Agriculture Related VET & Extension Systems

In the first half of the year some preparatory activities supported by the UNDP were held. All together 8 VET colleges and 7 state Information Consultancy Centres are to be assisted in the development and delivery of innovative, relevant and effective training programmes and advisory services for farmers.

The initiative of the Ministry of Education and Science of Georgia to introduce modular vocational programs has been supported by the project. According to the new approach both the development of programs and direct teaching are based on modular approach with emphasis on practical skills development. It is expected to expand the geography of the delivery of modular programmes in 2016. Compliance with the requirements of the labour market, focus on outcomes of study, strengthening of practical component and modern approaches of teaching-evaluation are the key characteristics of modular programs. Thus, support to development and implementation of modular programs for agriculture sectors has intensively started in 2014 and successfully continued in 2015: for 8 agrarian professions educational programs with modular approach were developed. Textbooks and training materials for agricultural professions (8 professions) have been developed, as well as standards for extension workers and consultants. In Tbilisi a conference on extension issues was held which was attended by representatives of international experts, Ministry of Education and Science of Georgia and other interested parties. The project has elaborated national concept for Work-based Learning in Vocational Education which will further improve the quality of teaching in VET. In 2015 the Project has elaborated special training programme for farmers in selected value perspective chains (hazelnut) and further piloting the training with the aim of nation-wide application of training programmes in agriculture (in addition to already existing vocational teaching programmes). The project supports piloting of Regional Information and Consultation Centre's cooperation with Vocational Colleges in arranging the demonstration plots accessible to farmers with the aim of improving knowledge of application of effective technologies, crops and varieties. As a result of painstaking work in agriculture related VET & Extension Systems will increase number of trained VET teachers, VET service providers (veterinarians, zoo-technicians, food processors), farmers agricultural machinery operators, input suppliers and animal food producers), also will improve livelihood by increasing productivity and incomes of farmers in rural areas

and will be provided necessary training and consultation in order to increase productivity and income.

5.4 Training of VET Teachers and Continuous Professional Development

In the Vocational Education Reform Strategy (2013-2020) the following priorities were identified: training and development of VET teachers; ensuring systemic and systematic trainings for developing competences; attracting new employees in vocational education institutions, maintenance of existing ones and supporting professional development.

In 2014 the Ministry of Education and Science of Georgia with the support of UNDP prepared “Teachers' Training and Professional Development draft concept” which was submitted to the Government of Georgia. On 31 December, 2014 the Government of Georgia issued Decree #2624 on approval of the “Teachers' Training and Professional Development draft concept”.

In 2015 works started on the implementation of the Action Plan of the Concept and on the formation of the vocational education teachers training and professional development system in accordance with the 2015 Action Plan. Activities implemented within 2015 can be listed in two major groups:

1. Creation of system for vocational teachers' professional development and renovation of the database of the vocational education teachers;

In the first half of 2015 were carried out mostly preparatory works such studies to reveal training-needs of the teachers and updating the database of VET teachers.

In the second half within “Vocational Teacher Development State Programme” of the LEPL National Centre of the Teachers Professional Development, from May to December, trainings of vocational teachers were conducted in 4 main directions:

- a. Information- communication technologies;
- b. 2.Introduction of training module;
- c. Inclusive vocational education.
- d. Training in enterprises.

a. The training module “Information-communication technologies” was conducted for the vocational teachers in 17 public collages (the duration of the course – 20 hours), in May-July (37 groups); the training was attended by 452 teachers (60% of the total number of the public school teachers).

b. In cooperation with the Education Quality Development Centre training modules for vocational teachers of VET collages were developed. The training was carried out in 2 stages:

1. Training module "Training in modular teaching for vocational school teachers– Introduction Course" (12 hours). The trainings were conducted in 18 public and in 1 private vocational colleges for June-July period (24 groups). The training was attended by 545 teachers (approximately 72 % of teachers);
2. At the second stage – Training module “Vocational Teachers Training in Modular Teaching” – development of evaluation tools” (15 hours) were held in 19 public colleges in December (20 groups). The training was attended by 460 teachers (approximately 61% of the public VET collage teachers).

c. Teacher’s trainings for inclusive vocational development within the Norwegian Grant “Introduction of Inclusive Education in Georgian Vocational Education and Training System” was held the training course: “Individual Approaches to the Students with special educational needs in Vocational Education and Professional Testing' Part I (10 hours), from 22 September to December. The training was held in 16 public collages (23 groups). In total the training was attended by 399 teachers (approximately 53% of all public VET teachers).

d. Public vocational school teacher trainings on modern technologies were conducted in enterprises for 29 modular vocational programs to be adopted (30 Groups). In total 210 teachers were trained (approx. 28%). It should be noted that the vocational teachers’ trainings in enterprises started first time in 2014. In 2015 the concept for the implementation of the trainings in the real working environment (Millennium Challenge Fund – Georgia – with the support of MCA) was prepared, according to which in the second half of the year the relevant trainings were conducted.

2. Formation of thematic groups of professional development of teachers (with participation of social partners, state institutions, international organizations and representatives of collages) and preparation of an action plan for the group.

In the first half of the year the teachers’ professional development thematic group (in participation of social partners, government agencies, international organizations and colleges) was created and the Action Plan for this group was developed. In the second half of the year the group continued working according to the action plan, which was

supported by the EU technical assistance project – “VET and Employment Reforms in Georgia” – EUVEGE”.

Within the thematic group were developed documents listed below, the preparation and approval of which is very important in the process of trainings of vocational education teachers and in general development of vocational education system.

- Project on regulation of the start of vocational teachers’ activities, their professional development and career advancement
- Rule of selection and activity of the coordinators of the vocational education teachers at the collage base
- Rule of teachers professional development
- Rule of teachers’ registration
- Rule of teachers’ remuneration
- Review of teachers’ standards that was undertaken in participation of the foreign experts
- Draft teachers’ pedagogical guide and basic pedagogical course.

Under the VET reform and the Strategy Action Plan significant attention is paid to the vocational training in regions as this is the precondition of well-functioning system of the VET capacity building in line with labor market needs and potentials identified at local level. In implementation of the measures across Georgia all public vocational education institutions from all regions (Samtskhe-Javakheti, Kakheti, Samegrelo-Zemo Svaneti, Adjara, Racha Lechkhumi-Kvemo Svaneti, Kvemo Kartli, Shida Kartli, Guria) were involved. Total number of trained regional teachers amounted to 110 person.

5.5 Training of Public Servants in the regions

In 2015, the aim of the activities carried out by "Vano Khukhunaishvili Centre for Effective Governance System and Territorial Arrangement Reform" (CEGSTAR) was to develop and implement continuous training system for public servants of local self-governments. The Decree of Government of Georgia on approval of the “Concept of Continuous Training of Public Servants of Local Self-Governments” and its relevant Action Plan were adopted in 2014.

The Centre was designated as the institution to coordinate the training system and provide training-methodical and informational support. In order to ensure effective cooperation of the institutions involved in the training system and support the establishment of the unified standard in the study process, the Centre established the

Advisory Council of the Continuous Training System of Local Self-government, which will ensure evaluation of the training system operation and provide relevant recommendations. The legislative framework for the system functioning was adopted, including #132 Article that was added to the Law of Georgia on Civil Service. Based on this on 7 July 2015 the Government of Georgia passed a resolution on approval of the “Rules and principles, responsibilities of the institutions involved and operation of system of continuous training of local self-government public servants.

A memorandum of understanding (MoU) was signed by UNDP and CEGSTAR at the beginning of 2015 for the provision of support for training of some 1 520 local and national officials in 2015. This training programme, comprising of 85 individual training events covering 29 separate topics has been delivered by the project working with CEGSTAR to 1 560 civil servants, of which 1 406 were local government officials and 154 central government officials. In terms of gender, female trainees made up 39% of local government trainees and 52% of central government trainees.

Furthermore, in cooperation with the State Chancellery, Civil Service Bureau, and Training Academy of Ministry of Finance, 22 training events (4,122 training/person days) have been organized in four priority areas (Public Relations, Ethics, E-budgeting, and E-treasury) for 779 local civil servants, out of which, female trainees made up 61% of all training participants representing 76 LSGs and 9 governor’s administrations countrywide.

In total, in 2015 the project delivered 106 qualification improvements training events (7,422 t/p days), covering 33 training topics for up to 2,339 civil servants out of female participants made up more than 47% of all civil servant trainees.

Regional Development Fund

The GoG allocated 170 MGEL to the “Fund for Projects to be implemented in the Regions of Georgia”. By the end of the year the amount was increased up to 175 MGEL (Decree#2791 of GoG on 25/12/2015).

In the first half of the year funds allocated to local self-governments were spent mostly for the preparation of technical documentation. In fact the implementation of projects started only in May 2015. As of June 30 contracts were signed for 360 projects with a total value of 129 MGEL. From the amounts saved via tenders additional infrastructure projects were funded. During the second half of the year all those projects were implemented and complemented by additional projects for which contracts were signed later than 30th of June.

The table below shows works accomplished by municipalities during the whole year 2015 as a percentage of the annual execution and during whole 2015 year - as a percentage from annual plan. Almost all works were accomplished in the second half of the 2015. In majority cases actual implementation exceeded the plan.

Table 2.

Name of work	2015 second quarter	Out of 2015	2015	Out of 2015 planned
Village roads (km)	379.6	87.1%	436	105%
Water supply network (km)	538.2	97.4%	552.3	118%
Other water supply related infrastructural works (projects)	52	100.0%	52	106%
Kinder Garden (units)	128	100.0%	128	112%
Sport facilities (units)	22	100.0%	22	96%
Culture facilities (units)	24	100.0%	24	100%
Street lighting (km)	50.8	100.0%	50.8	100%
Bridges (units)	15	100.0%	15	107%
Coast fortification (km)	2.4	100.0%	2.4	100%
Drainages and drips (km)	40	100.0%	40	102%
Multi apartment houses' roofs and yards rehabilitation (units)	264	100.0%	264	120%
Other infrastructural	127	100.0%	127	134%

projects				
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During 2015, 23 MGEL was saved during tenders as a result the amounts allocated by the Government were corrected according to the contractual values and additional projects of municipalities were financed. That gave an opportunity to implement more municipal projects as it was originally planned. Finally, about 600 projects were funded. During 2015 Q3, savings were used to fund some additional projects but those had not been finished by the end of the year. As of the Q1 2016, the following projects were in progress: construction of 12.9 km of roads; rehabilitation of 28.7 km of water supply network; construction and rehabilitation of 12 kinder gardens; construction of 1 sport facility and 10 other infrastructural facilities. All financed projects were chosen according to 2014-2021 regional development strategies and 2015-2017 action plans.