

# Regional Development Programme of Georgia 2015-2017

## Final Monitoring Report

Tbilisi, September 2018



ევროკავშირი  
საქართველოსთვის

The European Union for Georgia



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**Support to Regional Development Policy Implementation II in Georgia**

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## List of Abbreviations

AA	Association Agreement
AP	Action Plan
BDD	Multiannual Basic Data and Directions Document
CPI	Consumer Price Index
CSO	Civil Society Organisation
EaP	Eastern Partnership
CEGSTAR	LEPL Vano Khukhunaishvili Centre for Effective Governance Systems & Territorial Arrangements Reform
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
EU	European Union
EUD	Delegation of the European Union
EUR	European Currency Unit
FA	Financing Agreement
GCRD	Government Commission for Regional Development
GDP	Gross Domestic Product
GVA	Gross Value Added
GEL	Georgian Lari
GEOSTAT	National Statistics Office of Georgia
IMF	International Monetary Fund
M	Measure (of the Programme)
M&E	Monitoring and Evaluation
MRDI	Ministry of Regional Development and Infrastructure of Georgia
NGO	Non-Governmental Organisation
PCA	Partnership and Cooperation Agreement
SME	Small and Medium Enterprise
SWOT	Strengths, Weaknesses, Opportunities and Threats
RCC	Regional Consultative Council
RDA	Regional Development Agency
RDF	Fund of Projects to be Implemented in the Regions of Georgia
RDP	Regional Development Programme
RDS	Regional Development Strategy
SSF	Single Support Framework for EU support to Georgia
UNDP	United Nations Development Programme
USD	United States Dollar
VET	Vocational Educational Training
WB	World Bank
WG	Working Group

## Executive Summary

This is the final implementation report providing information on financial and physical progress of the implementation of the Regional Development Programme for the years 2015-2017. It also outlines how key result indicators established in the course of the Programme roll-out have been achieved. Where possible, time series trends have been analysed, both on the level of Programme and Measure.

Overall, the Programme financial envelope initially set at GEL 3,501 billion totalled almost GEL 3,908 billion at the end of 2017 (11.6% increase). However, due to annual budget adjustments, the actual expenditure against the yearly adjusted targets is 99%. The biggest increase when compared to the original financial targets (more than three times) was recorded for Priorities 3 and 4 focusing respectively on tourism development and human capital. The highest increase in absolute figures in terms of actual spending in the 3-year long period occurred within Priority 2 supporting small and medium sized enterprises: the amount actually spent increased from GEL 8.3 million in 2015 to GEL 36.7 million in the year 2017 (more than four times).

Annually, the Programme budget increased from GEL 1,101 billion to circa GEL 1,606 billion in 2017 being almost on par with the initial forecast. In this way the Programme featured significant acceleration of spending in the last implementation year as the amounts disbursed in 2015 and 2016 were almost uniform. Such increase in 2017 is attributable to the rise of expenditure within Priority 1 and chiefly in the activities focusing on the construction of roads and their maintenance. The other contributing factor (but on much smaller scale in absolute figures) was the increase of budget for Measure 3.1 supporting irrigation systems in rural areas.

Priority 1 supporting infrastructure where almost GEL 2.4 billion was spent accounted for 61.5% of the Programme budget, followed by Priority 4 being rural development accounting for 20.1% of the total RDP 2015-2017 spending - the actual amount disbursed was GEL 784.8 million. Such concentration of funds on those two Priorities illustrates Georgia's socio-economic priority development pillars of the regional development policy and other sectoral interventions.

Imereti region benefitted most of the RDF spending with share of 23.6% and accounted for 13.6%<sup>1</sup> on the entire Programme level. The smallest beneficiary was Racha Lechkhumi and Kvemo-Svaneti accounting for 4.6% of the RDF budget uptake and 1.8% of expenditure on the Programme level.

Main achievements in terms of physical progress included: opening of new sections of the highway in the corridor Tbilisi-Imereti-Batumi, construction and rehabilitation of almost 120 bridges, improvement of solid waste management (despite delays in construction of regional landfills), rehabilitation and extension of water supply systems, increase in the number of assisted SMEs, improvement of land irrigation, better access to finance for agricultural cooperatives and improvement of food safety, exceptional effects of tourism promotion and improvement of vocational and education training facilities.

The RDP 2015-2017 was implemented during the times of somewhat enabling macroeconomic situation. Georgia benefitted from the increasing foreign trade improving trade balance that assisted in the decrease of current account deficit. Enterprise turnover increase was recorded in all regions, especially in Kakheti, Racha-Lechkhumi and Kvemo Svaneti.

### Brief information on the achievement of each strategic goal based on performance indicators

#### Contribution to Overall Objective

The overall objective of RDP 2015-2017 was formulated as "contribution to more balanced and sustainable socio-economic development across Georgia (especially addressing imbalance between Tbilisi and the rest of the country)".

Although no strategic indicators were defined to measure progress towards the achievement of the overall objective, several statistical indicators are used below to illustrate how the intended goal of the Programme has been achieved.

#### Gross Value Added

At the start of the Programme the total GVA produced in Georgia (for the year 2014) amounted to GEL 29,159.50 million and totalled GEL 38,042.20 million in 2017 illustrating 30.5% increase in current prices. Growth and wealth however are not equally distributed. Tbilisi's share in the total output accounted for 48.40% and increased during

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<sup>1</sup> This share is most likely higher however significant amount of the Programme intervention could not be "regionalised" for the year 2017

the implementation of the Programme reaching almost 48.76% in 2016. Although regional breakdown of GVA is not available for 2017 the share of the capital city is expected to remain the same or slightly increase further at the cost of regions such as Guria, Samegrelo-Zemo Svaneti, Kvemo Kartli, Imereti, Racha-Lechkhumi and Kvemo Svaneti. More analysis can be carried out when data on GVA for the year 2017 are released.

#### Depopulation

During the period of the Programme implementation migration from rural to urban areas continued with Tbilisi, AR Adjara and Kvemo Kartli regions recording positive growth in population numbers - by 3.85%, 2.89% and 1.66% respectively. Regions where the population number dropped sharpest are Imereti with Racha-Lechkhumi and Kvemo Svaneti, losing almost 5% and 6% of their inhabitants respectively in the 3-year long period.

#### Enterprise Turnover (Business Sector)

Business turnover rose in the country by 25.6% between 2015 and 2017. The sharpest increase was observed in Kakheti (by 40.8%), Racha-Lechkhumi and Kvemo Svaneti (by 40.5%), Samtskhe-Javakheti (by 40.3%) and Kvemo Kartli (by 30.6%). Regions with the lowest increase in business turnover included: Samegrelo-Zemo Svaneti (by 15.5%) and Shida Kartli (by 13.2%).

#### Contribution to Specific Objectives

The specific objectives of the Regional Development Programme 2015-2017 were formulated as: 1) support economic development and creation of new jobs in regions with low levels of employment and 2) improve living standards (quality of life), especially in rural and underdeveloped areas. The following metrics can illustrate progress in terms of contribution to the achievement of the Programme's specific goals:

#### Employment and Unemployment

According to the GEOSTAT data in 2015-2017 labour market featured somewhat stagnation. Unemployment decreased a meagre 0.2 percentage point from 14.1% to 13.9%. Regions where the unemployment rate decreased included: Kakheti, Adjara AR, Samegrelo-Zemo Svaneti. The sharpest increase in the number of unemployed occurred in Imereti (with Racha-Lechkhumi and Kvemo-Svaneti), Kvemo Kartli and Tbilisi. At the same time employment rate slid from 57.4% to 56.4%. Regions where employment rate increased included: Kakheti, Adjara AR and Samegrelo-Zemo Svaneti. In Kakheti the main contributor to the increased employment was rise in the number of self-employed as hired employment decreased. Adjara AR featured increase in the both form of employment while in Samegrelo-Zemo Svaneti hired employment increased and the number of self-employed went down.

Overall, in the years 2015-2017 hired employment increased from 798.3 thousand to 824.2 thousand and the number of self-employed decreased from 928.0 thousand to 881.6 thousand. Those changes caused the ratio of self-employed in total employment decline from 53.5% to 51.7%. Despite that, there are still regions where self-employment dominates in the labour market, especially in agricultural and deep rural areas in Guria, Kakheti and Samtskhe-Javakheti where this ratio reached in 2017: 73.6%, 72.1% and 69.8% respectively.

#### Standard of Living

Living standards improved when measured by access to basic utility infrastructure. While at the end of 2017 all households were provided with electricity as the last settlements in Kakheti and Samegrelo-Zemo Svaneti were connected to the electrical grid, access to central system of gas supply also improved.

Trends in access of Georgian households to drinking water supply installed in the dwelling also improved (though much slower) and are depicted in the below table.

Albeit average salary alongside monthly income per capita increased, the average monthly households' income (composed of both, cash and non-cash equivalents) is an issue of concern - while situation in most of the regions improved, it deteriorated in Kakheti and Samegrelo-Zemo Svaneti, being affected inter alia by negative trends in the labour market.

#### Poverty

Poverty levels deteriorated in 2015-2017 despite positive economic developments, demonstrating that the achieved growth has not been shared equally. Both, relative and absolute poverty indices increased - from 20.2% to 22.3% for relative poverty index and from 21.6% to 21.9% for absolute poverty metric. Though data for 2017 are not available on regional level, figures for 2015 and 2016 clearly display the gap between Tbilisi (at 10.4%) and the rest of the country where the poverty levels are almost twice or even three times higher than in the capital city with the worst situation in Kvemo Kartli and Shida Kartli where poverty index exceeded 30%. Overall, relative poverty levels in rural areas are twice higher when compared to urban settlements.

In general, living standards have improved: there are significantly more households connected to gas supply system and there is also increase in the number of households enjoying water supply system installed in their dwelling. Progress with waste water management systems however is inadequate when paired with potable water infrastructure extension.

Positive GDP growth contributed to stabilise national budget (especially in 2017) however the growth did not benefit the regions in equitable manner. Depopulation was observed, especially in Imereti with Racha-Lechkhumi and Kvemo Svaneti regions. Average monthly household income increased but the growth was somewhat meagre deteriorating already failing situation in the labour market and increasing poverty levels.

RDP 2015-2017 underwent implementation monitoring activities based on six-monthly and annual performance data. During the implementation period of the Programme 5 monitoring reports were developed:

- 3 six-monthly reports; and
- 2 annual implementation reports.

The GCRD has assembled 10 times in the period 2015-2017. Key issues discussed during the Commission's meetings included: update on meeting goals set in the Financing Agreement and technical issues pertaining to the monitoring of RDP 2015-2017 implementation (approval of documents, templates, reports, etc).

At the turn of 2016 and 2017 an independent interim evaluation of the RDP 2015-2017 was exercised, Findings of the evaluation exercise were in general complimentary with some deficiencies identified in very few areas only:

- **Relevance of the Programme** measures and interventions to the needs that they address was marked **as good**. That also includes consistency of objective setting.
- Since **measures** are implemented by considerable number of government institutions acting independently, their **performance is variegated** - marked from satisfactory to good (and sometimes very good). There are instances where the implementation of some measures is suspended – the Programme implementers should have flexibility to correct and modify measures, if required.
- There is strict focus on the Programme financial progress (performance) and output indicators which is fine in its own rights. But **lack of result indicators defined beforehand** was found to be one of the major deficiencies of the Programme that limits the evaluation of the RDP 2015-2017 effectiveness and efficiency. A complementary result indicator matrix was developed in 2017 to address evaluation findings and recommendations.
- **Coordination of policy implementation** among key role players and stakeholders **is insufficient** and for that requires enhancement – in this context the role and competences of MRDI in this regard should be strengthened - responsibilities should be better paired with authority.
- Though **existing statistics are adequate to describe basic dimension** of inter-regional disparities, **they are insufficient for illustrate** more sophisticated aspects of uneven **regional competitiveness**.

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 next RDP;
- 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;
- Apply changes with respect to provision of the RDP semi-annual and annual monitoring reports due to the mismatch with the Treasury budget cycle: change to April 30 for the semi-annual report and October 31 - for the annual.

# 1. Introduction

## 1.1 Background

The Regional Development Programme 2015-2017 is the first operational attempt to address Georgia's increasing imbalances in the level of socio-economic development between Tbilisi and the planning regions. It is based on the earlier State Strategy for Regional Development of Georgia (2010-2017) and subsequently elaborated regional development strategies setting out development vision and overall objectives for regional development policy in the country and its regions.

Regional and territorial development are of significant importance in the context of the on-going and anticipated co-operation between Georgia and the European Union, including financial development assistance offered within the framework of the European Neighbourhood and Partnership Instrument supporting the European Neighbourhood Policy.

This is the third and last Monitoring Report on the implementation of the RDP 2015-2017 since the Programme elapsed at the end of last year. It synthesises the results and achievements of the Programme, covering data and information on the Programme performance in the years 2015-2017 alongside qualitative analysis of its implementation in the entire three year-long period including references to key findings of the Programme interim evaluation and State Audit Reports covering the relevant Programme sectors. For that, this 3-year Report differs from the previous monitoring reports in terms of structure and issues that are accentuated. It comprises the following sections:

- Executive summary;
- This Background and Introduction note;
- Programme Synopsis;
- Account of quantitative progress of the implementation (both, physical and financial);
- Description of qualitative progress of the implementation;
- Reflection on monitoring and evaluation functions.

Also, the summary of financial and physical progress is included in the main body of the Report and not in the Annexure as it was the case before.

The Report was prepared based on information captured during the elaboration of the previous monitoring reports (6-monthly and annual) and data sets provided by the implementing institutions for the year 2017, which were subsequently validated, analysed (including trend analysis over time) and triangulated.

In order to monitor the last year of the Program, the current report includes the description of output and financial performance implemented in 2017 at the level of the measures.

This Report document has been largely developed based on inputs by Technical Assistance Project *Support to Regional Development Policy Implementation II in Georgia*. It will undergo routine consultation process with the involvement of the general public, Governors' Administration, NGOs, Inter-Ministerial Working Group for RDP 2015-2017 Monitoring, donor organisations and other stakeholder

## 1.2 Programme Synopsis

The Regional Development Programme 2015-2017 is a 3-year government document outlining the main goals and objectives of Georgia's regional development policy. The original Programme features indicative financial allocations defined on the level of each Programme measure which are reflected in BDD and annually adjusted during the development and elaboration of national budget or its amendment. Limited donor funding is also provided for the execution of specific measures.

The implementation responsibility of the RDP 2015-2017 rests with the Ministry of Regional Development and Infrastructure of Georgia which coordinates the Programme roll-out and its monitoring framework - based on information and data submitted by the relevant line Ministries and government Agencies. The MRDI reports to the GCRD.

The Programme had been elaborated pursuant to the Government Decree No 1315 of 10 September 2013 and comprises of the intervention logic illustrated below.

<b>Overall Objective</b>	Contribute to more balanced and sustainable socio-economic development across Georgia (especially addressing imbalance between Tbilisi and the rest of the country)
<b>Specific Objectives</b>	<ol style="list-style-type: none"> <li>1. Support economic development and creation of new jobs in regions with low levels of employment</li> <li>2. Improve living standards (quality of life), especially in rural and underdeveloped areas</li> </ol>
<b>Programme Priorities</b>	<p>Priority 1: Improvement of Physical Infrastructure and Environment Protection</p> <p>Priority 2: Supporting the Development of SMEs and Creation of New Jobs</p> <p>Priority 3: Rural Development</p> <p>Priority 4: Tourism Development</p> <p>Priority 5: Improvement of Human Capital and Development of Vocational Institutional Capacity at National and Sub-National Levels</p>
<b>Programme Measures</b>	<p>Priority 1 measures:</p> <ol style="list-style-type: none"> <li>1.1 Roads of international and national importance</li> <li>1.2 Solid waste management</li> <li>1.3 Water supply, sewage and sewerage systems</li> <li>1.4 Disaster risk reduction and management of polluted areas of old industrial sites</li> <li>1.5 Forest inventory and implementation of stable forestry strategy</li> </ol> <p>Priority 2 measure:</p> <ol style="list-style-type: none"> <li>2.1 Supporting business through institutional and programming initiatives</li> </ol> <p>Priority 3 measures:</p> <ol style="list-style-type: none"> <li>3.1 Modernisation of irrigation systems</li> <li>3.2 Concessional agro-credit</li> <li>3.3 Other programmes for rural development</li> <li>3.4 Land market development</li> </ol> <p>Priority 4 measure:</p> <ol style="list-style-type: none"> <li>4.1 Multilateral promotion of tourism development</li> </ol> <p>Priority 5 measures:</p> <ol style="list-style-type: none"> <li>5.1 Labour market demand survey</li> </ol>



	5.2 Rehabilitation of existing collages, construction, equipment and staffing of new regional VET collages 5.3 Vocational teaching and education, agriculture-related extension systems 5.4 Training of VET teachers and continuous professional development 5.5 Training of local public servants  Fund for Projects to be Implemented in Georgia's Regions (stand-alone Action)
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The Programme elapsed at the end of 2017 and a new Regional Development Programme covering the years 2018-2021 is now adopted by the Government.

### 1.3 Macroeconomic Context

The years 2015-2017 are marked by relatively favourable and stable macroeconomic conditions in Georgia and the broader region, which enhanced confidence and improved growth. The real GDP growth in the country reached 2.9% in 2015, 2.8% in 2016 and 5% in 2017 (preliminary). The biggest contributor to the GDP growth was export of goods and services, followed by Gross Capital Formation. Positive factors were also observed in the decreasing imports (in relation to GDP). Consequently, trade balance deficit in relation to Gross Domestic Product decreased from 28.1% in 2015 to 25.3% in 2017. Also, current account deficit decreased from 12% to 8.7% of GDP mainly on account of the improvement in exports, tourism and remittances (IMF). Main area of concern however may be the decline in Final Consumption Expenditure which could indicate potential future weakening of the role of domestic consumption as one of the key driving forces of Georgia's economic growth as it was the case in 2011, 2012 and 2014. Economic growth decelerated when compared with the period 2003-2007 when the economy had grown faster. The slower growth rate was driven by decreased external demand, decelerated domestic consumption and weak productivity. The slower growth can be seen as a factor contributing to the decrease of poverty and inequality by only a small margin. On average, the growth of GDP is faster than the increase of e.g. households' income which grew by 7.2% - from GEL 1,035.9 to GEL 1,110.7 in the period under consideration (GEOSTAT). Overall, the economic outlook remains positive and the IMF estimate that Georgia can grow at 4.8% in the coming years.

Lending to private sector reinforced economic activity but it is households' debt that is sharply increasing reaching 34 percent of GDP at the end of 2017 (mostly due to home loans). Loans and deposits in foreign currency declined in general, marking effects of the authorities' commitment and measures to de-dollarise the economy introduced in 2016. Overall, the banking sector remains strong - well capitalised and profitable with reasonable level of profitability and rates of return.

Inflation illustrated by Consumer Price Index in the period 2015-2017 reached 4.9%, 1.8% and 6.7% respectively (annual inflation). CPI can be attributed to the depreciation of the local currency - the annual average exchange rate in the concerned period for USD/GEL was 2.2702, 2.3667 and 2.5086. For the EUR/GEL parity the index was: 2.5204 in 2015, 2.6172 in 2016 and 2.8322 in 2017. The rise of prices in 2017 is an issue of main concern that may further affect interest rates and lending policies. The refinancing rate of the National Bank of Georgia oscillated between 4.0% and 8% between January and December 2015 to reach 7.25% at the end of 2017, reflecting authorities' commitment to address inflationary pressures and focus on currency stability.

Albeit public finances have improved with measures taken to compensate for losses resulting from the 2016 corporate tax reform<sup>2</sup> overall, public debt in relation to GDP increased from 41.4% in 2015 to 44.9% (IMF).

In the years 2015-2017 Georgia's population increased between 2015 and 2017 by 0.2%. Migration from rural to urban expanses continued with the increase of population in urban areas by 1.8% and the decrease in the number of rural dwellers by 2% (GEOSTAT).

Slow job creation and high unemployment is the main challenge for the country. Jobs have been concentrated in low-productivity sector such as agriculture, retail and wholesale trade, education and public and social services. Only in 2017 significant number of new jobs were created in energy and accommodation services (survey of Ministry of Economy and Sustainable Development). Overall, Georgia features underlying labour market problems. Despite robust growth and enabling business environment, unemployment between 2015 and 2017 decreased by a fraction only - from 14.1% to 13.9%. Economic activity rate in the same period slipped from 66.8% to 65.8% and employment rate decreased from 57.4% to 56.7% (GEOSTAT). Georgians with advanced education degree account for a large share of the labour force but also comprise a significant share of the unemployed which may imply an oversupply of educated labour force, poor education system and skills mismatch between the demand and supply. Overall, negative tendencies observed in labour market affect living conditions in Georgia - absolute poverty index increased from 21.6% to 21.9% and relative poverty indicator rose from 20.2% to 22.3% in the referenced

<sup>2</sup> The change from profit to dividend-distribution concept

period. That all coincided with significant increase in salaries of the employed persons - the average monthly remuneration rose from GEL 896.8 to GEL 1,241.5 (increase by 38.5%, GEOSTAT). The upsurge in salaries paired with the deterioration in labour market conditions led to furthering inequality imbalances - Gini coefficient representing total expenditure on consumption increased from 0.38 in 2015 to 0.40 in 2017 (which is still below the 2010 and 2011 value of 0.42, GEOSTAT).

Quality of life has improved in Georgia in the period 2015-2017. Currently, all households are connected to electricity and the percentage of those provided with central gas supply increased from 66% to 75.7%. The share of households with water supply installed in their dwelling rose from 61.1% to 63.4%. It should be noted that the improvement of infrastructure for the use by residents and businesses is one of the key pillars of the Regional Development Programme for the years 2015-2017. Despite observable improvements in the quality of infrastructure, the infrastructure gaps in Georgia remain wide and the EBRD (2017) estimates Georgia's infrastructure investment needs at around 10% of its GDP for the years 2018-2021, including sectors such as waste management, transport and energy.

In the period under consideration Georgia experienced effects of climate change. Serious flooding occurred in 2015 in central parts of the country (including Tbilisi) while 2016 featured drought (especially south and west of Tbilisi and southern Kakheti). In 2017 local flash-floods ensued several parts of Georgia triggering mudslides. Floods, flash-floods (including hail) and drought caused serious damages to agricultural crops in central and eastern Georgia and to infrastructure - with the most serious being flooding of 2015.

## 2. Progress against objectives

This section outlines financial performance, physical progress and results achieved through the Programme intervention.

This section comprises information about general RDP 2015-2017 budget utilisation per Priority and correspondence of the actual expenditure with the original and updated planned expenditure. Where possible, regional breakdown of the Programme expenditure is also provided.

### General Information

The total Programme expenditure has been on the rise in the years 2015-2017. It amounted to GEL 1,101 billion in 2015, GEL 1,201 billion in 2016 and almost GEL 1,606 billion in 2017. Thus, altogether the Programme expenditure totalled almost GEL 3,908 billion and exceeded the originally planned amount of GEL 3,501 billion by 11.6%, mainly on account of substantial rise of Priority 1 budget and its Measure 1.1 (Roads of international and national importance) in the last year of RDP 2015-2017 implementation, illustrating Georgia's commitment to improve its transport infrastructure.

Overall, the actual expenditure each year against the planned budget was at very high level, reaching: 98.8% in 2015, 97.7% in 2016 and again 98.8% in the last implementation year. Generally, expenditure forecasting and planning against the investment has improved over the 3 years long period. The table below portrays "success rate" being ratio of the actual expenditure against the planned expenditure on Priority level. The most accurate planning and spending occurred under Priority 1 while the poorest performance in that regard was featured within Priority 2 due to underperformance in the first year of the Programme implementation.

*Actual Programme spending against the annually planned expenditure in the years 2015-2017, % of the original target achievement and % of the sum of annual plans*

Priority	2015	2016	2017	% of actual against target set in 2015	% of actual against sum of yearly plans
1. Infrastructure	100.6	99.1	101.0	96.2	100.3
2. SMEs and jobs	41.5	100.0	100.8	102.0	86.9
3. Rural dvlp	97.8	96.0	98.7	122.4	97.5
4. Tourism dvlp	158.9	125.2	99.9	322.8	116.2
5. Human Capital	87.4	92.2	101.1	302.9	94.4
RDF	103.1	101.7	86.2	n/a	96.6
<b>TOTAL</b>	<b>98.8</b>	<b>97.7</b>	<b>98.8</b>	<b>111.6</b>	<b>99.0</b>

*Source: own calculation based on information provided by Implementing Bodies*

Infrastructure and rural development domains dominate financial envelope allocated for the RDP 2015-2017 implementation, illustrating political priorities of the authorities and the actual needs in Georgia's regions. Details can be seen in the table below.

*Actual Programme spending per Priority and total expenditure, GEL million*

Priority	2015	2016	2017	Total per Priority	% of Grand Total
1. Infrastructure	645.4	695.6	1,057.1	2,398.0	61.5
2. SMEs and jobs	8.3	30.5	36.7	75.5	1.9
3. Rural dvlp	237.6	266.0	281.2	784.8	20.1
4. Tourism dvlp	23.0	25.2	48.6	96.8	2.5
5. Human Capital	12.7	10.0	19.1	41.8	1.1
RDF	174.2	173.8	163	503	12.9
<b>GRAND TOTAL</b>	<b>1,101.2</b>	<b>1,201.1</b>	<b>1,605.7</b>	<b>3,900</b>	<b>100.0</b>

*Source: own calculation based on information provided by Implementing Bodies*

*Note: Grand Total for 2015 differs in the table from the one in the introductory paragraph due to earlier omitted resources reported but not listed in the budget or without budgetary code or rounding*

Under Priority 1 the largest portion of expenditure in the 3-year period (GEL 989.2 million) accounted to Measure 1.1 being Roads of international and national importance for construction of high speed highways, followed by construction and maintenance of (other) roads on which GEL 833.4 million was spent. Within this Priority a significant portion of the budget (GEL 460.9 million) was spent on Measure 1.3 being Water supply, sewerage and waste water systems.

Rural development Priority received financing to the tune of GEL 784.8 million supporting food safety, plant protection, irrigation schemes, development of viticulture, vouchers for small land farmers for spring activities, R&D in agriculture, credit subsidies for agricultural cooperatives, etc.

The third biggest allocation of GEL 503 million was spent under RDF (stand-alone Action, not assigned to any Priority) which finances various somewhat small-scale infrastructure projects such as local roads, water and waste water facilities, street lighting, pre-schools, etc. identified by municipalities, considering regional development strategy objectives and aiming at more balanced development of Georgia's regions.

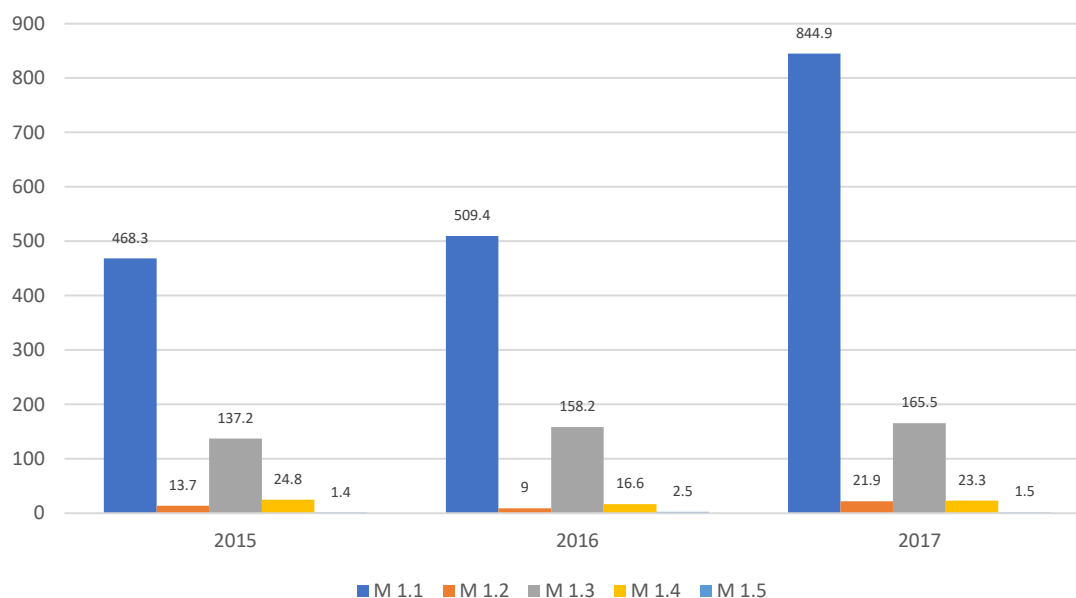
Trends-wise, expenditure per Priority rose across all the Priorities, except for the Fund for Projects to be implemented in Georgia's regions. Priority 5 (Improvement of Human Capital and Development of Vocational Institutional Capacity at National and Sub-National Levels) featured decrease in the second year of implementation and increase in 2017 in comparison with the year 2015.

The sharpest increase (4.4 times) was recorded under Priority 2 focusing on businesses and jobs, arguably demonstrating the originally under-resourced set of interventions targeting small businesses and creation of employment opportunities. Significant increase (2.1 times) has also been observed across measures supporting tourism development (Priority 4).

### Trends on Priority and Measure Level

The figure below illustrates time series of the allocation per **Priority 1** in absolute figures.

Figure: Actual expenditure per Priority 1 under RDP 2015-2017, in GEL million



Source: own elaboration based on data provided by Implementing Bodies

### Roads and prevention of natural disasters.

In 2017, the Roads department of Georgia constructed 96 km of different sections of the roads both in West and East parts of the country. The construction of the high-speed crossroads was implemented on 6 sections. Totally, the traffic was opened on 10 km. 209 km of the roads and 45 bridges were rehabilitated including 12 new bridges built. 86 GEL million on maintaining of the roads. During the year damages on the roads were removing, roads were cleaned from fallen stones and prevention works were carried out, cleaning from snow and improving of traffic in the winter period was done. The on-going maintenance including during winter time was implemented on 6000 km of international and national roads by the contractor company. Bank fortification works were completed on 15 sites. The prevention works were completed on 26 sites. The table below represents the regional dimension of measures under Priority 1 implemented in 2017.

Region	Roads rehabilitated (km)	Highway constructed (km)	Bridges rehabilitated/constructed (number)	Prevention of natural disasters (number of sites)	Bank fortification works (number of sites)
Adjara	10	0	2	1	2
Guria	24	0	5	1	0
Imereti	44	5	12	1	2
Kakheti	17	0	5	11	1
Mtskheta-Mtianeti	9	0	2	0	2
Racha-Letchkhumi Kvemo Svaneti	22	0	1	3	1
Samegrelo-Zemo Svaneti	32	0	4	8	5
Samtskhe-Javakheti	36	0	6	0	0
Kvemo Kartli	9	0	3	0	1
Shida Kartli	8	5	5	1	1
Total	209	10	45	26	15

The largest rehabilitation was done in Imereti, Samegrelo-Zemo Svaneti, Samtskhe-Javakheti and Guria. The highway was constructed in Imereti and Shida Kartli. Most number of prevention of natural disasters works were carried out in Kakheti, while the largest bank fortification were done in Samegrelo Zemo-Svaneti.

### **Solid Waste Management**

According to the plan of SWMC during 2015-2017 19 landfills were upgraded. Besides waste transshipment stations were established, 2 of which in Borjomi (Samtskhe-Javakheti) and Mestia (Zemo Svaneti) – in 2017.

In 2017, the upgrading of Tusheti landfill (Kakheti region) was finished. Initially it was not planned since the landfill was not property of SWMC but in 2017 it became. Finally, in 2017, closing down works on 3 landfills were provided, establishing of 1 landfill and establishing of 2 waste trans-shipment stations.

The Integrated Solid Waste Management project of Kutaisi (EU, KFW) – budget code 25 05 02

The new landfill will be built near Kutaisi to serve Imereti, Racha-Letchkhumi and Kvemo Svaneti regions. The constructing works have not been started yet. Currently, there are preparation works for the tender procedure implementing by ERM consulting company. Also within the project PEM – a consulting company – is implementing corporate development programme.

Amount of 1.9 GEL million mentioned in Table 8 of financial monitoring includes cost for the consulting companies ERM and PEM services.

ERM has been prepared detailed design of the new landfill and related costing, as well as environment impact report that was presented to the Ministry of Environment Protection and Natural Resources (previous name). The license on the environment impact is planned to be obtained in 2018.

Kvemo Kartli Solid Waste Management Project (EBRD) – Budget Code 25 05 03

A new regional international standards dump is planned to be built in 2019 in Kvemo Kartli to serve 5 municipalities and near located villages. The construction works have not been started yet. There is project design work (held by company HPC) in progress and corporate development, stakeholders' involvement and support to municipalities activities implemented by SU-ERECA.

The initial location of the dump was changed, that was followed by the necessity of new project and design works, geotechnical research, new environmental impact assessment. That is why the project finishing will postpone till 2020, all works planned for 2017 will be implemented in 2018.

### **Water and Sewerage System**

During 2017, the United Water Supply Company of Georgia (UWSCG) implemented: construction of water treatment plant in Mestia (Samegrelo Zemo Svaneti), sewerage treatment plant in Anaklia (the same region), sewerage system treatment plant in Ureki (Guria), construction of water supply system in Kutaisi (phase II), construction of water supply and sewerage systems in Zugdidi, water supply system in Jvari (Samegrelo Zemo Svaneti) and Chiatura (Imereti).

During 2017, the 32.6 km of sewerage system pipe was rehabilitated or newly constructed, 300.6 km – of water system, water meters were installed to 2653 customers.

The projects financed by ADB are implemented in Guria (Ureki) – 15.5 GEL million (2017), Imereti (Kutaisi, Chiatura) – 20.1 GEL million (2017), Samegrelo-Zemo Svaneti (Anaklia, Zugdidi, Jvari, Mestia)-65.8 GEL million (2017).

The length of rehabilitated or newly constructed sewerage system in Guria was 22.8 km (2017), in Samegrelo-Zemo Svaneti – 9.8 km (2017). The length of rehabilitated and newly constructed water supply system in Guria is 24.01 km; Imereti – 87.06 km and Samegrelo-Zemo Svaneti – 132.45 km.

In Guria 569 water meters was installed, in Imereti – 2084

Upgrading water infrastructure project II (EIB, WIMP II) – 25 04 02

The rehabilitation of water supply system is implementing in Akhmeta, Lagodekhi, Sagarejo, Telavi-Kurdgelauri, Tsnori, Signagi (Kakheti), Tkibuli, Zestaphoni (Imereti) Khobi, Senaki (Samegrelo-Zemo Svaneti), Kareli (Shida Kartli), Tsalka, Bolnisi (Kvemo Kartli), Likani-Tsagveri (Samtskhe-Javakheti), Dusheti (Kvemo Kartli).

Engineering and consulting supervisory of the construction and rehabilitation works is the provided by a foreign supervisory company (ILF).

Set up results – water meters will be installed, cleaning, pumping stations, reservoirs, drills, treatment plants will be rehabilitated, constructed. The water supply conditions in the regions will be improved.

Achieve results: Distribution network was established; the network was rehabilitated through provision of new water pipes

Sustainable Management of Sewerage System Project (SIDA) -25 04 03

During June-September 2017, the old water treatment plants in Telavi (Kakheti) and Tskaltubo (Imereti) were dismantled.

The license for constructing new treatment in Tskaltubo and Telavi was obtained in September and October

Set up results – the building of the foundations of both plants will be started.

Achieved results: The dismantling of the old treatment plants were fulfilled and new licenses were obtained.

25 04 01 Kobuleti Sewerage Project (EBRD, ORET NL) - 25 04 01

The equipment for the water treatment plant was supplied by OWS – ORET's sub-contractor. By the end of August the equipment was put into operation.

Set final results: Testing and putting the equipment into operation

Achieved final results: The treatment plant was put into operation

Upgrading water infrastructure project II (EIB, WIMP II) – 25 04 02

According to the donor’s request the redesign (matching with the EU requirements) of the project documentation has been started. Also some additional works became necessary. As the result of that the starting of rehabilitation works were postponed and started in 2015 instead of 2014. In order to produce redesign of the documents according to the EU standards a new supervising and consulting company-ILF- was hired by MDF. As the result of the improvement of the documentation, 10 sub-projects which included 11 cities was completed and water supply and the quality of potable water was improved. 4 sub-projects were completed in 2017. As the result of that by the end of 2018, in the quality of potable water and water supply system will be improved in 23 cities.

By the end of three years, the steady increase can be observed for measures targeting road infrastructure (M 1.1) and water and waste water treatment (M 1.3). On the contrary, imbalances were recorded for solid waste management (M 1.2), response natural disasters (M 1.4) and forestry (M 1.5).

**Priority 2** entirely consisted of only one measure being support to SMEs. The amount spent on the implementation of this Priority amounted to GEL 8.3 million in 2015, GEL 30.5 million in 2016 and GEL 36.7 million in 2017.

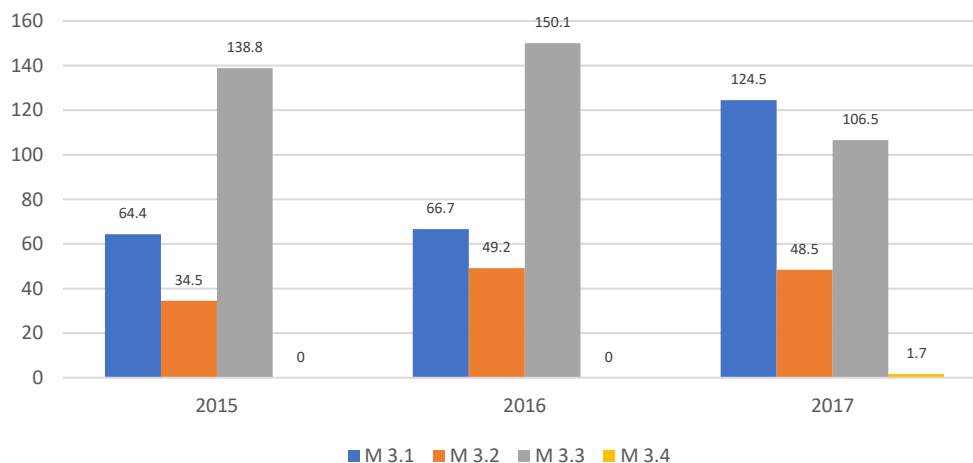
During the last year of the Program, (according to the financial indicators) 13.7 GEL million was spent for co-financing of the interest rate across the country. In the regions (except Tbilisi and Adjara) – 5.9 GEL million were issued for co-financing of the interest rate. This component covers 2 years, hence in 2017 it supported among others the beneficiaries who became the participants less than 24 months ago.

The objective of supporting micro and small enterprises component is to support business development in the regions through provision (except Tbilisi but including Adjara) of the funding and knowledge. During 2017, 2109 business projects were supported with 3498 beneficiaries, the total amount of the grants was more than 15.7 GEL million, total investment of the project was more than 20 GEL million. With the exception of Adjara 1900 business projects with 3123 beneficiaries were supported in the regions, more than 14 GEL million were issued as grants, the total investment amount in the supported projects was more than 18 GEL million.

As the result of the reforms provided by Government of Georgia during the recent years, the investment and business environment has been improved notably. The administration barriers have been reduced and state services - improved. As the result of the reforms the starting of the business and its operating have become easier, tax administration has been improved. As the result of the customs reforms, the foreign trade related procedures become easier, and the related cost has been decreased.

Under **Priority 3** various actions were undertaken to strengthen rural economy, especially irrigation and drainage systems (M3.1), agro-credit (M 3.2), various programmes targeting agricultural cooperatives, processing companies, food safety, viticulture, scientific research in the sector (M 3,3) and implementation of better planning of irrigation and development of land market (M 3.4). Overall, the amount of budget spent for the Priority increased throughout the implementation of the Programme and specific breakdown per Measure activities is outlined in the figure below.

Figure: Actual expenditure per Priority 3 under RDP 2015-2017, in GEL million



Source: own elaboration based on data provided by Implementing Bodies

According to all types of inspection from sub programme budget the total cost of the expenditure is 271 418 GEL.

As a result of the laboratory checks conducted by the Agency's authorized persons 4 766 samples were checked. The infringement was found in 811 samples. 706 supervision related activities have been conducted in 2017

Supporting Georgian winery and–winemaking in particular in Kakheti and Racha-Letchkhumi, National Wine Agency spent 22.9 mln. GEL.

As of 31 December 2017, 29,986 loans and leasing were issued. During the period of 01.01.2017 - 31.12.2017 2,413 loans and leasing were issued, including: 2,376 loans of 291,775,225 GEL and 37 loans of 4,870,384 USD.

Loans issued during 01.01.2017 - 31.12.2017 by regions

Region	GEL		USD	
	Number of Loans	Issued Amount	Number of loans	Issued Amount
Adjara	19	1 350 000		
Guria	33	2 611 483	3	53 000
Tbilisi	20	12 071 321	1	44 990
Imereti	137	9 875 985	2	52 000
Kakheti	1 206	178 324 726	13	2 943 977
Mtskheta- Mtianeti	53	5 615 865	1	38 500
Racha- Lechkhumi	12	1 490 000	1	20 239
Samegrelo	228	16 816 643	5	833 040
Samtskhe- Javak-	150	6 998 377	2	348 761
Kvemo Kartli	131	27 127 421	1	96 534
Shida Kartli	387	29 547 402	8	439 343
<b>Total</b>	<b>2 376</b>	<b>291 775 225</b>	<b>37</b>	<b>4 870 384</b>

During the period of 01.01.2017 - 31.12.2017 the agreement on "Co-financing of the Beneficiary" was signed for 12 beneficiaries with total value of 4,352,032 USD and additional 8,388,673 GEL, where the state co-financing is 1,585,474 USD and 2,310,308 GEL.

#	Region	The volume of financing	Number of Beneficiaries
1	Kakheti	1,606,477	3
2	Mtskheta-Mtianeti	1,436,022	3
3	Samegrelo Zemo - Svaneti	1,204,824	3
4	Samtskhe- Javakheti	610,376	1
5	Kvemo Kartli	188,993	1
6	Shida Kartli	600,000	1
	<b>Total</b>	<b>5,646,692</b>	<b>12</b>

During 2017, were implemented the measures envisaged by the plan of rehabilitation of the amelioration infrastructure. 13 projects of drainage systems (including transitional projects from the previous year) were finished with the total value of 2,469.9 thousand GEL. At the end of this period 9 projects were implemented. The following infrastructural projects are completed in different regions of Georgia.

The program of modernization of agriculture, market access and flexibility has been implemented since August, 2016. The aim of the program is to promote the quality of production of primary agricultural products and increase of productivity, maximize use of existing gardens and modernization/extension of current processing and storage enterprises. During the period



of 01.01.2017-31.12.2017, agreements on co-financing were formed for 117 beneficiaries, co-financing amounted to 2,618,230 GEL, while the total investment was 6,644,009 GEL.

Component/region	The volume of co-financing (GEL) by regions during the period - 01.2017-31.12.2017	Number of beneficiaries
Adjara	12 480	1
Imereti	892 896	10
Kakheti	350 934	27
Mtskheta-Mtianeti	14 992	2
Racha- Letchkhumi and Kvemo Svaneti	35 820	1
Samegrelo	427 152	15
Samtskhe- Javakheti	13 480	1
Kvemo Kartli	32 585	2
Shida Kartli	837 891	58
<b>Total</b>	<b>2 618 230</b>	<b>117</b>

From January 1 to December 31, 2017, 182 agricultural cooperatives were granted status, as of the same date 1352 agricultural cooperatives are registered in Georgia. 67 agricultural cooperatives were involved in the program, from which they were granted by 4592 units of hive, a set of 25 honey storage tanks with a total volume of 55000 liters, 21 units of honey extract and 22 units of honeycomb knives.

Number of agricultural cooperatives according to municipalities:

Kakheti	147
Kvemo Kartli	169
Shida Kartli	93
Mtskheta -Mtianeti	69
Samtskhe-Javakheti	305
Imereti	123
Racha-Letchkhumi Kvemo Svaneti	124
Samegrelo-Zemo Svaneti	109
Guria	43
Adjara	118

**Priority 4** consisted of various activities promoting tourism implemented under single Measure. The overall amount totalled GEL 23 million in 2015, GEL 25.2 million in 2016 and GEL 48.6 million in 2017.

In 2017, National Tourism Administration mainly was concentrated on the marketing activities. The short description is presented below:

- 116 press and information tours for different targeting countries,
- Georgia was presented in 25 international fairs.
- 2 image making video clips were created
- Summer on-line summer marketing campaigns was organized in 14 countries, and winter – in 19 countries. The articles on different tourism directions in Georgia were published in international magazines and newspapers
- In 6 countries the presentation on Georgia's' tourism potential were organized
- 3rd conference of Eurasia mountain resorts of UNWTO was organized

- 11 events were organized in 5 regions (Samtskhe-Javakheti; Mtskheta-Mtianeti; Samegrelo-Zemo Svaneti; Kakheti and Kvemo Kartli) Diplomatic tours in Kakheti held on May 25 for diplomats and their spouses.
- Within the “Check in Georgia” – project according to the government’s request 15 events were organized, of which mainly in Adjara and Guria regions with some in Imereti, Kakheti, Kartli, Samegrelo-Zemo Svaneti and Samtskhe-Javakheti:
- 14 trainings were delivered for employees and 1318 beneficiaries were re-trained. Small infrastructure projects were fulfilled in Imereti, Racha-Letchkhumi-Kvemo Svaneti, Kakheti, Guria and Tbilisi.
- Advertisement catalogues were prepared for Shida-Kartli, information sights for 41 wineries in Kakheti, Kvemo and Shida Kartli, Samegrelo, Imereti, Samtskhe-Javakheti, Racha and Tbilisi were installed. The hiking road maps were researched for Shida and Kvemo Kartli.

The main activity of the National Tourism Association includes demonstration and advertisement of the tourism potential of the country. This includes the international marketing campaigns, press and study tours, trainings in tourism, participating in exhibitions, organization of presentations and est. Therefore, one could say that the NTA spends money over all the country for all the regions and due to the its specific type of its job it’s difficult to make the breakdown by the regions.

During 2017, 13.6 GEL million was spent in the regions (the regional breakdown was possible to be provided). The rest amount - 35.6 GEL million was also spent in the regions (the regional breakdown was impossible to be given) Totally, the whole amount spent was 48.5 GEL million.

**Priority 5** (Improvement of Human Capital and Development of Vocational Institutional Capacity at National and Sub-National Levels) featured significant variability in terms of time series per each activity. Almost all amount was spent on the development of educational and scientific institution infrastructure (predominantly VET collages) and support to VET teachers’ professional development. While spending on VET colleges (GEL 30.4 million) was somewhat balanced during the Programme implementation, the bulk of funds aimed at professional development (GEL 10.6 million) was disbursed only in the year 2017 (see information below).

During the last year of the programme the rehabilitation works of Fazisi college was finished.

- Total rehabilitation of the public college Modus in progress and will be finished in 2018.
- The second phase of the rehabilitation of the public college Aisi block 5 was finished in Lagodekhi and rehabilitation of building and yard in Dedoplis Tskaro (see the regional breakdown and costs below).
- Finishing of rehabilitation works of VET college Tetnuld was started.
- Rehabilitation of the building of the college in Stepantsminda is in progress. Funds for that are allocated for 2017 and 2018.
- The contract on providing public colleges with the medial points.
- 7 professional colleges (Iliia Tsinamgrishvili college, Aisi, Iberia, Modusi, Erkvani, Lakada and VET branch of Zugdidi University) received funds for different kinds of infrastructure.
- During the reporting period rehabilitation of the buildings, small infrastructure and purchasing of inventory in 11 public colleges and VET facilities in 5 regions. Total cost was about 6.5 GEL million was provided. In particular:
- Imereti region – Agency funded small Infatuation, workshop rehabilitation and purchasing of the furniture of public college Iberia, Total cost - 1.1 GEL million.
- Kakheti region – Rehabilitation of public college Aisi in Dedoplistskaro and Lagodekhi, purchasing of inventory and furniture, including those for medical points. Total cost - 0.8 GEL million
- Mtskheta Mtianeti - rehabilitation of the building of the college in Stepantsminda, purchasing of inventory and small infrastructure works were held. Total cost - 0.3 GEL million
- Samegrelo – Zemo Svaneti – rehabilitation and purchasing of inventory in Nojikhevi village for public college Phasisi, rehabilitation of VET college Tetnuld and purchasing of inventory, purchasing of inventory for VET college Lakada, small infrastructure and PC – in VET branch of Zugdidi University. - 1.1 GEL million
- Racha Letchkhumi Kvemo Svaneti - funding of VET college Erkvani and equipping of the medical point. Total cost 848 GEL .
- Samtskhe-Javakheti – purchasing of inventory for medical point public college Opizari. Total cost - 200 GEL.
- Kvemo Kartli - total rehabilitation of the public college Modus in progress and will be finished in 2018. The inventory was purchased. Total cost 3.2 GEL million.

In 2017 was conducted a research “Summary of the trainings held in 2016”. Also, in the framework of the state program of the National Centre for Teacher Professional Development trainings were planned for the public vocational school teachers related to the following areas: pedagogy, modular teaching, inclusive professional education and trainings for teachers in the enterprise.

In 2017, with support of the EU Technical Assistance project for the first time were held trainings and individual consultations for the heads of the vocational educational institutions. Also, in cooperation with European Union was developed professional development pilot program for heads of the vocational education institutions.

#	Training module	conducted	participation	expenditure
	I module of the course in pedagogy: "Individual differences between students in vocational education" (20 hours)	14 Vocational educational establishments (21 groups)	364	15000
	II module of the course in pedagogy: "Positive Learning Environment in Vocational Education" (10 hours)	12 Vocational educational establishments (17 groups)	300	5900
	III module of the course in pedagogy: "Planning of the educational process and effective learning strategies" (40 hours/30 hours)	10 Vocational educational establishments (12 groups)	201	12700
	IV module of the course in pedagogy: "Competency-based evaluation modular vocational educational programme" (15 hours)	1 Vocational educational establishment (1 group)	10	600
	V module of the course in pedagogy: "Professional development of teachers of vocational educational establishments" (20 hours)	6 Vocational educational establishments (12 groups)	204	7820
	Inclusive professional education: "Individual approach for the students with special needs in vocational education and vocational testing – part I" (10 hours)	2 Vocational educational establishments (3groups)	50	1100
	Inclusive professional education: "Individual approach for the students with special needs in vocational education and vocational testing – part II" (15 hours)	2 Vocational educational establishments (3 groups)	51	1650
	Modular Learning – "Training on modular learning for beginning teachers"(10 hours)	4 Vocational educational establishments (6 groups)	112	2200
	Modular Learning – "Training on modular learning for the teachers of vocational educational establishments" (6 hours)	1 Vocational educational establishment (2 groups)	35	480
	Individual consultations in the framework of course in pedagogy on competency-based evaluation	6 Vocational educational establishments	77 (364 hours)	11660
	Trainings in enterprises	9 Vocational educational establishments (28 groups)	85	18000

In the framework of the state program of the National Centre for Teacher Professional Development in 2017 trainings were held in pedagogy (by regions, Kakheti - 11 training groups, 184 teachers, Racha-Letchkhumi -1 training group, 16 teachers, Samegrelo – Zemo Svaneti – 1 training group, 17 teachers, Guria – 2 training groups, 47 teachers, Imereti – 4 groups, 71 teachers, Mtskheta-Mtianeti -8 groups, 72 teachers, Samtskhe-Javakheti – 3 groups, 77 teachers, Kvemo Kartli- 6 groups, 98 teachers, Shida Kartli – 3 groups, 64 teachers.

Participation of international donor organizations plays important role in the process of implementation of the program. With the support of international donor organizations, it became possible to take into consideration successful experience of other countries, which helps to

meet modern international standards. Coordination of work of international donor organizations is provided by the department of Vocational Education Development of the Ministry of Education, Science, Culture and Sport of Georgia.

Vocational teachers have opportunity to take part in wide range of activities for professional development. Adoption of a law on a vocational education also will assist in teacher's professional development.

Systematic coordination and analysis of the Vocational Education Development Action Plan is conducted under the supervision of the department of Vocational Education Development of the Ministry of Education, Science, Culture and Sport of Georgia.

**Fund for Projects to be Implemented in Georgia's Regions** is specifically demand-driven, responding to bottom-up needs and the corresponding projects. Therefore, analysis of its spending per type of project is superficial. For its geographical distribution of funds within the three years' period, please refer to the next section.

In 2017, under the RDF projects the following infrastructure was constructed/rehabilitated:

- 647,7 km road rehabilitation;
- 241,3 km water supply system rehabilitation.
- 11 other water supply infrastructure
- 84 kindergarten construction/rehabilitation
- 24 sport facilities construction/rehabilitation
- 35 stadium and mini-stadium construction/rehabilitation
- 22 cultural facilities construction/rehabilitation
- 57,7 km of street lightening;
- 14 bridge rehabilitation;
- 695 meters of bank fortification;
- 24,4 km. drainpipe system construction/rehabilitation
- 450 multi flat building construction/rehabilitation
- 3,7 km. sewerage system construction/rehabilitation
- 6 resort facilities construction/rehabilitation
- 6 various types of buildings and facilities construction/rehabilitation
- 5 other infrastructural facilities construction/rehabilitation

As of December 31 2017, the contracts co-funded by municipalities was signed for total amount of 239,5 GEL million, the amount dedicated to 722 projects. Works were carried out in 108 projects with the total amount 43,0 GEL million. Works with total cost of 23.3 GEL million are completed, 611 projects with total cost 196.1 GEL million are finished.

The projects were distributed by the regions according to the following

Guria: 51 project with total cost 13.9 GEL million were financed. Current works are carried in 4 projects with total cost 0.6 GEL million; 46 projects with total cost of 13.3 GEL million were completed. There are:

- 37,6 km road rehabilitation
- 7,3 km water supply system rehabilitation
- 2 other water supply infrastructure
- 5 kindergarten construction/rehabilitation
  - 1 sport facilities construction/rehabilitation o5 cultural facilities construction/rehabilitation
- 6 bridge rehabilitation
- 1 resort facilities construction/rehabilitation
- 2 various types of buildings and facilities construction/rehabilitation
- 2 other infrastructural facilities construction/rehabilitation

Imereti: 205 projects with the total cost of 57,5 GEL million were funded, works are carried out in 35 projects with total cost of 9.7 GEL million; 170 projects costed 47.7 GEL million were completed.

- 186,5 km road rehabilitation
- 26,6 km water supply system rehabilitation
- 1 other water supply infrastructure
- 40 kindergarten construction/rehabilitation
- 16 sport facilities construction/rehabilitation
- 9 mini-stadium construction
- 3 cultural facilities construction/rehabilitation
- 3,5 km of street lightening;
- 1 bridge rehabilitation
- 221 meters of bank fortification
- 1000 m drainpipe system construction/rehabilitation
- 211 multi flat building rehabilitation
- 2797 m sewerage system construction/rehabilitation
- 3 resort facilities construction/rehabilitation
- 1 various types of buildings and facilities construction/rehabilitation
- 4 other infrastructural facilities construction/rehabilitation

Kakheti 118 projects with the total cost 29.9 GEL million were financed; works are carried out in 9 projects with total cost 4.9 GEL million, 0.9 projects costed 25 GEL million are finished.

- 81,3 km road rehabilitation
- 37,6 km water supply system rehabilitation
- 1 other water supply infrastructure
- 7 kindergarten construction/rehabilitation
- 4 mini-stadium construction
- 2 cultural facilities construction/rehabilitation
- 6,8 km of street lightening;
- 2 bridge rehabilitation
- 72 km of street lightening
- 2345 m drainpipe system construction/rehabilitation
- 9 multi flat building rehabilitation
- 1 resort facilities construction/rehabilitation
- 1 other infrastructural facilities construction/rehabilitation

Mtskheta-Mtianeti 57 project costed 16,9 GEL million were financed. Works are implemented in 12 projects with the

total cost of 3.9 GEL million, 41 project (12.7 GEL million) are finished.

- 26,2 km road rehabilitation
- 25,6 km water supply system rehabilitation
- 2 other water supply infrastructure
- 7 kindergarten construction/rehabilitation
- 3 sport facilities construction/rehabilitation
- 4 mini-stadium construction
- 3 cultural facilities construction/rehabilitation
- 7,3 km of street lightening;
- 402 meters of bank fortification;
- 12 drainpipe system construction/rehabilitation

Racha-Letchkhumi Kvemo Svaneti: 30 projects were funded (8.4 GEL million), 5 projects are in progress (1.6 GEL million); 24 project (6.6 GEL million) are completed.

- 14,7 km road rehabilitation
- 22,4 km water supply system rehabilitation
- 1 sport facilities construction/rehabilitation
- 15 mini-stadium construction
- 1252 m drainpipe system construction/rehabilitation
- 1 resort facilities construction/rehabilitation
- 1 various types of buildings and facilities construction/rehabilitation

Samegrelo-Zemo Svaneti 103 projects (39,4 GEL million) were financed; w o r k s in progress are in 23 projects (12.2 GEL million) and 79 projects (27 GEL million) were finished. There were:

- 121,1 km road rehabilitation
- 40,0 km water supply system rehabilitation
- 5 other water supply infrastructure
- 6 kindergarten construction/rehabilitation
- 1 sport facilities construction/rehabilitation o2 cultural facilities construction/rehabilitation
- 40,1 km of street lightening
- 1 bridge rehabilitation
- 6670 m drainpipe system construction/rehabilitation
- 78 multi flat building rehabilitation
- 1 various types of buildings and facilities construction/rehabilitation

Samtskhe-Javakheti: 64 projects were financed (23.9 GEL million); 3 projects (0.8 GEL million) are in progress. 61 projects (23.1 GEL million) were completed. There were:

- 61,6 km road rehabilitation
- 16,4 km water supply system rehabilitation
- 5 kindergarten construction/rehabilitation
- 2 mini-stadium construction
- 5 cultural facilities construction/rehabilitation
- 4 bridge rehabilitation
- 560 m drainpipe system construction/rehabilitation
- 14 multi flat building rehabilitation
- 251m sewerage system construction/rehabilitation
- 1 various types of buildings and facilities construction/rehabilitation
- 1 other infrastructural facilities construction/rehabilitation

Kvemo Kartli 63 projects (27,1 GEL million) were financed. 10 projects (3.6 GEL million) are in progress; 50 projects (23.3 GEL million) are completed.

- 79,2 km road rehabilitation
- 36,6 km water supply system rehabilitation
- 3 kindergarten construction/rehabilitation
- 517 m drainpipe system construction/rehabilitation
- 138 multi flat building rehabilitation

Shida Kartli: 39 projects (22,9 GEL million) were funded; 7 projects (5.6 GEL million) are in progress; 32 projects (17.2 GEL million) were completed. There were:

- 39,5 km road rehabilitation
- 29,0 km water supply system rehabilitation
- 11 kindergarten construction/rehabilitation
- 2 sport facilities construction/rehabilitation
- 1 mini-stadium construction
- 2 cultural facilities construction/rehabilitation
- 646 m drainpipe system rehabilitation

The number of beneficiaries of the projects financed in 2017 was 2.8 million. The projects included: the rehabilitation of 686 km of road which will be used approximately by 1.7 beneficiaries; rehabilitation/construction of 306 km of network and 22 water supply facilities (79.6 thousand beneficiaries); 108 rehabilitated and newly constructed kindergartens (62.2 beneficiaries); 61 sports infrastructure and 26 stadiums (190.8 thousand beneficiaries); 28 cultural facilities (137.5 thousand beneficiaries)

The increasing of the amount to be allocated from RPDF is a factor that positively influences to the municipalities more projects are funded from that fund. In 2017, the amount allocated from RPDF increased by 14.8 GEL million comparing with 2016. Also the share of municipal co-funding increased. As the result of that, in 2017 the amount cost of funded projects was 53.8 GEL million more than in the previous year.

Climate and geographical location represent important factor that postpones implementation of the infrastructure projects. In high mountain zones the starting the works in first quarter is not possible due to tough weather conditions. The implementation of the works in some municipalities is possible during several months within the year.

The elections period effects the allocation of amounts from RPDF. According to the acting legislation, it is municipalities are not allowed to allocate money to finance new projects during the election period.

Electronic tenders give an opportunity to municipalities to save money and re-allocate the savings into new projects. From the other hand, the system and procedures of electronic tender usually causes the prolongation of the process of procurement (e.g. if no one wants to participate in the tender the municipality has to announce 20-days electronic tender again).

The most important factors, having impact on realization of the particular priorities and measures of the Programme were:

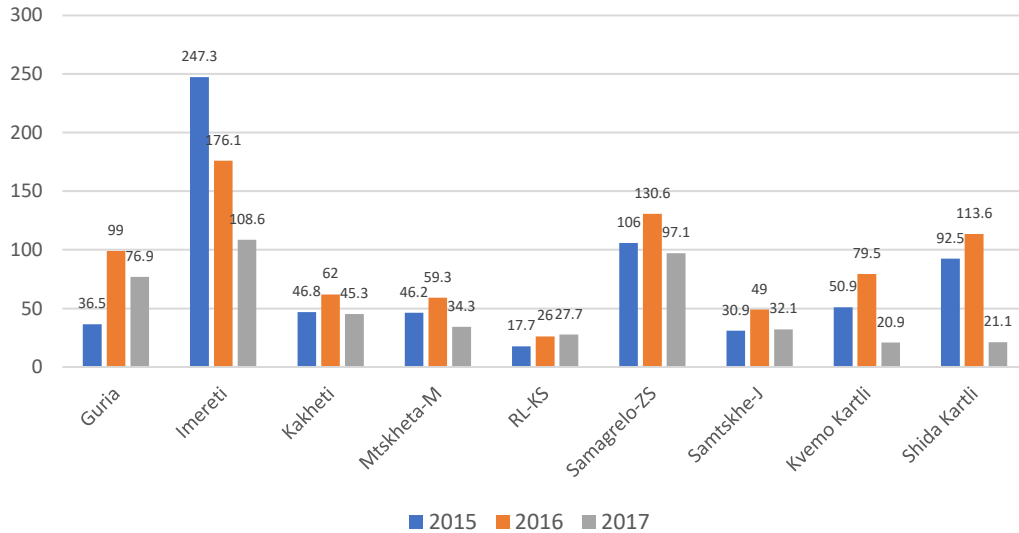
- Amelioration: time-consuming tender procedures and other problems in realization of the contracts (in case of melioration);
- Agriculture cooperatives development: lack of financial resources for the municipalities to finance development of agriculture cooperatives, created within the Programme and poor condition of existing infrastructure in regions affecting the activities of the cooperatives.
- Infrastructure projects on the municipal levels financed by Regional Development Fund: Climate conditions and geographic location make significant influence on the progress of the projects financed from the Fund (carrying out the works in some regions is possible only during several months of the year).
- Food security: lack of qualified personnel for inspection of business companies and lack of reliable data on the companies in the Public Registry.
- Rehabilitation of existing colleges, construction, equipment and staffing of new colleges and development of infrastructure: in some cases, planned reconstruction of the buildings has to be expanded with

additional works aiming at strengthening and rehabilitation of the buildings, which can extend the duration of the project.

### Spending in the Regions during 3 years of the implementing the Programme

Spending in the regions appear to be somewhat variegated - their value fluctuated during the implementation of the Programme. No region except for Racha-Lechkhumi and Kvemo Svaneti featured steady flow of funds in the years 2015-2017 which may imply regional development approach with no specifically allocated financial envelope that would depend on the development level of the region, its particular needs and opportunities. Also, significant expenditure on road infrastructure (especially on high-speed motorways) benefitted Imereti in particular.

Figure: Overall regional spending under RDP 2015-2017, in GEL million (without Adjara AR and Tbilisi)



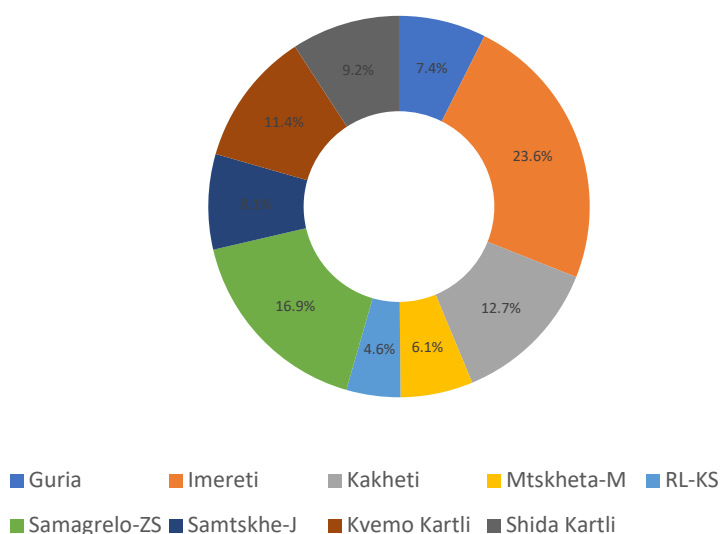
Source: own calculation based on data provided by Implementing Bodies

Regretfully, more detailed or specific analysis on spending at the Programme level cannot be carried out due to significant amount of budget identified as “administrative cost and non-regionalised expenditure”. This amount totalled GEL 311.7 million in 2015, GEL 406 million in 2016 and GEL 1,104.9 million in 2017, which distorts the actual concept of regional expenditure trend analysis, especially with regard to the last year of the implementation of the Programme.

On the contrary, the RDF provides clear breakdown of its regional expenditure. The figure below illustrates share of each region (except for Tbilisi and Adjara AR) in the benefits drawn down from the Fund for Projects Implemented in Georgia’s regions. The biggest recipient from the RDF is Imereti, followed by Samagrel-Zemo Svaneti and Samtskhe-Javakheti.

Figure: Regional breakdown of RDF expenditure in the years 2015-2017





Source: own calculation based on data provided by MRDI

### 3. Action plan

The account of physical progress against planned output indicators is provided on Measure level and corresponding activities. Kindly note that several Measures did not have set targets at the beginning of the RDP 2015-2017 roll-out and in such instances – it was only the year 2016 when target output indicators were set (upon request of the MRDI and European Commission) illustrating initial strong emphasis on spending within the Programme rather than on deliverable. Arguably, that is attributable to the policy targets expressed by financial targets set in the Financing Agreement.

Overall, most of the implemented measures met or exceeded their original (or updated) targets. There are however several interventions where targets have been widely shot, either exceeding the original goals or on account of under-delivery. These may indicate insufficient planning by IBs, especially under Measure 1.3, 1.5, 2.1, 3.1, 5.2, 5.5.

#### Measure 1.1 Roads of International and National Importance

Indicator	Measurement unit	Original Target (2015)/Updated Target (2017)	Output 2015	Output 2016	Output 2017	Cumulative Achievement (end of 2017)
Rehabilitation and maintenance of roads	km	700/700	254	232	209	695
Highways	km	80/80	29	24	10	63
Rehabilitated/constructed bridges	Number	120/120	44	32	45	121

The most significant progress in terms of infrastructure importance was observed on the highway Tbilisi-Kutaisi-Batumi sections, where new lanes and high-speed crossroads were opened for traffic in 2016 and 2017. Less visible but equally important is road maintenance, which includes repairs, prevention rock/stone fall and winter maintenance.

#### Measure 1.2 Solid Waste Management

Indicator	Measurement unit	Original Target	Output 2015	Output 2016	Output 2017	Cumulative
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		(2015)/Updated Target (2017)				Achievement (end of 2017)
New regional dumps	Number	-/-	0	0	0	0
Closed dumps	Number	17/20	13	4	3	20
Rehabilitated dumps	Number	22/18	15	3	1	19

Solid waste management focused on the improvement of existing infrastructure - inefficient and hazardous landfills were either closed or upgraded. Unfortunately, no new regional landfill has been reported as open for receiving waste. There are however preparatory works to develop a landfill to serve Imereti, Rache-Letchkhumi and Kvemo Svaneti regions (the project is co-financed by the European Union and KfW Development Bank). Similarly, a new landfill is planned for Kvemo Kartli - this project will be financed by the European Bank for Reconstruction and Development. Both planned landfills experienced delays in the design/development phase with the location of the latter changed.

### Measure 1.3 Construction and Rehabilitation of water supply and sewerage systems

Indicator	Measurement unit	Original Target (2015)/Updated Target (2017)	Output 2015	Output 2016	Output 2017	Cumulative Achievement (end of 2017)
Constructed and rehabilitated head works	Number	-/5	0	0	7	7
Constructed filtration facilities	Number	-/4	No data	No data	No data	No data
New metered customers	Number	-/10,100	3,727	11,348	18,650	33,725
Rehabilitated/newly constructed sewerage pipes	km	-/-	0	67	49	117
Rehabilitated/newly constructed water pipes	km	-/800	604	792	1,154	2,251
New customers connected to sewerage	Number	-/350	907	296	886	2,089
New customers connected to water supply	Number	-/10,100	4,702	11,348	21,465	37,515

Interventions in potable water and waste water management sector focused on water supply more than on sewerage systems. Investments took place mostly in small towns and urban settlements. Larger urban areas included e.g. Kutaisi. Investments under this Measure were co-financed by the Asian Development Bank. While in water supply sector a steady increase in performance has been observed over the 3-year period, waste water domain has featured decline in 2016 only to recover in 2017.

### Measure 1.4 – Natural Disaster Risk Reduction and Prevention and Management of Old Industrially Polluted Sites

Indicator	Measurement unit	Original Target (2015)/Updated Target (2017)	Output 2015	Output 2016	Output 2017	Cumulative Achievement (end of 2017)
Analytical studies/recommendation aimed at defining possible natural hazards	Number	-/-	5	2	451	458
Regional natural hazard/disaster forecasting early warning systems	Number	-/-	3	202	97	302
Municipal plans for natural hazard preventive measures	Number	All municipalities	1	2	247	250*
Coast fortification works projects	Number	50/50	21	14	15	50

Indicator	Measurement unit	Original Target (2015)/Updated Target (2017)	Output 2015	Output 2016	Output 2017	Cumulative Achievement (end of 2017)
Immediate response and prevention works projects	Number	70/70	31	16	26	73

\* Note: there can be several plans for single municipality

### Measure 1.5 Georgia Forest Inventory and Implementation of Stable Forestry Strategy

Indicator	Measurement unit	Original Target (2015)/Updated Target (2017)	Output 2015	Output 2016	Output 2017	Cumulative Achievement (end of 2017)
Legal documents established (legislative base)	Number	2/2	2	5	7	14
Trained specialists at National Forest Agency	Number	900/900	300	400	55	755
Improved sanitary conditions of forests	ha	86,800/86,800	26,000	22,400	22,500	70,950
Forest roads rehabilitated	km	750/750	123	76	73	273
Regional forestry districts equipped with firefighting tools	Number	46/46	46	-	-	46

Activities within this Measure focused mainly on the prevention of forest fires and illegal logging. Whilst legislative works were completed with the ultimate indicator exceeding the target value, other interventions (except for firefighting equipment) did not meet the intended targets.

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

Indicator	Measurement unit	Original Target (2015)/Updated Target (2017)	Output 2015	Output 2016	Output 2017	Cumulative Achievement (end of 2017)
Supported enterprises	Number	44/65	26	79	41	146
Upgraded enterprises	Number	20/20	37	48	15	100
Loans issued by commercial banks	GEL, million	145/90	96	83	63	242
Investments	GEL, million	210/125	132	153	159	444
Micro and small businesses established	Number	3,030/3,000	610	2,597	1,900	5,107
New jobs created	Number	2,530/4,800	1,132	5,302	3,123	9,555
Beneficiaries trained	Number	5,800/8,725	3,118	5,762	5,694	14,574

The implementation of this Measure focusing on general entrepreneurship and supporting SME competitiveness exceeded the intended goals despite difficult start in 2015 in terms of contracting and budget disbursement. Arguably, targeted indicator values and the actual achievements are one of the most overshoot in the entire Programme indicating a need to enhance planning of interventions in the SME support sector.

### Measure 3.1 Improvement of agriculture water management

Indicator	Measurement unit	Original Target (2015)/Updated Target (2017)	Output 2015	Output 2016	Output 2017	Cumulative Achievement (end of 2017)
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Rehabilitated and new irrigation projects	Number	-/-	44	46	55	145
Additional irrigated land	ha	195/8,752	12,407	25,579	8,631	46,617
Land with proper drainage system	ha	18,600/5,829	1,995	10,408	2,479	14,882

145 projects implemented within the framework of Measure 3.1 exceed the intended targets set for the improvement of water management in primary agricultural production - much needed in Georgia's climatic conditions where local flash flooding and draughts occur.

### Measure 3.2 Improvement of access to finance

Indicator	Measurement unit	Original Target (2015)/Updated Target (2017)	Output 2015	Output 2016	Output 2017	Cumulative Achievement (end of 2017)
New enterprises and farms financed	Number	50/50	14	14	13	41
Loans issued	Number	2,500/2,500	4,092	1,863	2,376	8,331

Within this measure the cumulative number of new businesses and farms did not reach the intended goal however the number of loans issued to the existing entities exceeded the original target, illustrating difficult business environment for Georgia's rural economy where starting conditions are far from enabling and preferential financing for agricultural production is in demand. The latter can be illustrated by the increase in spending on this Measure from GEL 90 million originally planned to GEL 132 million at the closure of the Programme.

### Measure 3.3 Other rural development programmes

Indicator	Measurement unit	Original Target (2015)/Updated Target (2017)	Output 2015	Output 2016	Output 2017	Cumulative Achievement (end of 2017)
Food and agribusiness enterprises monitored against food safety measures	Number	-/8,000	8,224	10,820	18,565	37,609
Research projects in progress or completed	Number	-/-	48	50	114	212
Events funded within Georgian wine promotional campaign	Number	34/89	39	117	83	239
Agricultural cooperatives established	Number	-/-	856	436	182	1,474
Tests conducted for food safety and quality control	Number	-/3,500	4,220	3,244	4,766	12,230
Land prepared for demonstration plots	ha	30/-	123	241	249	613

All targets (where planned) have been exceeded at the end of the implementation of the Programme. This was possible on account of the increase in the Measure 3.3 budget from the originally planned GEL 84.8 million to GEL 395.3 million. Additional money was spent to increase the quality and safety of Georgian foodstuff, the improvement of phytosanitary conditions of food handling and processing alongside promotion of Georgian viticulture and agricultural cooperatives.

### Measure 3.4 Development of agricultural land market

Indicator	Measurement unit	Original Target (2015)/Updated Target (2017)	Output 2015	Output 2016	Output 2017	Cumulative Achievement (end of 2017)
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Locations with systematic land ownership registration	Number	-/12	0	12	0	12
Legal document for land ownership	Number	1/-	1	6	0	7

#### Measure 4.1 Promotion of Tourism Development

Indicator	Measurement unit	Original Target (2015)/Updated Target (2017)	Output 2015	Output 2016	Output 2017	Cumulative Achievement (end of 2017)
Regional studies completed	Number	-/-	5	0	0	5
Information centres established	Number	-/-	0	2	0	2
Training courses provided	Number	-/-	17	2	No data	19
Participants in training courses	Number	-/-	1,200	1,270	1,318	3,788
Small tourism infrastructure*	Number	-/-	-	13	5	18
Marketing activities	Number	-/-	145	1,270	215	1,630
Tourism products developed	Number	-/-	25	-	5	30

\* in 2017 instead of information centres

Although no targets had been originally set for this Measure, the concept of interventions included small-scale activities and schemes to produce sound multiplier effect. The original budget of GEL 30 million increased to GEL 96.8 million financing capacity building activities, regional tourism studies, information centres and, most importantly, marketing and promotional actions (e.g. participation in international fairs, promo articles abroad, video clips, on-line campaigns, local events, etc).

#### Measure 5.1 Labour market demand-side survey

One labour market survey was completed in 2015 thus meeting the original target set.

#### Measure 5.2 Rehabilitation of existing colleges; construction, equipment and staffing of new colleges

Indicator	Measurement unit	Original Target (2015)/Updated Target (2017)	Output 2015	Output 2016	Output 2017	Cumulative Achievement (end of 2017)
New colleges constructed/renovated, equipped and staffed	Number	1/1	9	7	-	16
Existing colleges renovated and equipped	Number	20/20	18	-	14	32
New colleges constructed/renovated, equipped and staffed on specific levels with private sector participation	Number	-/-	-	11	-	11

This Measure provided support in order to strengthen the capacity of VET colleges located in Georgia's regions. Facilities were constructed, renovated, equipped and new schools were staffed. Higher than expected effects of the Measure were achieved thank to the increase in the budget which escalated in 2015-2017 from the original GEL 12 million to GEL 30.4 million.

#### Measure 5.3 Agriculture related VET and Extension Systems

This Measure had no targets set at the beginning of the Programme and targets were not updated in the course of its implementation. The Measure was implemented in 2015 and 2016 and in 2017 it was dormant.

Indicator	Measurement unit	Original Target (2015)/Updated Target (2017)	Output 2015	Output 2016	Output 2017	Cumulative Achievement (end of 2017)
Trained VET teachers and extension workers	Number	-/-	20	110	0	130
Projects supported to improve learning environment (infrastructure, training materials, equipment)	Number	-/-	19	10	0	29
VET colleges and Information Consultancy Centres which have introduced effective and innovative agriculture study programs and capacity to deliver extension services in agriculture	Number	-/-	0	16	0	16
Trained VET service providers (veterinarians, zoo-technicians, food processors, agriculture, machinery operators, input suppliers and animal food producers)	Number	-/-	25	15	0	40
Number of participants from private sector who provide their input in professional re-training and agriculture innovations	Number	-/-	-	10	0	10
Creation of the public-private cooperation platform to ensure coordination of consultation service and provision of agricultural training and extension services	Number	-/-	2	2	0	4

#### Measure 5.4 Training of VET Teachers Continuous Professional Development

Indicator	Measurement unit	Original Target (2015)/Updated Target (2017)	Output 2015	Output 2016	Output 2017	Cumulative Achievement (end of 2017)
Establishing of professional development system for VET teachers	Number	-/-	1	-	-	1
Teachers trained according to needs assessment analysis	Number	-/-	2,783	1	197	2,980
Training delivered in a real working environment	Number	-/-	29	329	-	358

This Measure aimed at preparing teachers and lecturers to stand up to more contemporary VET standards introduced in 2014 through the concept of teachers' professional development and education and to work in new/refurbished facilities. Most of the outcomes of the Measure interventions were achieved through UNDP-funded TA project targeting VET and employment reforms in the years 2015-2016 for all teachers and in 2017 - for the heads of VET institutions.

#### Measure 5.5 Training of Public Servants

Indicator	Measurement unit	Original Target (2015)/Updated Target (2017)	Output 2015	Output 2016	Output 2017	Cumulative Achievement (end of 2017)
Municipalities with effective HR policies	Number	10/76	56	75	-	132
New training programmes (curricula)	Number	12/12	33	16	-	49
Persons/days of trainings organized	Number of person-days	4,500/4,500	7,422	1,410	-	8,832
Local officials trained (gender disaggregated)	Number	2,000/2,000	2,339	807	-	3,146

This UNDP-funded intervention was implemented by CEGSTAR. In all the Measure's activities the original targets were exceeded.

#### Fund for Projects to be Implemented in Georgia's regions

Indicator	Measurement unit	Original Target (2015)/Updated Target (2017)	Output 2015	Output 2016	Output 2017	Cumulative Achievement (end of 2017)
Roads construction/rehabilitation	Meters	415/686	436	433	648	1,516
Water supply construction/rehabilitation	Meters	468/306	552	444	241	1,238
Water supply other infrastructure system construction/rehabilitation projects	Number	49/22	52	18	11	81
Kindergarten construction/rehabilitation projects	Number	114/108	128	444	184	656
Sports facilities construction/rehabilitation projects	Number	23/61	22	18	24	64
Stadiums	Number	-/26	-	-	35	35
Cultural facilities construction/rehabilitation projects	Number	24/28	24	86	22	132
Street lighting	Meters	50,770/57,718	50,770	12	57,718	108,500
Bridge construction/rehabilitation	Number	14/14	15	8	14	37
Coastal fortification system construction/rehabilitation	Meters	2,373/802	2,413	2,357	695	5,465
Drainage system construction/rehabilitation in progress	Meters	3,909/26,967	40	11	24,392	24,443
Multi family dwelling construction/rehabilitation projects	Number	220/450	264	369	450	1,083
Sewerage system construction/rehabilitation	Meters	-/7,348	-	6,044	3,694	9,738
Recreation facilities	Number	-/11	-	8	6	14
Other buildings and facilities constructed/rehabilitated	Number	-/7	-	-	6	6
Other infrastructure/rehabilitation projects	Number	95/21	127	6	5	138

The RDF financing projects in various sectors exceeded the agreed targets in all but two categories of output indicators. It occurred due to the size of financing which promotes micro- and small-scale projects and puts emphasis on cost-efficiency and effectiveness.

### 3.1 Results

Result indicators for the RDP 2015-2017 were only defined on the Measure level and in the middle of the Programme implementation. Some of them were allocated target value but some were not. The table below provides brief information about the achievement of those indicators. Certain gaps in capturing value of the results achieved imply still insufficient capacity and limited monitoring and evaluation culture.

Measure	Indicator	Measurement Unit	Baseline (2014)	Target (2017)	2015	2016	2017
1.1	Average travel time Tbilisi-Batumi	hrs/min	5h45min	5h	5h30min	5h15min	5h
1.2	Share of landfills with reduced risk of negative impact on environment and public health	%	23	94	75	89	94
1.3	Share of the population with access of 24-hours potable water out of total population in the region (%), excluding (Tbilisi, Mtskheta, Rustavi and Adjara AR)	%	5.9	-	13.6	18.9	-
1.4	Inhabitants protected from the disaster by bank fortification works in 2 km buffer zones	number	-	-	159,000	356,000	-
	Length of the banks protected	m	4,770	23,748	16,184	20,141	23,748
1.5	Area of inventoried forest /total forest fund of Georgia 2013= 100% (cumulative, area excludes Adjara fund and protected areas)	%	10.25	17.46	12.77	15.62	17.46
2.1	Supporting business in Georgia's regions through institutional and programming activities	%	-	2.2	0.44	1.59	2.2
3.1	Share of irrigated area in total drylands	%	32	45	36	40	45
	Share of the area protected from the flood out of total floodplain and wetland	%	24	33	25	30	33
3.2	Number of employed within	%	-	-	-	-	-



Measure	Indicator	Measurement Unit	Baseline (2014)	Target (2017)	2015	2016	2017
	the programme/Total number of employed in the agriculture						
3.3	Share of detected violations of food security norms out of all inspected documents/cases	%	31	-	14.9	8.6	-
	Number of deceases (rabies and anthrax) detected per 100,000 animals	%	8	-	8.4	4.2	-
4.1	Cash revenues from tourism	USD mln	1.14	-	1.18	1.72	2.24
	Change in cash revenues from tourism, (2014=100%)	%	100	-	103.5	115	150
	Increase in international tourism traffic (2014=100%)	%	100	-	107	109	130
5.2	New students in VETs across Georgia	number	9,910	-	10,460	-	-
5.3	Students received in VETs supported by the project	number	-	-	-	-	-
5.4	VET teachers trained (cumulative)	number	-	-	519	2,235	-
5.5	Share of trained local public servants to total local public servants % (cumulative)	%	6.5	-	25.8	32	-

## 4. Conclusion

This section illustrates how the Programme contributed to the overall objective and specific objectives of the Regional Development Programme 2015-2017. It shall be noted that **the observed changes in the value of selected statistics can be attributable to the effects of the Programme as well as contribution of external factors.**

### 4.1 Contribution to Overall Objective

The **overall objective** of RDP 2015-2017 was formulated as “contribution to more balanced and sustainable socio-economic development across Georgia (especially addressing imbalance between Tbilisi and the rest of the country)”.

Although no strategic indicators were defined to measure progress towards the achievement of the overall objective, several statistical indicators are used below to illustrate how the intended goal of the Programme has been achieved.

#### Gross Value Added

At the start of the Programme the total GVA produced in Georgia (for the year 2014) amounted to GEL 29,159.50 million and totalled GEL 38,042.20 million in 2017 illustrating 30.5% increase in current prices. Growth and wealth however are not equally distributed. Tbilisi's share in the total output accounted for 48.40% and increased during the implementation of the Programme reaching almost 48.76% in 2016. Although regional breakdown of GVA is not available for 2017 the share of the capital city is expected to remain the same or slightly increase further at the cost of regions such as Guria, Samagrel-Zemo Svaneti, Kvemo Kartli, Imereti, Racha-Lechkhumi and Kvemo Svaneti. More analysis can be carried out when data on GVA for the year 2017 are released.

#### Depopulation

During the period of the Programme implementation migration from rural to urban areas continued with Tbilisi, AR Adjara and Kvemo Kartli regions recording positive growth in population numbers - by 3.85%, 2.89% and 1.66% respectively. Regions where the population number dropped sharpest are Imereti with Racha-Lechkhumi and Kvemo Svaneti, losing almost 5% and 6% of their inhabitants respectively in the 3-year long period.

#### Enterprise Turnover (Business Sector)

Business turnover rose in the country by 25.6% between 2015 and 2017. The sharpest increase was observed in Kakheti (by 40.8%), Racha-Lechkhumi and Kvemo Svaneti (by 40.5%), Samtskhe-Javakheti (by 40.3%) and Kvemo Kartli (by 30.6%). Regions with the lowest increase in business turnover included: Samagrel-Zemo Svaneti (by 15.5%) and Shida Kartli (by 13.2%).

### 4.2 Contribution to Specific Objectives

The **specific objectives** of the Regional Development Programme 2015-2017 were formulated as: 1) support economic development and creation of new jobs in regions with low levels of employment and 2) improve living standards (quality of life), especially in rural and underdeveloped areas. The following metrics can illustrate progress in terms of contribution to the achievement of the Programme's specific goals:

#### Employment and Unemployment

According to the GEOSTAT data in 2015-2017 labour market featured somewhat stagnation. Unemployment decreased a meagre 0.2 percentage point from 14.1% to 13.9%. Regions where the unemployment rate decreased included: Kakheti, Adjara AR, Samagrel-Zemo Svaneti. The sharpest increase in the number of unemployed occurred in Imereti (with Racha-Lechkhumi and Kvemo-Svaneti), Kvemo Kartli and Tbilisi. At the same time employment rate slid from 57.4% to 56.4%. Regions where employment rate increased included: Kakheti, Adjara AR and Samagrel-Zemo Svaneti. In Kakheti the main contributor to the increased employment was rise in the number of self-employed as hired employment decreased. Adjara AR featured increase in the both form of employment while in Samagrel-Zemo Svaneti hired employment increased and the number of self-employed went down.

Overall, in the years 2015-2017 hired employment increased from 798.3 thousand to 824.2 thousand and the number of self-employed decreased from 928.0 thousand to 881.6 thousand. Those changes caused the ratio of self-employed in total employment decline from 53.5% to 51.7%. Despite that, there are still regions where self-employment dominates in the labour market, especially in agricultural and deep rural areas in Guria, Kakheti and Samtskhe-Javakheti where this ratio reached in 2017: 73.6%, 72.1% and 69.8% respectively.

## Standard of Living

Living standards improved when measured by access to basic utility infrastructure. While at the end of 2017 all households were provided with electricity as the last settlements in Kakheti and Samagrel-Zemo Svaneti were connected to the electrical grid, access to central system of gas supply also improved and is illustrated in the table below.

*Share of households connected to central system of gas supply (in %)*

Region	2015	2016	2017
Tbilisi	97.6	98.4	97.0
Kakheti	61.5	69.8	75.0
Shida Kartli	56.9	66.5	78.3
Kvemo Kartli	76.0	83.5	86.3
Adjara AR	46.6	51.5	51.7
Samagrel-Zemo Svaneti	16.6	28.1	39.1
Imereti, R-L and K-S*	50.3	55.3	67.2
Other regions**	53.9	63.6	63.6
<b>Georgia</b>	<b>66.0</b>	<b>72.0</b>	<b>75.7</b>

Source: GEOSTAT

\* R-S and K-S: Racha-Lechkumi and Kvemo Svaneti

\*\* Includes: Samtskhe-Javakheti, Guria and Mtskheta-Mtianeti

Trends in access of Georgian households to drinking water supply installed in the dwelling also improved (though much slower) and are depicted in the below table.

*Share of households with access to drinking water supply system installed in the dwelling (in %)*

Region	2015	2016	2017
Tbilisi	98.8	99.0	97.1
Kakheti	34.9	37.5	48.4
Kvemo Kartli	49.6	50.4	55.8
Samagrel-Zemo Svaneti	34.2	44.2	39.9
Imereti, R-L and K-S*	44.1	44.6	48.1
Other regions**	50.6	50.0	48.9
<b>Georgia</b>	<b>61.1</b>	<b>62.8</b>	<b>63.4</b>

Source: GEOSTAT

\* R-S and K-S: Racha-Lechkumi and Kvemo Svaneti

\*\* Includes: Shida Kartli, Samtskhe-Javakheti, Adjara A.R., Guria and Mtskheta-Mtianeti

Albeit average salary alongside monthly income per capita increased, the average monthly households' income (composed of both, cash and non-cash equivalents) is an issue of concern - while situation in most of the regions improved, it deteriorated in Kakheti and Samagrel-Zemo Svaneti, being affected *inter alia* by negative trends in the labour market.

*Average monthly household income (in GEL)*

Region	2015	2016	2017
Tbilisi	1,149.1	1,179.3	1,177.8
Kakheti	803.5	805.2	740.6
Shida Kartli	743.1	771.8	814.6
Kvemo Kartli	709.3	758.5	907.7
Adjara AR	921.2	1,037.0	1,070.9
Samagrel-Zemo Svaneti	992.4	1,019.6	904.3
Imereti, R-L and K-S*	798.2	810.4	829.4
Other regions**	754.1	722.9	762.1
<b>Georgia</b>	<b>912.7</b>	<b>944.1</b>	<b>954.8</b>

Source: GEOSTAT

\* R-S and K-S: Racha-Lechkumi and Kvemo Svaneti

\*\* Includes: Samtskhe-Javakheti, Guria and Mtskheta-Mtianeti

## Poverty

Poverty levels deteriorated in 2015-2017 despite positive economic developments, demonstrating that the achieved growth has not been shared equally. Both, relative and absolute poverty indices increased - from 20.2% to 22.3% for relative poverty index and from 21.6% to 21.9% for absolute poverty metric. Though data for 2017 are not available on regional level, figures for 2015 and 2016 clearly display the gap between Tbilisi (at 10.4%) and the rest of the country where the poverty levels are almost twice or even three times higher than in the capital city with

the worst situation in Kvemo Kartli and Shida Kartli where poverty index exceeded 30%. Overall, relative poverty levels in rural areas are twice higher when compared to urban settlements.

### 4.3 Main Achievements

**The roll-out of RDP 2015-2017** was a part of the Sector Policy Support to Regional Development - Phase II Programme financed by the EU, which **was highly appreciated by the European Commission services** in terms of compliance with the Financing Agreement provisions and the corresponding policy conditions matrix. Minimum criteria set against the Programme's financial performance target (as % of annual actual expenditure against the planned expenditure) were met - the threshold of 80% established in the Financing Agreement was actually exceeded and accounted for 98.8% in 2015 and 97.7% in 2016 of the overall plans. In 2017 the actual expenditure against the planned expenditure was 98.8%.

Arguably, the implementation of **RDP 2015-2017 significantly increased the awareness and capacity** of public authorities, researchers, private sector institutions, NGOs, other non-state actors and the broader public **with regard to key issues pertaining to cohesion, more balanced development** and more equitable distribution of the effects of growth across the regions in accordance with their needs and their indigenous opportunities.

The **effects of the Programme** and at the same time impact of other policies intersecting with regional development domain **brought about positive effects to the economy**. Although regions other than Tbilisi still lag behind the capital region in terms of their contribution to GDP, most of them managed to record positive growth and increase of enterprise activity. At the same time Tbilisi's growth has slowed down when compared to the rest of the country.

**Employment in absolute figures increased in most of the regions**. Unfortunately, total employment (in % points) recorded a slight decrease, chiefly on account of negative developments in Shida Kartli, Imereti with Racha-Lechkhumi and Kvemo-Svaneti and Tbilisi - in these regions total employment declined.

**Infrastructure improvements have been observed**, especially in transport facilities. These included: further expansion of the Tbilisi-Batumi highway, road re-surfacing/widening, rehabilitation of bridges and construction of new bridges. Extension of airport terminal in Tbilisi was completed. In addition to that gas supply, agriculture infrastructure and facilities counteracting climate resilience were extended. Waste management infrastructure has also been improved with more projects in the pipeline including both, solid waste and wastewater. Water supply infrastructure has also been significantly rehabilitated albeit construction of new pipelines goes relatively slow.

**Georgia's regions featured increased tourism traffic bringing more revenue**, especially from foreign tourists. Travel and tourism direct contribution to the total employment in economy increased from 6.3% in 2015 to 7.2% in 2017 (World Travel & Tourism Council). It is also estimated that visitor exports account for more than 40% of the total exports. According to GEOSTAT Region-wise, Tbilisi is the most popular destination, followed by Adjara AR, Mtskheta-Mtianeti and Kvemo Kartli.

**Georgian agricultural sector became more competitive**. The number of food safety standards violations decreased. The country was included in the list of third countries from where imports of fish and fish products to the European Union is permitted.

### 4.4 Factors Influencing the Programme Achievements

Overall, **stable growth** of the Georgian economy positively affected the delivery of the Regional Development Programme 2015-2017 (for more, please refer to Section 3 Macroeconomic Context). It facilitated **fiscal stabilisation** (the Central Government Budget had net operating surplus in 2015 and 2017 which both exceeded 2016' net operating deficit) while reforms in the banking sector helped maintain relative equilibrium in the foreign exchange markets. Improved trade balance has also improved contributing to **relatively stable exchange rate** of the Lari.

**Active promotion of Georgia abroad** helped growth in tourism traffic which largely contributed to the reduction in the current account deficit.

**Foreign Direct Investments** remained relatively constant in 2015 and 2016 while the year **2017 featured the highest volume of FDIs since 2005**.

**Situation in the labour market, unfortunately deteriorated**. Arguably, it reflects more rational employment policies in the business sector and its struggle with dwindling labour productivity.

Overall, **capacities of public administration have increased** albeit frequent changes in the government may negatively affect its performance in the future. Public administration is committed to increase its efficacy not only through building of skills but also through pursuing long overdue decentralisation process.

**Climate change and weather** affected the Programme. Flooding that occurred in 2015 and draughts of 2017 negatively affected agricultural production. Flash floods in Tbilisi put a strain on state budget to offset substantial damages to public and private property. Draughts contributed to the increase of spending on countermeasures to make rural economy more climate resilient.

## 4.5 Next steps

Based on the feedback received from the monitoring reports of this programme and considering experience received during its implementation, according to the needs identified under updated Social and Territorial Disparity study, the new Regional Development Programme for the years 2018-2021 will be prepared.

## 5. Monitoring and Evaluation

RDP 2015-2017 underwent implementation monitoring activities based on six-monthly and annual performance data. During the implementation period of the Programme 5 monitoring reports were developed:

- 3 six-monthly reports; and
- 2 annual implementation reports.

The GCRD has assembled 10 times in the period 2015-2017. Key issues discussed during the Commission's meetings included: update on meeting goals set in the Financing Agreement and technical issues pertaining to the monitoring of RDP 2015-2017 implementation (approval of documents, templates, reports, etc).

State Audit Office conducted several reviews and audits of institutions implementing Programme actions. These included: Fund for Projects Implemented in the Regions, Roads Department, forestry commercial resource management, solid waste. Although most of the actions were assessed positively in financial and quantitative terms, some findings regarding future improvement in the quality of interventions were raised, including:

**Improvement of criteria of allocation of resources among municipalities** to better reflect the needs and socio-economic situation of self-government units and disparities across them.

**Enhancement of project monitoring** during the implementation to improve their performance and efficacy.

**Improvement of project design and planning** to avoid cost overruns, improve effectiveness and ensure timely implementation. That can be paired with *ex-post* appraisal to draw lessons and reflect on experience as to what went well or wrong (with corresponding feedback).

**Need for better methodology of licensing and permit issuance** that would improve income generation, lower cost of maintenance and repairs and compliance with the existing legislation, e.g. in forestry, road construction, solid waste management, water management, etc.

At the turn of 2016 and 2017 an independent interim evaluation of the RDP 2015-2017 was exercised, supported by the Technical Assistance Project *Support to Regional Development Policy Implementation in Georgia Phase II*. Findings of the evaluation exercise were in general complimentary with some deficiencies identified in very few areas only:

**Relevance of the Programme** measures and interventions to the needs that they address was marked **as good**. That also includes consistency of objective setting.

Since **measures** are implemented by considerable number of government institutions acting independently, their **performance is variegated** - marked from satisfactory to good (and sometimes very good). There are instances where the implementation of some measures is suspended – the Programme implementers should have flexibility to correct and modify measures, if required.

There is strict focus on the Programme financial progress (performance) and output indicators which is fine in its own rights. But **lack of result indicators defined beforehand** was found to be one of the major deficiencies of the Programme that limits the evaluation of the RDP 2015-2017 effectiveness and efficiency. A complementary result indicator matrix was developed in 2017 to address evaluation findings and recommendations.

**Coordination of policy implementation** among key role players and stakeholders **is insufficient** and for that requires enhancement – in this context the role and competences of MRDI in this regard should be strengthened - responsibilities should be better paired with authority.

Though **existing statistics are adequate to describe basic dimension** of inter-regional disparities, **they are insufficient for illustrate** more sophisticated aspects of uneven **regional competitiveness**.

The report was elaborated by the Technical Assistance Project *Support to Regional Development Policy Implementation II in Georgia*.