

2015

**2015 – 2017 Regional Development
Programme of Georgia
Consolidated Mid-Year Progress Report**

January - June 2015



Introduction

This draft report has been prepared in line with the obligations set in the *Monitoring Plan* for the Implementation of 2015- 2017 Regional Development Programme of Georgia (RDP) adopted by the Government Commission on Regional Development of Georgia on 26.12.2014.

The information provided in the report is based on 6 monthly *Information Sheets* prepared by ministries or agencies directly responsible for implementation of the measures defined in the RDP and complementary information collected from relevant experts and other sources. The draft report, after discussion within the Inter-Ministerial Working Group for the Monitoring of 2015-2017 Regional Development Program of Georgia, will be presented for approval to the Government Commission on Regional Development (GCRD) not later than 31 October 2015.

This report is the first report prepared according to the RDP Monitoring Plan. Understandably 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. In addition to identification of problems connected with the implementation of the RDP, the report also identifies weaknesses in the functioning of the monitoring system and makes recommendations for further improvement. Ultimately this should help in more efficient implementation of regional policy in Georgia.

Executive summary

The implementation of the Regional Development Programme 2015-2017 started at the beginning of 2015. By the end of June 2015 expenditure on the implementation of measures included in the RDP amounted to 395,9 M GEL, which represents only 33.3% of the overall sum planned to be spent during the whole year.

To a large extent such moderate progress in financial terms is explained by the various factors including legislative peculiarities and climate conditions which naturally slow down the process of implementation of infrastructural projects in the first half of the year. For example – the allocation for construction, modernization and maintenance of roads (*measure 1.1*) stands alone for almost 55% of the total RDP 2015-2017 allocation so it is understandable that slower progress under this measure (because of 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) suggests that the financial implementation of the RDP could speed up in the second half of the year; which gives a possibility that the 2015- 2017 Regional Development Programme of Georgia will meet its implementation targets - at least 70% of allocation should be spend according to the financial plan.

There are remarkable differences between priorities and measures in the financial performance. At a fast pace in terms of percentage of the money spent has been implemented Priority Axis No 4 “Tourism Development” (65.5%) and Priority Axis 3 “ Rural Development” - 46,1%. On other extreme at this stage the progress under measures:; Regional Development Fund 5.2 Rehabilitation of existing colleges, construction, equipment and staffing of new colleges;,, was lower than 20% of total allocation. In general, particular problems in terms of delivery- implementation of public services are to be observed timely in the area of SMEs support, small infrastructural projects and the development of human resources which together could have potentially a negative influence on the growth prospects, especially in poorer municipalities and regions. This situation calls for special attention and further discussion for ways for improving implementation pace.

The physical progress in its turn is connected with the progress in financial terms (see annex 1 for details on the implementation of individual measures). At this stage the best performing measures are those related to tourism and agriculture. They are clearly the governmental priorities with increased allocations made after adoption of the RDP Monitoring Plan in December 2014.

The implementation of the RDP in the first half of the 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 requires amending the RDP financial tables by the GCRD. Reference should also be made to further strengthen the administrative capacity, and to the need for efficient coordination between the state and donors for the projects that will be implemented by co-financing.

The report makes some preliminary recommendations in order to improve the use of monitoring system as a management tool and improving performance in implementation of the RDP. The most important include:

- Continuation of strengthening of the administrative capacity to deal with implementation and monitoring issues in the MRDI and in all other institutions involved in programming, realisation and monitoring of public policies, including regional policy;
- Further improvement of the reliability and accuracy of the monitoring process of the RDP 2015-2017 which include:
 - necessity to update financial table (currently annex 6 to the RDP Monitoring Plan), which is the reference point for measuring financial progress of the RDP; this could include introduction of new activities proposed already by ministries,
 - continuation of efforts to set targets for indicators for all measures and refine and collect indicators of outputs,
 - bringing more territorial dimension to the reporting about the implementation of measures,
- A need for improving coordination between budgetary spending and activities financed or implemented by international donors,
- Making changes to the management system of the projects to be financed by the Regional Development Fund through introducing and utilization of the modern electronic management system in the process of implementation.

1. Identification of the RDP mid-year progress report

Reporting Period	January – June 2015
Institution in charge of preparation of the report	Ministry of Regional Development and Infrastructure
Date of completion of the draft report by the MRDI	20.10.2015
Date of approval of the report by the Governmental Commission on Regional Development	23.10.2015

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

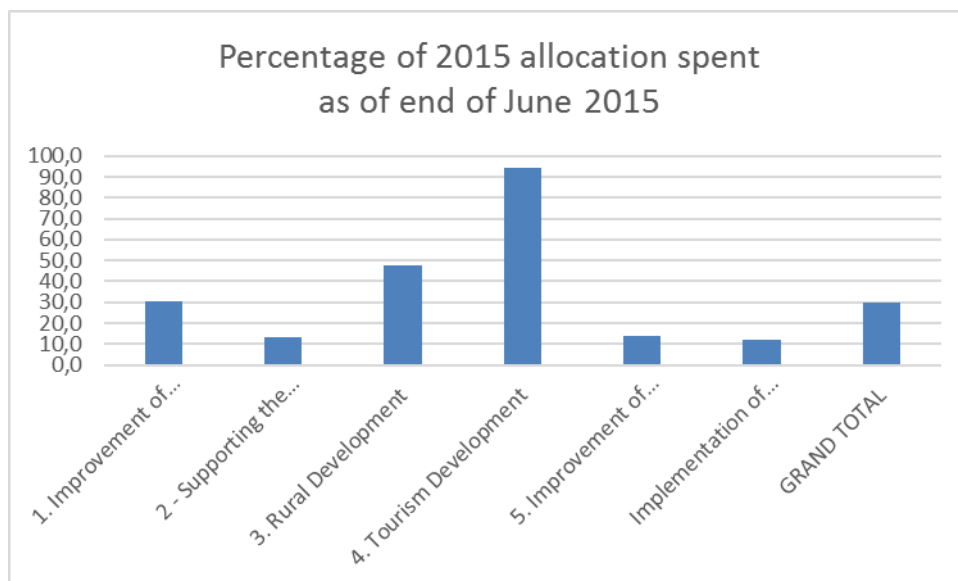
Section 1. Overview of the implementation of the RDP 2015-2017 in the reporting period

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 6- monthly information sheets prepared by all ministries involved and delivered to the MRDI by the end of July 2015.

Summary of financial progress

By the end of June 2015 expenditure on the implementation of the measures included in the RDP amounted to 395,5,M GEL, which represents only 33,3% of the overall sum planned to be spent according to the financial table presented in the annex 6 of the RDP Monitoring Plan. Based on the analysis (see chart 1) it can be said that there were significant differences in the pace of implementation of individual measures.

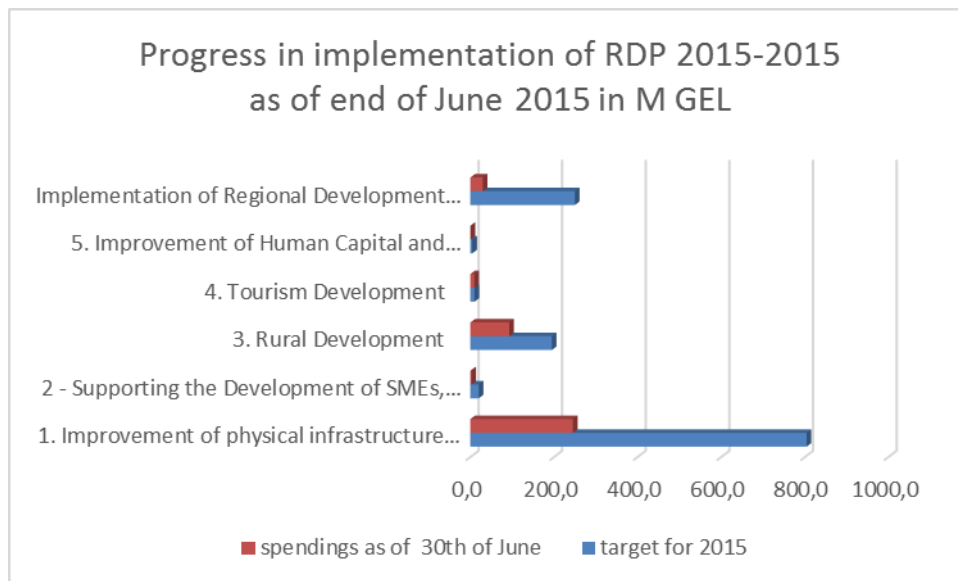
Chart 1. Share of 2015 allocation used until the end of June 2015 at the level of priority axis



The spent percentage of allocated money are the following: Priority Axis No 4 “Tourism Development” - 66.5% and Priority Axis 3 “Rural Development” – 46,1%. At the level of measures the highest level of implementation (table 2) can be observed in relation to:

- 4.1 Promotion of tourism – 65,5% of used allocation according to annex 6 of the RDP Monitoring Plan;
- 1.5 Georgian Forest Inventory and Implementation of Stable Forest Strategy – 63,9% and 1.2 Solid Waste Management – 56,3% - under the Priority 1;
- 3.3 Other Programs for Rural Development – 49.1% under which especially good progress can be observed under the biggest program (41,8 M GEL to be spend this year according to the financial table (annex 6) of RDP Monitoring Plan) supporting small land farmers in the form of vouchers (more than 83,6% of allocation already spent);
- However, on other hand there is no progress seen in terms of measures: 5.3 - Agriculture Related VET & Extension Systems and 3.4 - Develop the Agricultural Land Market; 3.1 Modernization of irrigation system – 48,3%. Under this measure modernization of melioration systems is implemented (more than 56.4% of foreseen allocation of 37, 9 M GEL already used). Though the project -Rehabilitation of Irrigation System in Zemo Svaneti Region implemented under this measure (ORIO, Budget Code 37 01 12 04) at this stage about the project is no progress reported at all.

Chart 2. Progress in implementation of RDP 2015-2017 at the level of priority axis at the end of June 2015



At this stage relatively low level of implementation is observed for the following measures:

- 5.2 Rehabilitation of existing colleges, construction, equipment and staffing of new colleges – 3,5%;
- 2.1 Supporting Business in Georgia’s Regions through Institutional and Programming Activities -17.0%.
- Fund of Projects to be Implemented in the Regions of Georgia – 17.4%
- 1.4 Natural Disaster Risk Reduction and Protection -21.3%
- 5.5 Training of Public Servants in Regions – 22.2%

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.

As for the measure 5.2 no money has been spent so far, as according to the plan, in the first half of 2015 qualitative study report has to be prepared by the contractor company.

It is too early to assess full progress in the implementation of the majority of measures connected with building and modernization of physical infrastructure, including roads. While overall figures for the first priority “Improvement of Physical Infrastructure and Environment Protection” show only 33, 3% of planned money already spent in the first half of the year, this can be explained by the nature of such projects – due to the climate and weather conditions the bulk of implementation takes place in the second half of the year. The information provided by ministries about the number of contracts and works, especially in regard to the extension and modernization of the road system encompassing a large number of crucial roads, suggests that the financial plans will be accomplished by the end of the year and there is a little threat of not using the allocated money.

r At this stage relatively low level of performance is observed in the following directions: Support for SMEs, development of human resources and small infrastructure. The barriers in implementation of the measures concerned are listed below in more detail (section 3).

As could be seen from the 6 monthly information sheets provided by ministries and implementing agencies for some measures changes in planned usage of funds for 2015 were introduced after the RDP Monitoring Plan was adopted by GCRD in the end of December 2014. A substantial increase of allocated funds was reported in the case of the rural development priority axis: 3.3 “Other Programmes for Rural Development” (from 70,6 to 132,6 M GEL). There was also a substantial increase in percentage terms in the case of measure 4.1 “Tourism Promotion” (from 10, 0 to 14.5 M GEL).

At the same time slight increase was reported in case of the Regional Development Fund (from 160 M to 170 M GEL).

Overall, therefore, the total sums of planned expenditure for 2015 under the Programme amounted 1187 mln GEL.

Changes already made during the first months of implementation of the RDP influence of course the percentage of money used. For the purpose of clarity and visibility the attached table 3. Shows expenditure:

- measured according to the original financial target set for 2015 in the financial table (annex 6) of the RDP Monitoring Plan and

- Measured against the new figures provided by ministries in their 6 monthly information sheets.

. To avoid problems in measuring the progress in achievement of financial target set in the EU Budget Support Programme Policy Matrix Conditions table (at least 70% of all allocated for RDP financial resources spent in 2015 and subsequent years) it is necessary for the GCRD to make changes to the financial table (annex 6) of the RDP Monitoring Plan **before** the Annual Report for 2015 is produced.

In table 3 in green are indicated those activities which were proposed by ministries and implementing agencies to be added (mostly in the area of rural development which increases further the allocation to this priority axis). In red are marked those activities which should be deleted or moved to another measures.

Summary of physical progress

The description of the physical 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 nor for 2016/2017. However, during the first half of 2015, ministries, at the request of MRDI and the European Commission, made an effort to establish values of targets for set indicators (especially for the year 2015). In cases where, after assessment of ministries, setting targets for agreed indicators was not possible due to the lack of data or differences in the system of monitoring of projects, new indicators were proposed. In this way table 3 represents progress in the achievement of a substantially redefined set of physical indicators and their targets to be presented in the updated annex 5 of the RDP Monitoring Plan (together with mentioned above necessary changes to be made to the annex 6). 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.

On the basis of table 3 and the 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:

- The majority of infrastructural measures are in the phase of conducting works on all or the majority of foreseen projects. This should allow for full implementation of those projects by the end of the year and therefore for the achievement of set targets related to the number of newly build or modernized km of roads, sewerage systems, water pipelines, number of build or renovated bridges, rehabilitated dumps, etc.
- Regarding measure 1.4 “Natural Disaster Risk Reduction and Protection” it must be noted that physical implementation of infrastructure projects depends heavily not only on established plans but also on needs arising from unforeseen natural disasters. It is important to note that under this measure a project for the disposal of hazardous waste is being implemented, supported by the Dutch government, under which already 40000 tonnes (in comparison to 50000 planned until the end of 2015) of contaminated soils were safely disposed of.
- In the case of the Regional Development Fund the relevant 6 monthly information sheet contained information not only about realized projects but also about those in progress. The main focus of the Programme is on building and rehabilitation of roads in regions, provision of water and renovation of kindergartens. Other types of projects are also realized depending on regionally identified needs. The long list includes: sport and cultural facilities, street lightening, drainage systems and even construction or rehabilitation of multi-family dwellings for poorer citizens. However, as can be seen from table 3, a significant number of projects in mid of 2015 were still waiting for commencement of works which, together with the low level of financial progress, can be seen as a threat to the utilization of all the allocated funds before the end of the year.
- It is difficult to assess progress under priority axis 5: “Improvement of Human Capital and Development of Vocational Education Institutional Capacity at Sub-National Level”. This is due partially to the lack of set quantified targets for measures 5.3 “Agriculture Related VET & Extension Services 5.4 “Training of VET Teachers and Continuous Professional Development”. However one must note that in the first half of 2015 under measure 5.3 20 teachers were trained, 19 projects were supported to improve learning environment and 25 study tours were organized for persons providing VET services. In addition, under measure 5.4 more than 500 VET teachers were trained. The slow financial progress reported under measure 5.2 “Rehabilitation of Existing Colleges, Construction, Equipment and Staffing of new Regional VET Colleges” is reflected in the slow physical progress – in the first half of 2015 5 colleges were renovated although two new (out of a foreseen 15 until the end of

2017) are in the process of preparation. The progress in implementation of measure 5.5 “Training of Public Servants” seems to be satisfactory – 10 trainings programs were prepared and respectively 758 public servants were trained in municipalities and governor’s administrations.

- The progress in implementation of foreseen legal and conceptual basis for various policy areas should be assessed rather positively: as all planned for the first half of 2015 documents were prepared e.g.: Labor Market Survey (Measure 5.1) and legislative base for Forest Inventory (under measure 1.4).

Section 2. Progress in implementation of the RDP 2015-2017 in the reporting period at the level of measures in relation to the set output and financial indicators

Table 2. Financial progress in implementation of the RDP 2015-2017 in the reporting period by measure:

In red – activities proposed to be moved or deleted

In green – activities proposed to included measure 5.3 and 5.5 not included in financial calculations (financed totally outside the Georgian Budget)

Measure	Relevant budget codes	Name of the budget code or activity	Estimated expenditure at the end of the RDP realisation (end of 2017) see annex 6	2015			Cumulative expenditure up to date	
				Target value (proposed correction) M GEL/%	Actual expenditure			
					M GEL / % I half	M GEL / % I half		Cumulative
1. Improvement of physical infrastructure and Environment Protection	სულ		2418.55	723.18	240.95		240.95	240.1
Progress in percentage according to: 1) RDP Monitoring Plan					30.90489322		30.90489322	30.7
2) proposed modification of target value for 2015					33.31812274		33.31812274	32.9
1.1 Roads of international and national importance	Total from 25 02 (excluding 25 02 02 05 and 25 02 02 07)		1875.8	557.2	179.3		179.3	179.3
Progress in percentage according to: 1) RDP Monitoring Plan					28.63		28.63	28.6
2) proposed modification of target value for 2015					32.1787509		32.1787509	32.1
	25 02 02 (excluding 25 02 02 05 and 25 02 02 07)		911.6	250.7	93.6		93.6	93.6

	25 02 03	Construction of high speed highways	964.2	306.5	85.7		85.7	85.7
1.2 Solid waste management	Total from 25 03		84.7	11.2	6.3		6.3	6.3
Progress in percentage according to: 1) RDP Monitoring Plan					34.24		34.24	34.2
2) proposed modification of target value for 2015					56.25		56.25	38.8
	Part from 25 03 08	Georgian Solid Waste Management	40	10	6.2		6.2	6.2
	25 03 09	The Integrated Solid Waste Management project of Kutaisi (EU, KFW)	44.7	1.2	0.1		0.1	0.1
1.3 Water supply, sewage and waste water systems	Total from 25 04		369.9	129.6	49.2		49.2	49.2
Progress in percentage according to: 1) RDP Monitoring Plan					41.28		41.28	41.2
2) proposed modification of target value for 2015					37.96		37.96	37.9
	25 04 01	Kobuleti Water System (MDF)	3	1	0.5		0.5	0.5
	25 04 02	Water Infrastructure Upgrades (EIB) (MDF)	2.1	2.05	0.8		0.8	0.8
	25 04 03	Water Infrastructure upgrade project II (EIB, EU)	63	33	8.1		8.1	8.1
	25 04 04	Sewage system sustainable management project (SIDA) MDF	14.5	5.55	0.2		0.2	0.2
	25 04 05	Urban Services Improvement Project	254.3	80	37.7		37.7	37.7

	25 04 06	Regional Water Supply Support Activities MDF	33	8	1.9		1.9	1.9
1.4 Natural Disaster Risk Reduction and Protection	Total from 25 02 06 38 07		80.35	23.35	4.98		4.98	4.9
Progress in percentage according to: 1) RDP Monitoring Plan					38.75		38.75	38.3
2) proposed modification of target value for 2015					21.33		21.33	21
Sub-measure (a): Disaster Risk reduction through implementation of infrastructural projects	25 02 02 05	Works to be carried out as the immediate response to natural disasters and prevention	20.5	7.5	3.2		3.2	3.2
	25 02 02 07	Coast fortification works	31	6	1.6		1.6	1.6
Sub-measure (a): Disaster Risk reduction through implementation of infrastructural projects	38 00 + + further resources (Dutch contribution)	mitigation of industrial waste in Georgia (supported by Dutch Gov)	0.35	0.35	0.18		0.18	0.1
	38 07	Environment protection, monitoring, forecasting and prevention (only own resources)	28.5	9.5			0	
1.5 Georgia forest inventory and implementation of stable forest inventory	Total from 38 04		7.8	1.83	1.17		1.17	0.4
Progress in percentage according to: 1) RDP Monitoring Plan					39.00		39.00	40.3
2) proposed modification of target value for 2015					63.93		63.93	21.8

	38 04 02	Georgian Forest Save and restore	2.5	0.55	0.17		0.17	0.2
	38 04 03	Forest Utilization Activities	2.2	0.25	0.09		0.09	0.1
	38 04 04	Georgia forest inventory	1.8	0.3	0		0	0
	38 04 05	Fire prevention measures	1.3	0.73	0.1		0.1	0.1
2 - Supporting the Development of SMEs, and the creation of new jobs			78.1	21.7	3.7		3.7	3.7
Progress in percentage according to: 1) RDP Monitoring Plan					19.27083333		19.27083333	19.27083333
2) proposed modification of target value for 2015					17.05		17.05	17.05
2.1 Supporting business in Georgia's regions through the institutional and programming initiatives	24 01 03 02	Export promotion measures	78.1	21.7	3.7		3.7	3.7
3. Rural Development			675.3	241.72	111.50		111.50	111.5
Progress in percentage according to: 1) RDP Monitoring Plan					57.20882504		57.20882504	47.7
2) proposed modification of target value for 2015					46.12775112		46.12775112	38.2
3.1 Modernisation of irrigation systems	Total from 37 01		267.95	79.25	38.3		38.3	38.3
Progress in percentage according to: 1) RDP Monitoring Plan					41.14		41.14	41.1
2) proposed modification of target value for 2015					48.33		48.33	48.3

	37 01 12 03	Irrigation and Drainage (WB)	55.8	12	0.4		0.4	0.4
	37 01 03	Modernization of Melioration systems	212	67.1	37.9		37.9	37.9
	37 01 12 04	Rehabilitation of irrigation system in Zemo Samgori (ORIO)	23.95	0.15			0	
3.2 Access to finance (previously concessional Agro Credits)	Total		128.7	28.7	8.00		8.00	8
Progress in percentage according to: 1) RDP Monitoring Plan					26.67		26.67	26.7
2) proposed modification of target value for 2015					27.87		27.87	26.7
	37 01 07	Concessional Agro Credits	130	30	8.00		8.00	8
3.3 Other planned programmes for rural development	Total from 37		275.6	132.6	65.2		65.2	65.2
Progress in percentage according to: 1) RDP Monitoring Plan					45.63		45.63	45.63
2) proposed modification of target value for 2015				132.6	49.17		49.17	49.17
	37 01 05	Agricultural Cooperatives promoting activities	20.5	3.3	0.4		0.4	0.4
	37 01 08	Supporting for Small Land Owner Farmers Spring activities vouchers	50	50	41.8		41.8	41.8
	37 01 11	Co-financing agriculture products processing companies	20	20			0	

	37 01 12 01	Agriculture Supporting Activities (IFAD)	4.7	4.7	3.9		3.9	3.9
Proposed new activity	37 02	Food safety, plant protection and episodic safety	77.7	24.7	12.5		12.5	12.5
Proposed new activity	37 03	Development of viticulture	72.7	19.9	3.7		3.7	3.7
Proposed new activity	37 04	implementation of scientific research measures in agriculture	30	10	2.9		2.9	2.9
3.4 Development of agricultural land market	26 14	Within the WB Loan will be implemented the project "Irrigation and Development of Land Market" (Ministry of Justice)	3.0	1.2	0		0	0
Progress in percentage according to: 1) RDP Monitoring Plan		Progress in percentage			0		0	0
2) proposed modification of target value for 2015					0		0	0
4. Tourism Development1			34.5	14.5	9.5		297.24	9.5
Progress in percentage according to: 1) RDP Monitoring Plan					65.52		65.52	65.52
2) proposed modification of target value for 2015					65.52		65.52	65.52
4.1 Promotion of Tourism	24 05 02	Support to tourism development	34.5	14.5	9.5		9.5	9.5
Progress in percentage according to: 1) RDP Monitoring Plan					65.52		65.52	65.52
2) proposed modification of target value for 2015					65.52		65.52	65.52

5. Improvement of Human Capital and Development of Vocational Education Institutional Capacity at Sub National Level			28.5	16.45	0.7		0.7	0.7
Progress in percentage according to: 1) RDP Monitoring Plan					3.835616438		3.835616438	3.2
2) proposed modification of target value for 2015					4.255319149		4.255319149	3.6
5.1 Labour Market Demand survey	Part from 35 05 ***	Monitoring of working conditions	0.9	0.3	0	0	0	0
Progress in percentage according to: 1) RDP Monitoring Plan					0		0	0
2) proposed modification of target value for 2015					0		0	0
5.2 Rehabilitation of Existing Colleges; Construction, Equipment and Staffing of New Colleges	32 05 02 02	Development of Educational and scientific institutions infrastructure	22	14	0.5		0.5	0.5
Progress in percentage according to: 1) RDP Monitoring Plan					12.7		12.7	12.7
2) proposed modification of target value for 2015					12.7		12.7	12.7
5.3 Agriculture Related VET and Extension Services	In mln USD	Resources not listed in the State Budget ;No budgetary code	3.5	1.5	0		0	0
5.4. Training of VET Teachers and Continuous Professional Development	From 32 02 02	Support to Teachers professional Development	0.8	0.2	0.1		0.1	0.1

Progress in percentage according to: 1) RDP Monitoring Plan					28.57142857		28.57142857	28.5
2) proposed modification of target value for 2015					50		50	50
5.5 Training of Public Servants in the regions	In mln USD	Resources not listed in the State Budget ;No budgetary code	1.3	0.45	0.1		0.1	0.1
Progress in percentage according to: 1) RDP Monitoring Plan					25		25	25
2) proposed modification of target value for 2015					22.22222222		22.22222222	22
Regional Development Fund	Part from 58 08 (See footnote)	Fund for Implementation of Projects in the Georgian Regions	170	170	29.6		29.6	29.6
Progress in percentage according to: 1) RDP Monitoring Plan					18.5		18.5	18.6
2) proposed modification of target value for 2015					17.41176471		17.41176471	17.5
Progress in percentage according to: 1) RDP Monitoring Plan								
Guria	58 08			12.5	1.1		1.1	1.1
Imereti	58 08			42.7	7.6		7.6	7.6
Kakheti	58 08			20.9	4.4		4.4	4.4
Mtskheta- Mtianeti	58 08			8	0.4		0.4	0.4
Racha- Lechkhumi and Kvemo Svaneti	58 08			8	1.1		1.1	1.1
Samegrelo Zemo Svaneti	58 08			31.5	6.5		6.5	6.5
Samtskhe- Javakheti	58 08			13.3	1.3		1.3	1.3

Kvemo kartli	58 08	რეგიონული განვითარების ფონდი		19.7	4.1		4.1	4.1
Shida Kartli	58 08	რეგიონული განვითარების ფონდი		12.4	3.1		3.1	3.1
Grand Total			3404.9	1187.6	395.95		395.95	395.1
Progress in percentage according to: 1) RDP Monitoring Plan					33.37126		33.37126	33.2
2) proposed modification of target value for 2015								
Progress in percentage according to: 1) RDP Monitoring Plan					33.341754		33.341754	33.1

Table 3. Progress in implementation of the RDP 2015-2017 in the reporting period according to output indicators by measure

No	Measure	Output indicators						
		Indicator (for the list of indicators see annex 5)	Measurement Unit	Target value for the end of 2017 or 2015	2015			Cumulative value up to date
					I half	II half	Cumulative	
1	1.1 Roads of international and national importance	Rehabilitation – periodical maintenance works on roads	km	700 (2017)	55		55	55
2		Construction of highway	km	100 (2017)	0		0	0
3		Bridges rehabilitation/construction	Unit	150 (2017)	3		3	3
4	1.2 Solid Waste Management	Number of new dumps	Unit	0	0		0	0
5		Number of old closed dumps	Unit	17 (2015)	0		0	0
6		Number of rehabilitated dumps	Unit	22 (2015)	9		9	9
7		Area of new dumps opened	Unit	0	0		0	0
8		Area of old closed dumps	ha	39 (2015)	0		0	0
9		Area of rehabilitated dumps	Ha	127 (2015)	49		49	49
10	1.3 Construction and rehabilitation of water supply and sewerage systems	Number of constructed and rehabilitated head works	Unit	No target	0			0
11		Number of constructed filtration facilities	Number	No target	0		0	0
12		Number of metered new customers	Number	No target	0		0	0
13		Length of rehabilitated or newly constructed sewerage system pipes	Km	No target	0,24		0	0,24
14		Length of rehabilitated or newly constructed water supply pipes	Km	No target	43		0,24	43
15		Number of new customers connected to the sewerage systems	Number	No target	296		43	296
16		Number of new customers connected to the water supply system	Number	No target	525		296	525
17	1.4 Natural Disaster Risk Reduction and Protection and Management of Polluted areas of old Industrial sites	Analytical study on natural hazards forecasting including recommendations	Number	1	1			
18		Regional natural hazards/disasters forecasting	Number	9	9			

		early warning system	of regions					
19		Municipal plans of preventive measures for natural hazards	Number	For all vulnerable municipalities	1 Tbilisi			
20		Coast fortification works	Number of projects	50 (2017)	11		11	11
21		Works to be carried out as the immediate response to natural disasters and prevention	Number of projects	70 (2017)	22		22	22
22		Amount of hazardous waste disposed safely	tons	50 000 (2015)	40000		40000	40000
23	1.5 Georgia Forest Inventory and Implementation of a Stable Forestry Strategy	Number of normative documents (Legislative base established)	Number	2	2			
24		Number of trained specialists of National forest Agency	Number	300 (2015) 900 (2017)	240		240	240
25		Improving sanitary conditions of forest	Ha	26,800 (2015) 86,800 (2017)	26000		26000	26000
26		Forest roads rehabilitation	km	250 (2015) 750 (2015)	0		0	0
27		Number of regional forestry districts equipped with firefighting tools	Number	46 (2015)	46		46	46
28	2.1 Supporting business in Georgia's regions through institutional and programming activities	Established new businesses	Number of businesses	44 (2015)	31		31	31
29		Upgraded businesses	Number of businesses	20 (2015)	16		16	16
30		Value of loans issued by commercial banks within the programme	GEL	145 MGEL (2015)	86 358 713		86 358 713	86 358 713
		Total investment of whom?	GEL	210 MGEL (2015)	131 069 194		131 069 194	131 069 194
31		Micro and small businesses set up in regions (micro and small entrepreneurship support part)	Number	3 030 (2017)	0		0	0

32		New jobs created	Number	2 530 (2015)	0		0	0
33		Beneficiaries trained (micro and small entrepreneurship support part)	Number	5 800 (2017)	0		0	0
34	3.1 Improve agriculture water management	Number of rehabilitated and new irrigation projects	Number	No target	46		46	46
35		Acreage of additional irrigated land plots	Ha	44,400 (2017)	4123		4123	4123
36		Acreage of land with proper drainage system	Ha	18,600 (2017)	975		975	975
37	3.2 Improve access to finance	Number of new enterprises and farms financed through this program	Number	50 (2017)	5		5	5
38		Number of loans under this programme	Number	2500 (2017)	1938		1938	1938
39	3.3 Other rural development programs	Number of food and agribusiness enterprises monitored against food safety measures	Number	No target	3239		3239	3239
40		Number of research projects completed or in pipeline	Number	No target	43		43	43
41		Number of events financed through the Georgian wine promotional campaign	Number	34 (2015)	24		24	24
42		Number of agriculture cooperatives formed	Number	No target	1009		1009	1009
43		Number of tests conducted for food safety and quality control	Number	No target	1144		1144	1144
44		Area of land prepared for demonstration plots	ჰა	30 (2015?)	30		30	30
45	3.4 Develop the agriculture land market	Strategy for land registration	Number	1	1		1	1
46		Legislation on land ownership developed	Number	1	1 (Draft)		1 (Draft)	1 (draft)
47	4.1. Tourism development	Number of regional studies completed	Number	No target	?		?	?
48		Number of information centres established	Number	No target	0		0	0
49		Number of training courses provided	Number	No target	9		9	9
50		Number of participants of training courses	Number	No target	770		770	770
51		Number of marketing activities	Number	No target	65		65	65
52		Number of "tourism products" developed.	Number	No target	4		4	4

53	5.1 Labour Market Demand Survey	Labour Market Survey Prepared	Number	1	1		1	1
54	5.2 Rehabilitation of Existing Colleges, Construction, Equipment and Staffing of New Regional VET Colleges	New regional colleges constructed/renovated, equipped and staffed to a specified level.	Number	15 (2017)	2 (In Preparation)		2 (In Preparation)	2 (In Preparation)
55		Existing colleges constructed/renovated, equipped and staffed to a specified level with participation of the private sector	Number	No target	5		5	5
56	5.3 Agriculture Related VET & Extension Systems	Trained VET teachers and extension workers	Number	No target	20		20	20
57		Supported projects to improve learning environment (infrastructure, training materials, and equipment)	Number	No target	19		19	19
58		VET colleges and Information Consultancy Centres which have introduced effective and innovative agriculture study programs and capacity to deliver extension services in agriculture	Number	No target	0		0	0
59		Trained persons providing VET services (veterinarians, zoo-technicians, food processors, agriculture, machinery operators, input suppliers and animal food producers)	Number	No target	25 study tours		25 study tours	25 study tours
60		Creation of the public-private cooperation platform to ensure coordination of consultation service and provision of agricultural training and extension services	Number	No target	2 thematic working groups created		2 thematic working groups created	2 thematic working groups created

61	5.4 Training of VET Teachers and Continuous Professional Development	Formation of professional development system for VET teachers	Number	No target	In preparation		In preparation	In preparation
62		Number of trainings	Number	No target	????		????	????
63		Number of teachers trained	Number	No target	519		519	519
64		Number of trained teachers in a real working environment (enterprises)	Number	No target	0 Database and concept		0 Database and concept	0 Database and concept
65		Number of trainings conducted in a real working environment	Number	No target	0		0	0
66	5.5 Training of Public Servants in Regions	No of municipalities with effective HR policies	Number	10 (2017)	Principle legally established by the 2014 Code on Local Self-Governance) Training Concept and System prepared		Principle legally established by the 2014 Code on Local Self-Governance) Training Concept and System prepared	Principle legally established by the 2014 Code on Local Self-Governance) Training Concept and System prepared
67		No of new training programmes (curricula)	Number	12 (2017)	11		11	11
68		No of joint actions of the training providers and municipalities implemented	Number	12 (2017)	0		0	0
69		No of persons/days of trainings organized	Person-days	4500 (2017)	1541 (38 training courses)		1541 (38 training courses)	1541 (38 training courses)
70		No of local officials trained (gender disaggregated)	Number	2000 including 600F and 1400 M	758 local officials (338 F/430 M)		768 local officials (338 F/430 M)	768 local officials F/430 M)

71	Regional Development Fund	Roads construction/rehabilitation	Meter	462,244 (2015)	56,410 (281,095 in progress)		56,410 (281,095 in progress)	56,410 (281,095 in progress)
72		Water supply construction/rehabilitation	Meter	454,891 (2015)	14,042 (200,770 in progress)		14,042 (200,770 in progress)	14,042 (200,770 in progress)
73		Water supply other infrastructure system construction/rehabilitation	Number of Projects	49 (2015)	0 (37 in progress)		0 (37 in progress)	0 (37 in progress)
74		KGs construction/rehabilitation	Number of Projects	114 (2015)	0 (60 in progress)		0 (60 in progress)	0 (60 in progress)
75		Sports facilities construction/rehabilitation	Number of Projects	23 (2015)	0 (13 in progress)		0 (13 in progress)	0 (13 in progress)
76		Culture facilities construction/rehabilitation	Number of Projects	23 (2015)	0 (13 in progress)		0 (13 in progress)	0 (13 in progress)
77		Street lighting	ပိဇ္ဇာ	295,250 (2015)	0 (265,14 in progress)		0 (265,14 in progress)	0 (265,14 in progress)
78		Bridges construction/rehabilitation	Number of Projects	12 (2015)	0 (7 in progress)		0 (7 in progress)	0 (7 in progress)
79		Coast fortification system construction/rehabilitation	Meter	3,649 (2015)	0 (1761 in progress)		0 (1761 in progress)	0 (1761 in progress)
80		Drainage system construction/rehabilitation in progress	Meter	46,114 (2015)	0 (46,114 i in progress)		0 (46,114 i in progress)	0 (46,114 i in progress)
81		Multi family dwelling construction/rehabilitation	Number of Projects	253 (2015)	0 (196 in progress)		0 (196 in progress)	0 (196 in progress)
82		Other infrastructure construction/rehabilitation	Number of Projects	54 (2015)	0 (43 in progress)		0 (43 in progress)	0 (43 in progress)

Section 3. Analysis of factors influencing the progress in achievement of objectives and financial and physical targets set at measure level in the reporting period

The main factors which influenced realization of the RDP 2015-2017 in the first half of the 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

In the first quarter of 2015 real GDP growth amounted to 2.6%, which was slightly less than the growth rate for the same period in 2014. At the same time GEL/US dollar exchange rate dropped by 15% compared to the fourth quarter of 2014.

The financial situation of the budget during the first half of the year remained stable although changes in the structure of foreseen revenues called for amendment of the budget, which had a direct impact on the implementation of some RDP measures in the first half of 2015. For details please see proposal for amendment of annex 6 of the RDP Monitoring Plan. Compared to the Law on the State Budget for 2015, the amendment, which was adopted by the government in July 2015, provides changes (increase by 25 million GEL) to budget revenues on aggregate as well as on disaggregate level.

The total amount of budget receipts was reduced by 139.1 million GEL compared to the budget law. Decrease in receipts is projected to be driven by the reduction of tax revenues (decrease by 200 million GEL) and by the reduction of the acquisition of nonfinancial assets by 150 million GEL. Additionally, the amendment also envisaged the increase of liabilities in terms of increase in credits (increase by 185 million GEL) and foreign grants (increase by 40.9 million GEL). Mention should also be made that projected total tax revenues at a level of 7,444 million GEL is lower than the planned value approved by the budget law by 284 million GEL (3.7%) and lower than the planned value envisaged by the amendment to the budget law by 84 million GEL (1.1%).

As for the expenditure side of the budget, on the aggregate level budget expenditures for 2015 provided by the amendment to the budget law 2015 is similar to that provided by the Law on state budget 2015. However, there are several differences in its components. In particular, the acquisition of nonfinancial assets is reduced by 79.5 million GEL and all the other

components are increased by the same amount: expenses are increased by 11.2 million GEL, acquisition of financial assets are increased by 28.3 million GEL and repayment of liabilities is increased by 40 million GEL.

The amendment to the Law on State Budget for 2015 considers receipts from incurred liabilities to be 14.1 million GEL (0.9%) higher than the plan provided by the Law on State Budget 2015. The increase is projected to be driven by the reduced amount of net increase of domestic liabilities by 100 million GEL and increase of incurred foreign liabilities by 114.1 million GEL.

As for the key fiscal Indicators, according to the amendment to the law on state budget 2015 and supplementary fiscal plan, the fiscal balance 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.

Administrative capacity

The data and information provided by ministries and implementing agencies gives only a partial picture as regards the influence of the issue of administrative capacity on the pace of implementation of the 2015-2017 RDP. 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 physical targets.

In this context, the implementation of the Regional Development Fund in particular can be assessed as very demanding in terms of administrative capacity. It seems reasonable the projects from the beneficiaries to be submitted via introducing and utilization of the modern electronic system, that will make the management cycle of projects' selection-implementation even more efficient. This will also support facilitation of the procedures relating to the identification of relatively smaller projects and allocation of fund for them.

Weather and 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”.

Other factors

Other factors having an impact on the pace of realization of planned activities should also be mentioned:

- 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 where infrastructure was planned to be developed.
- Recent depreciation of GEL exchange rate against USD and EURO which negatively affected the demand for the micro and small loans and therefore an additional promotional campaign from EDA seems appropriate,
- The 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
- The limited possibility for municipalities to verify the sales figures presented by private farmers and businesses. This limits the possibility of access to finance (loans) for farmers and businessmen. It is a challenge for financial institutions to monitor the loans without having official verification of the trade by local municipalities.
- The food agency lacks information about the business operators/companies and suggests creating or strengthening the existed one. Besides, the food agency also does not have enough equipment for proper phyto-sanitary treatment of the infected areas. There is also a need to strengthen the capacity of the regional veterinarians.

Section 4. Recommendations concerning management, implementation and programming of RDP 2015-2017

At this stage of implementation of the RDP recommendations proposed by ministries and implementation agencies concern mostly implementation of individual measures. Some of them are concrete and should be implemented without delay by the responsible authority. It is encouraging that, in several cases, recommendations are linked with a concrete implementation work plan with addressee and time frame (for example in the case of Solid Waste Management). Details are provided in the individual 6 monthly information sheets. Recommendations concerning more general issues addressing the system of the budgetary planning, overall socio-economic and, in particular, regional policy in Georgia or implementation of the whole RDP were almost totally absent. In some cases proposals for increasing budgetary or donor resource money were formulated.

On the basis of additional discussions and observations made by experts the following initial observations can, however, be formulated already at this stage:

1. Continuation of strengthening of the administrative capacity to deal with implementation and monitoring issues in the MRDI and in all other institutions involved in programming, realisation and monitoring of public policies including regional policy.
2. Further improvement of the reliability and accuracy of the monitoring process of the RDP 201502017 which include:
 - a. Necessity to update financial table (currently annex 6 to the RDP Monitoring Plan), which is the reference point for measuring financial progress of the RDP. This could include introduction of new measures proposed by ministries. It should be borne in mind that any such new measures should be limited only to those that are necessary and subject to approval of the GCRD if they are to be included in the RDP,
 - b. Continuation of efforts to refine and collect output indicators and set targets for indicators for all measures,
 - c. Bringing more territorial dimension to the reporting about the implementation of measures.
3. There is an obvious need for improving coordination between budgetary spending and activities financed or implemented by international donors. In this context measure 1.4 Natural Risk Reduction and Protection and Management of Polluted Areas of old industrial sites was specifically mentioned but it seems that this observations addresses a more general issue.

4. 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) should 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.
5. In regard to the Regional Development Fund the efficient management of projects' selection- implementation cycle and the existing procedures require introduction of innovations and optimization (this especially refers to the need to simplify and optimize the procedures relating to the selection of local significance and small value projects. As far as possible collection and processing of data should be via electronic means.

Annex 1. Short summary of the financial and physical progress at the level of individual measures (extract)

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 - 638, 7 M out of 1283,8 M GEL foreseen for 2015 according to the annex 6 of the RDP Monitoring Plan. Up to the end of the first half of 2015, contracts were signed for 122 projects, 89 projects were being carried out and 33 are completed. The most important projects being implemented include construction of highways in the international corridor E-60, E-70 that connects East and West parts of the country (Batumi-Tbilisi-Poti-Tsiteli Khidi). By the end of 2017 100 km of the highway will be constructed. In the reporting period construction works covered 97 km. The rehabilitation, reconstruction and modernization of international and national importance roads covered 55 km in the first half of 2015. The maintenance works (including maintenance during winter period) were conducted in 34 zones on 6 078 km of the highway and secondary roads. Those works represent ad hoc activities but about 40 GEL mln is spent on them every year. During the reporting period the Road Department also rehabilitated 3 bridges.

Specific results of the measure include:

- Increasing roads safety and driving conditions; reducing travel time, especially between major urban centers of Georgia (Tbilisi – Kutaisi – Batumi);
- Improving technical and operational conditions of the roads; making transportation more comfortable and less time-consuming;
- Increasing operational quality and safety of roads.

1.2 Solid Waste Management

In the first half of the year 2015 the Ltd „Solid Waste Management Company of Georgia“ under the supervision of The Ministry of Regional Development and Infrastructure of Georgia conducted the following activities:

- Construction and Rehabilitation of municipal waste landfills in the municipalities of Kaspi, Poti, Sachkhere, Tejola, Khashuri, Bolnisi, Dedoflistsdkharo, Ninowminda (8);
- The electrification of municipal waste landfills of Samtredia, Ambrolauri, Marneuli, Bolnisi, Khashuri, Kaspi, Dusheti, Sighnaghi and Ninowminda (9) was established through Photovoltaic Solar Systems (solar panels);
- Fencing of the landfill of Bakuriani;
- Ltd „Solid Waste Management Company of Georgia“ with financial support of KfW plans in years 2015-2018 to build in Kutaisi new regional sanitary landfill in accordance with international standards, which will serve Imereti region, Racha-Lechkhumi and Kvemo Svaneti region.

Ltd „Solid Waste Management Company of Georgia“ with financial support from the European Bank for Reconstruction and Development (EBRD) and the Swedish International Development Cooperation (SIDA) in the second half of 2015 will start “Kvemo Kartli Waste Management Project”. The overall project cost is 10 million EUR. Five municipalities of Kvemo Kartli (Marneuli, Bolnisi, Dmanisi, Tetrtskaro and Tsalka) will not only receive a modern landfill, which will be compliant with the corresponding European Union landfill design standards, but also acquire specialized vehicles, containers and other equipment. A new landfill will be built in the years 2015-2018. The next step will be the closure of old landfills in the region. After conclusion of the contract, SIDA will also provide funding for project implementation support services, a corporate development programme, stakeholder participation and a municipality support programme, as well as an environmental impact assessment.

Specific results of the measure include:

- improving environment conditions through decreasing the number of landfill sites;
- improving environment conditions and public health;

- preventing solid waste from wind, animals, fires and taint.

1.3 Water Supply, sewage and waste water systems

During the first half of 2015, LLC United Water Supply Company of Georgia under the coordination of MRDI, implemented the following works: new sewage pipes with total length 0.24km in Imereti and Samegrelo-Zemo Svaneti regions and new water supply pipes in Samegrelo-Zemo Svaneti with total length 43 km. Also in Imereti and Samegrelo-Zemo Svaneti regions the number of new customers connected to the water supply system was 525, while those connected to sewage system was 296.

The Multiple Tranches' Framework Agreement between Georgia and implementing company Asian Development Bank was signed. Within that framework agreement an agreement dated February 5, 2015 was signed and according to it 108 mln USD were allocated from Asian development Bank Ordinary Capital Recourses for the construction of a water supply system in Zugdidi and sewage system rehabilitation with sewage disposal construction in Poti.

As of 30th of June, 2015 LLC United Water Supply Company of Georgia disbursed 41.05 GEL mln, that is 51.31 % out of GEL 80 mln of 2015 revised planned budget and 82.5 % of approved annual budget (41.05 GEL mln). Also the disbursed amount was 102% of the first half of 2015 revised planned budget while 416% out of 9.85 GEL millions of approved budget.

Specific results of the measure include:

- Improving living conditions in Georgian regions;
- Increasing number of citizens with water supply and sewage systems;

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.

Within the part implemented by MRDI in the first half of the year 22 projects were carried out as the immediate response to the natural disasters (recovering of roads damaged by heavy rains, flooding and landslides) and 11 projects were implemented concerning coast fortification.

As regards part of the measure implemented by the National Environmental Agency (NEA) financed almost entirely by own resources of the Agency during first half of the year the following documents were prepared:

- Informational bulletin “Assessment of Geological Hazards Development and forecast”. (including recommendations)”,
- On the basis of recommendations from mentioned above bulletin for all vulnerable municipalities will be developed action plans aiming prevention of natural hazards based on recommendations developed by NEA. In the reporting period general analysis of geological hazards on the territory of Tbilisi and preliminary assessment of situation induced by disaster in river Vere basin on July 13-14, 2015 was elaborated.
- The forecast and early warning 9 notifications on expected hydro meteorological events/ Natural hazards were prepared and transmitted to the decision makers by NEA.

For those works altogether until the end of June was spend approximately 46% of allocated for 2015 funds – own resources of NEA.

As regards hazardous waste disposed safely (budget code 3800) within the Netherlands Government grant-funded project “Arsenic Containing Mining Waste in Georgia” in Racha-Lechkhumi and Qvemo Svaneti Region, the arrangements are underway to safely dispose of 50 000 tons of industrial waste containing arsenic accumulated in Uravi. Within the project will be developed arsenic-containing waste and contaminated soil management program - safe placement of hazardous waste in sarcophaguses will be ensured. The project started in 2012 and will finish by the end of 2015. The project budget is 750 000 Euro.

In addition, during the reporting period 143 965 GEL of budgetary money (assured through Regional Development Fund – budgetary code 38 00) was spend on realisation of the project.

Specific results of the measure include:

- prevention from erosion and protecting of the population from consequences of floods;
- increasing safety and improving transport movement via rehabilitation of roads;
- Reducing risk of environment pollution and negative impact on health of local population.

Measure 1.5 Georgia forest inventory and implementation of stable forest inventory

As regards fire prevention measures, (budget code 38 04 05), actual expenditure is 0,1 million GE for 2015 compared with a target value 0,7 million GEL, L. 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 fire fighting tools (46 units) and improving sanitary conditions of the forest (total covered area is 26 000 ha) were undertaken.

Specific results of the measure include:

- Providing information and raising awareness on the number and conditions of forests in Georgia;
- Applying new standards in forest management in Georgia.

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

Two programs are implemented under this measure:

- “Produce in Georgia” which helps companies to access finance, adequate infrastructure and appropriate consulting services at national level through agreements with commercial banks about co-financing interest rates. In the first half of 2015 within the program “Produce in Georgia” the Enterprise Development Agency signed agreements for 19 beneficiary companies. From the beginning of the program there have been 48 agreements signed of which 40 are with commercial banks and 8 with leasing companies.

- „Micro-financing” scheme for micro and small companies operating in Georgia regions aimed at fostering entrepreneurship and the increase of export potential of Georgian products. The Project is still in the preparatory phase – 4 tenders were organized in regions to select contractor organizations for implementing the program. As regards the training component meetings with the local population was organized by the EDA in 7 regions and with rest 2 regions and Ajara meetings are in planning phase. In those 7 regions the application process has been completed and 1297 beneficiaries were selected. The EDA organized information meetings with local population in the regions. The meetings hold in Imereti, Racha-Letchkumi and Kvemo Svaneti, Samtskhe Javakhei, Kvemo Kartli, Kakheti, Mtskheta-Mtianeti and Shida Kartli regions the similar meetings are planned in Ajara, Guria, Samegrelo-Zemo Svanetis regions for the second half of the year. In Imereti, Racha-Letchkumi and Kvemo Svaneti, Samtskhe-Javakheti and Kvemo Kartli the process of receiving applications was finalized in the first half of the year. In Imereti, Racha-Letchkumi and Kvemo Svaneti the number of applicants was 2642, 575 - were selected for the next stage - the trainings to be organized in the second half of the year. In Samtskhe-Javakheti and Kvemo Kartli the number of application was 1845, 712 was selected for being trainings.

Specific results of the measure include:

- Increasing level of investment and loans;
- Increasing number of supported businesses.

3.1 Improve Agricultural Water Management

In the first half of 2015 Georgian Melioration Ltd has already spend more than half of the budget on rehabilitation works in the irrigation system. Altogether 46 projects were implemented which allowed for irrigation of 4123 ha of additional land plots. There were few problems indicated by the implementation agency or the Ministry of Agriculture related this measure. The absence of a proper agriculture land registry system makes it impossible to control usage of water and water users. That factor limits the possibilities of the development of a proper billing system and improvement of water management.

In the next five years Georgian Melioration Ltd needs up to Gel 1 billion to finish the planned rehabilitation and construction projects and reach the target of tripling the melioration land acreage in the country.

Specific results of the measure include:

- Ensuring full time irrigation water supply to farmers and other consumers (80-90 thousand beneficiaries);
- Ensuring access to water removal using drainage systems from settlements and the land areas used by farmers;
- Protecting settlements from flooding.

3.2 Improve Access to Finance

Information on measure 3.2 Improve Access to Finance is developed by the Agriculture Projects Management Agency (APMA) and consolidated by the Ministry of Agriculture of Georgia. The overall progress in implementation of the measure can be assessed as satisfactory. Budgetary spending is 27% for the cheap loan program (agency issued 748 loans valued GEL 75.038.692 and 190 loans valued USD 16.021.205), 84% for spring voucher program (196,068 ha have been plough and more than GEL 25,198,548 vouchers cashed), 34% for agro insurance program (in first two quarters of 2015 insurance companies issued 1.624 insurance policies on 1.802 ha land plots with predicted harvest valued GEL 13.405.891) and 12% for processing enterprises support program (in first two quarters of 2015 agency issued loans valued USD 1.076.270).

Specific results of the measure include:

- Launching at least 50 new food processing enterprises;
- Increasing effect of the Spring voucher programme;
- Increasing volumes of annual and perennial crops;
- Ensuring reimbursement of production costs for farmers in case of the loss.

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

This measure is implemented by four different agencies and centres of the Ministry and financial progress can be is very variable between them. Budgetary spending is 12,1% (budget code 37 01 05) for Cooperatives Promotions and Support Program (they begin implementation of the cooperatives' capacity building program in the third quarter of 2015), 50,6% (budget code 3702) for Food Safety and Veterinary Programs (in first two quarters of 2015, National Food Agency took 1,656 samples/tests), 18,5% (budget code 3703) for wine promotion and support program (grape harvest begins in August) and 29% (budget code 3704) for Scientific Research Program.

Specific results of the measure include:

- Increasing level of wine export;
- Increasing level of market diversification;
- Increasing number of functional farm cooperatives.

3.4 Develop Agriculture Land Market

This measure is 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 agriculture land market, promote consolidation of fragmented parcels and increase investments in commercial agriculture. In the first half of the year no progress was observed due to postponement of launching the whole programme until 2016.

Specific results of the measure include:

- Increasing number of leases and sales;
- Increasing number of registered land plots.

4.1 Promotion of tourism

This measure consists of several activities with the overall aim to support and promote the development of Georgia's tourism industry. During the first half of the year following activities were implemented:

Studies for each region's tourism resources and potential including cultural and natural resources.

No activities due to temporary suspension

Development of a tourism information centres' network

During the first half of the year preparatory process was developed in order to open one Information Centre by the end of the year.

Development of a tourism information centres' network

The following training courses have been conducted:

- 1) "Trainings in Basic English language and services skills for drivers", Kakheti: Telavi, Kvareli, Signaghi. Imereti: Kutaisi, Tsqaltubo, Samegrelo-Zemo Svaneti Zugdidi. Totally 60 participants.
- 2) Hotel Service Skills, Service and Training. Trainings for hotels located in Tbilisi. Totally 110 participants.
- 3) Tourism sector basic English language courses" For Mountain resorts hotels: Bakuriani, Borjomi, Stepantsminda and Mestia. Totally 65 participants.
- 4) Within the framework of EBRD event – training for volunteers. 90 participants.
- 5) "first aid training." For mountain resorts hotels personnel. Borjomi, Bakuriani, Mestia, Gudauri resort, totally 110 participants.
- 6) "Hotel business and Service skills". Kakheti: Telavi, Signaghi, kvareli. Imereti: Kutaisi, Tsqaltubo. Samegrelo-Zemo Svaneti: Zugdidi. Totally 140 participants.
- 7) "Trainings in Basic English language and services skills for drivers. In Tbilisi, Mtskheta, Stepantsminda and Mestia, totally 80 Participants.

Promotion of the Country tourism potential through marketing activities

The National Tourism Administration together with tourism companies participated in 16 international exhibition-fair (14 abroad and 2 in Georgia); 28 introductory and press tours was held participated by journalists and tour operators (including 26 from abroad); international marketing campaign have been implemented in 9 target countries. The Tourism Administration participated and supported 12 different events across the country.

Tourism Products

Following 4 tourism product were created: digital image files of maps (used in different cities and towns), pilgrim directory, bilateral illuminated billboards in Tbilisi, and directions signs of tourist facilities (in different cities and towns).

Specific results of the measure include:

- Increasing number of international travelers to Georgia;
- Increasing rate of tourism revenues.

5.1 Labour Market Demand survey

In 2015 the Ministry of Labour, Health and Social Affairs of Georgia according to the Government of Georgia Resolution N 732 Action Plan of the program sub activity - 4.7 started preparation of the labour market demand survey. In 2015 the budget for this sub activity was GEL 270 000.

The goal of the survey is to gain detailed information on the attitude/demands of the employers on the labour market.

The study is conducted using quantitative and qualitative methods. Within the frame of the quantitative study the number of respondent companies totalled 6000, while within the frame of the qualitative study the number amounted 240. The deadline to complete the qualitative survey was set as May, 2015 and for the quantitative study, August, 2015.

As planned by the end of the first half of 2015 the qualitative report was prepared and delivered by the contracted company.

Specific results of the measure include:

- Improving information for jobseekers on demands of the labour market;

- Improving information for entrepreneurs on business attitude and labour market demand and opportunities;
- Increasing 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

The Ministry of Education and Science in 2013 decided to establish a network of 26 well-equipped vocational colleges in Georgian regions to provide a high quality service. The objective is to increase the territorial access to vocational education and to support the socio-economic development of the country.

At the initial stage it is planned to establish at least one vocational college each year. During the first half of the year was conducted mainly preparatory works, including preparation of the project documentation for the development of the infrastructure of the college established in Mtskheta, Tsinamdzgvrishvili, in 2014.

In the first half of 2015 for the colleges in the regions (Akhaltsikhe, Bagdadi, Senaki) trainings on modern livestock farms has been completed.

For creating an appropriate learning environment for persons with disabilities and for persons with special educational needs a vision on adapting vocational education institutions' physical environment was developed. For 5 vocational education institutions, according to the universal design principles were created architectural projects that will be the model for adapting vocational education institutions' physical environment. Implementation of construction projects will start in the second half of the year.

Construction / rehabilitation process of student Dormitory for VET colleges has already started. Student dormitories are currently being rehabilitated in Kutaisi and Zugdidi. The decision was made on the construction of a student dormitory for the college in the town of Mestia and design works are underway. Also, this year, according to the identified needs, a variety of infrastructure projects for 20 institutions are planned to be implemented (out of which full rehabilitation of 3 colleges). Part of the work has already begun and is in progress.

Specific results of the measure include:

- Improving quality of vocational training, provided through supported centers.

5.3 Agriculture Related VET & Extension Systems

In the first half of the year some preparatory activities were held supported by the UNDP. 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 directly teaching are based on modules/themes. Modular programs focus not only on the development of professional skills (trade, profession study) but at the same time, on the development of basic (literacy, math skills, and etc.) and key skills (entrepreneurship, foreign language communication, digital competences, etc.) which is of crucial importance in the modern world. 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 develop- introduce modular programs for agriculture sectors has intensively started in 2014 and successfully continues: For 8 agrarian professions educational programs with modular approach were developed, assessment tools of pilot modules and teachers' guides were developed; 4 colleges for piloting were selected and their needs were identified; in compliance with the relevant methodology VET teachers were trained; for each college technical specifications of required equipment necessary for the implementation of modular programs has been developed; also learning environment minimal standards according to the 8 professional educational programs; Piloting is implemented in 4 VET colleges; the results of monitoring have been analysed and recommendations developed, considering the results of the piloting introduction- implementation of 7 modular educational programs were started. Textbooks and training materials for agricultural professions (8 professions) have been developed and also standards for extension workers and research- consultants as well program for training extension workers in 15 directions. 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.

Specific results of the measure include:

- Increasing number of Share trained VET teachers;

- Increasing number of trained VET service providers (veterinarians, zoo-technicians, food processors);
- Increasing number of trained farmers;
- Increasing number of agricultural machinery operators, input suppliers and animal food producers);
- Improving livelihood by increasing productivity and incomes of farmers in rural areas;
- Providing necessary training and consultation to be able 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: VET teachers training and development; 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 Decree #2624 on approval of the “Teachers' Training and Professional Development draft concept“was published.

In 2015 works started on the implementation of the Concept Action Plan and on the formation of the teachers' training and professional development system: the database of VET teachers was updated, the teachers’ professional development thematic group (in participation of social partners, government agencies, international organizations and colleges) was created; the Action Plan of the Group was defined and two working group meetings were held in the first half of the year; the draft teachers' compulsory pedagogical training course was developed; Studies were carried out to reveal the teachers' training needs; professional development programs were planned and implemented, including organized study tours / visits abroad.

Specific results of the measure include:

- Preparing VET trainers in modern education techniques and the latest developments in their field of expertise.
- Improving quality of teaching;

- Improving quality of assessment process.

5.5 Training of Public Servants in the regions

In the first half of 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 Government of Georgia Decree 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 implement coordination of training system, providing training- methodical and informational support. The Centre to ensure coordination of the effective cooperation of the institutions involved in the training system, to support in establishing unified standard in the study process, for evaluation of the training system operation and for providing relevant recommendations has created the Advisory Council of the Centre - Advisory Council of the Continuous Training System of Local Self-governments. Relevant legal act as the legal base for the system functioning were 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 of the Continuous Training System of Local Self-government Public Servants, on the responsibilities of the institutions involved and on the system operation".

Support to Develop HR management function in Local Self- Governments

Under this component the Centre provides methodological support to municipalities, aims to determine priority training needs and to develop annual study plans, to upgrade qualification and develop the practical skills of municipality employees that will help local officials to better perform their duties. With GIZ assistance, CEGSTAR has developed a TNA methodology that has been used since 2014. The UNDP project – Fostering Regional and Local Self- Government Development (RLD) and GIZ will facilitate completion of these TNAs for 76 municipalities and cities with RLD supporting 56 and GIZ 20 municipalities.

With financial support of UNDP and GIZ the Centre organized trainings on 10 priority areas for local authorities, 758 local officials were trained.

Strengthening training providers, improving coordination between local Self- governments and training providers

Establishment of the system of Continuous Training for Local Self- government Public Servants in pursuance with the resolution # N319 will contribute implementation of the mentioned activities. According to the resolution special straining standards will be developed, that will be reviewed by the Centre Advisory Council and approved by the Director of the Centre. According to these standards, the study programmes developed by training providers will be registered in the registry of study programmes and based on the municipality annual study plans the Centre ensures data recording in the system and reflects the relevant information in the demand identification system. The mentioned system will facilitate to: develop and implement training programs relevant to the standards and tailored to the needs of municipalities, improve coordination between municipalities and training providers.

Specific results of the measure include:

- Effective training system established and operational
- Government cost-sharing for the training system allocated
- Improving evaluation system of services of local authorities in project regions (disaggregated by sectors)
- The training system, in line with the GOG decree on “approval of the system of continuous training of local self-government public servants, responsibilities of the bodies involved and the principles and rules of the system functioning”. established with following additional elements:
 - Establishing proper financial framework,
 - Ensuring effective coordination,
 - Strengthening demand identification system in LSGs
 - Strengthening training providers,
 - Providing quality assurance

Regional Development Fund

GEL 170 million was allocated from Regional Development Projects’ Fund for self-governments’ and regional projects (Decree #27 of GoG on 15/01/2015). Due to the cost estimation works started in January, the amounts issued from the Fund of projects to be Implemented in the Region of Georgia were spent on preparation of the necessary documents while allocation of sums for chosen projects implementation started mostly in May.

As of June 30 contracts were signed for 360 projects with a total value of GEL 129 million. From the amounts saved via tenders additional infrastructure projects were funded. In total for the reporting period there are 500 projects funded with the total value of GEL 177 million.

At the end of June 30, the works are fulfilled under 233 projects with total value 84 GEL mln, of which 62 projects are commenced with total value 24 GEL mln.

- GEL 13 million were allocated for Guria of which tenders for GEL 8.2 million were commenced for 36 projects with total value 6.7 GEL mln. 1.5 GEL mln were saved.
- 45.4 GEL million were allocated for Imereti, of which tenders for 37.8 GEL mln was commenced for 87 projects with total value 32.9 GEL. 4.9 GEL mln were saved.
- 21.9 GEL mln were allocated for Kakheti, of which tenders for GEL 17.6 million were commenced and 80 projects were financed with total value 15.4 GEL mln. 2.2 GEL mln were saved.
- 8 GEL mln were allocated for Mtskheta-Mtianeti region of which tenders for GEL 2.9 million were commenced and 12 projects were financed with total value 2.4 GEL mln. 0.5 GEL mln were saved.
- 8 GEL mln were allocated for Racha-Lechkhumi Kvemo Svaneti region of which tenders for GEL 5.3 million were commenced and 40 projects were financed with total value 4.9 GEL mln. 0.5 GEL mln were saved.
- 32.3 GEL mln were allocated for Samegrelo-Zemo Svaneti region of which tenders for GEL 20.2 million were commenced and 42 projects were financed with total value 18.4 GEL mln. 1.8 GEL mln were saved.
- 14 GEL mln were allocated for Samtskhe-Javakheti region of which tenders for GEL 12.3 million were commenced and 26 projects were financed with total value 11.2 GEL mln. 1.1 GEL mln were saved.
- 21.5 GEL mln were allocated for Kvemo Kartli region of which tenders for GEL 12.9 million were commenced and 29 projects were financed with total value 10.8 GEL mln. 2.1 GEL mln were saved.
- 12.4 GEL mln were allocated for Shida Karli region of which tenders for GEL 5.3 million were commenced and 7 projects were financed with total value 4.9 GEL mln. 2.1 GEL mln were saved. 0.4 GEL mln were saved.

The amounts saved during the tenders are supposed to be spent for additional projects submitted by municipalities. As for the amounts allocated upon the Decree of the Government of Georgia (#39 GoG Decree dated 20 January, 2015 on Allocation of the money from The Fund of Projects to be Implemented in the Regions of Georgia to Local Self- government Units) are subject of correction according to the contract value and additional projects to be financed.

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