

GEORGIA

Support to Regional Development Policy Implementation II

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2015-2017 RDP Mid-term Evaluation Report

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Table of content

Introduction

- Background and justification
 - The role of Financing Memorandum in promoting regional cohesion and strengthening of the Georgian administration
 - Regional Development Programme 2015-2017 and its role in building capacity of Georgian Administration
- Objective of the report
- Evaluation Approach
- Assessment of the RDP results at the level of priority measures
- Evaluation Findings
- Recommendations

RDP 2015-2017 Mid-term Evaluation Report

Introduction

This document has been developed within the EU TA project “Support to Regional Development Policy Implementation II” to assess interim progress and effects of the Regional Development Programme 2015-2017 (RDP). The Programme was developed and adopted by the Georgian Government in 2014 as a main tool for promoting regional cohesion and building capacity of Georgian administration to deal with modern, EU type regional policy issues. The implementation of the programme started only in 2015 and currently RDP finishes second, out of three, year of its implementation (December 2016). As reported in produced until now two monitoring Mid-year progress and one Annual implementation reports and confirmed by EU appraisal missions to verify conditions set in the Financing Memorandum (see below) the RDP is being implemented by Georgian Administration successfully. Implementation of the programme, which is financed almost totally from Georgian budgetary sources, has brought tangible effects in terms of development of infrastructure, support to SMEs, agriculture, tourism and strengthening human capital in regions and in the country as a whole. In addition, thanks to implementation of the programme has grown the capacity of MRDI, line ministries, implementing agencies and other stakeholders, including municipal authorities and NGOs to manage and implement broad range of regional policy activities.

This evaluation report is prepared as required by one of general conditions set in the Financing Memorandum on Support to Regional Development – Phase II (see details below – chapter 1) for disbursement of the third tranche of the EU budgetary support however, one has to note that the implementation of the RDP being only in its second year, doesn't allow for making a

comprehensive evaluation of its interim results and observing impact of the programme on internal cohesion in Georgia.

Such evaluation, embracing all those aspects, effectiveness and efficiency of the programme will be done after the RDP is finished in 2017.

This report, drafted by the TA team, focuses on assessment of preliminary effects of implementation in physical terms and ability of Georgian administration to run regional policy activities. The recommendations presented in this report are aiming at improvement of the management of the programme and organising preparatory work for preparation of the future regional development programme to be implemented from 2018 on.

The report, following the consultations with the relevant stakeholders, including the Governor's Administrations, the municipalities (National Association of Local Authorities of Georgia NALAG) and other institutions and NGOs, including members of academia and private sector, will be presented for discussion within the Inter-Ministerial Working Group for the Monitoring of 2015-2017 Regional Development Program of Georgia, comprising all relevant ministries and subsequently to the Government Commission on Regional Development (GCRD) for discussing recommendations.

- **Background and justification**

The role of Financing Memorandum in promoting regional cohesion and strengthening of the Georgia administration

Financing Memorandum on Support to Regional Development – Phase II signed in 2014 by European Commission and the Georgian Government, defined a set of conditions for disbursement of EU funds (26m Euro). Those conditions included, among others, promotion of internal cohesion as well further strengthening of institutional capacity of the Georgian administration to programme, monitor and implement modern regional policy. Since 2015 the support – in the form of the direct support is realised in tranches being realised after checking by independent evaluators, compliance with the set of general conditions defined for different

policy areas (public policy, macroeconomic stability, public financial management, Budget Transparency) and specific conditions related directly to regional policy area (promotion of regional cohesion, strengthened policy framework at national and subnational level, reinforced financial management and control systems, improved management capacities and information systems).

In recent years Georgia, has been very successful in meeting conditions set in the Financing Memorandum, what allowed for transferring to the Georgian budget already two tranches of allocated funds in 2015 and 2016.

In line with the provisions of the Financing Memorandum Georgia in recent years has been gradually developing its capacity to programme, monitor and implement modern regional policy. In particular, this included, after broad consultation process, preparation and adoption by the Government in 2014 of the first Regional Development Programme for the period 2015-2017 and after that successful its implementation.

For realising the third tranche of allocated funds, the Financing Memorandum set up following general conditions:

- (i) The Government prepares and publishes on its website a yearly report ("RDP Report") highlighting the main progress during 2016 regarding the implementation of the RDP 2015-2017, after consultation with key stakeholders.
- (ii) The Governmental Commission on Regional Development (GCRD) meets at least twice a year to review progress and to ensure regular consultation with stakeholders.
- (iii) The RDP measures for 2015-2017 are duly reflected and costed in the multiannual Basic Data and Directions Document (BDD) and in the annual budget law submitted to the Parliament for 2017.
- (IV) An interim evaluation of RDP is completed and published by the end of the year.

In addition, as every year, several specific conditions were defined in four areas related to the programming, monitoring and management of regional policy (promotion of regional cohesion,

strengthened policy framework at national and subnational level, reinforced financial management and control systems, improved management capacities and information systems).

Regional Development Programme 2015-2017 and its role in building capacity of Georgian Administration

On July 9, 2014, the **Regional Development Programme of Georgia for 2015-2017 (RDP)** was approved by the Government Decree #1215. The document represents a medium-term governmental programme, which defines main tasks, priorities and objectives of the regional development policy of Georgia. According to it, the document creates a strategic framework for a balanced and sustainable socio-economic development for the next 3 years and towards this end, it accumulates roughly **GEL 3.2 billion** to implement respective program priorities and concrete measures.

The adoption of this national programme is viewed as a significant step forward towards a very complex and a higher standard planning of local and regional development and approximating such practices to the similar experiences of the EU and its member states, including on the *Integrated Development Planning Approach*. It is reported that the Programme is based on, and largely in line with, the **EU Cohesion Policy** experience of recent decades (aimed at the reduction of disparities between regions). The Programme reflects also to some extent on the **Competitiveness Growth Policies** as of the means achieving such cohesion and as of the means addressing the broader development needs.

The Programme has been prepared with due participation of the relevant line ministries and agencies, the Governmental Commission on Regional Development (GCRD), its special Interagency Working Group (created by the decision of CCRD, record #25, 25/11/2014), field experts and other stakeholders. In December 2014, RDP was presented at the concluding conference to a broad range of stakeholders, including high level officials of the Government of

Georgia, Parliamentary Committee on Regional Policy and Local Government, international organizations, donors, foreign ministries and agencies, local CSOs, etc.

Table 1. *Key issues addressed through the 2015-2017 RDP*

Issue 1: Regional Disparities in Georgia

Georgia is relatively small and underdeveloped compared to EU average

Many local variations but the main regional characteristics are:

1. The polarity between “Greater” Tbilisi and the rest of Georgia
2. Differences between urban and rural locations across Georgia
3. The particular situation of a few remote mountain areas

Issue 2: Key Development Needs and Challenges

- Improvement of Physical Infrastructure networks to support Economic and Social Activities, especially - in densely populated areas.
- Supporting development of local SMSs and their competitiveness and thus promoting employment growth opportunities in regions
- Modernization of Georgian agriculture and improvement of the quality of life for rural population
- Having more balanced distribution of resources between Tbilisi and other regions of Georgia
- Offering viable livelihood to the population in remote mountainous districts

Other Development Challenges:

- Institutional and resource capacity limitations of sub-national administrations, including: Effective planning for local socio-economic development; Effective administration of development programs; Management of local assets; Planning-managing infrastructural projects; supporting inflow of investments locally; supporting development of Innovation and Technology Transfer Systems locally.
- Lack of local institutions supporting regional development and entrepreneurship
- Sources of finances for investment (particularly in rural/remote locations) are often insufficient
- Lack of effective regional mechanisms to (co)attract FDIs in regions
- Relatively Poor level of local human/social capital.

Issue 3: Programme objectives

Overall Objective: To contribute to more balanced and sustainable socio-economic development across Georgia;

Specific Objectives: (i) To support economic development and create new jobs, especially in those regions where the level of employment is low; ii) To improve the quality of life, especially in rural and less developed areas.

RDP Program Priorities:

Priority 1 - Improvement of Physical Infrastructure and Environment Protection

Priority 2 – Supporting the Development of local SMEs and the Creation of New Jobs

Priority 3 – Rural Development

Priority 4 – Tourism Development

Priority 5 – Improvement of Human Capital and Development of Vocational Education Capacity at National and Sub-National Levels

In addition to these five thematic priorities, RDP covers potentially two geographically specific areas of intervention that is to be coordinated through this Programme:

- Implementation of Regional Development Strategies
 - RDS Action Plans
 - Effective application of (co)funding financial instruments - Regional Development Fund of Georgia (RDF)
 - Selection of projects to be financed from the Fund based on the respectively set objective criteria and methodology
- 2. Targeted policy for High Mountainous regions.

Later on December 26, 2014 the GCRD approved the **Monitoring Plan** of the RDP implementation and introduced detailed terms and procedures for the effective monitoring process.

The implementation of the Programme through the measures identified under each of the 5 priorities, started at the beginning of 2015. Programme is coordinated by the MRDI and implemented by several Ministries and implementing agencies.

As of today, evident progress is reported to be achieved in the course of implementation of the Programme objectives and priorities. Under the immediate coordination of MRDI and in close cooperation with relevant stakeholders, the corresponding Annual (for 2015) and Mid-year progress reports (in 2015 and 2016) – observing the major steps and measures undertaken in 2015 and 2016 for RDP implementation - were prepared in full compliance with the *“Monitoring Plan for the Implementation of the RDP 2015-2017”* and presented subsequently for further reflection to the Governmental Commission on Regional Development (GCRD).

Furthermore, set of extra recommendations have been elaborated by the GCRD as to ensure further enhancement of the RDP implementation and respective monitoring & evaluation process.

- **Objective of the report**

The objective of this report is to present preliminary findings on the implementation of the **2015-2017 RDP** focusing on the achieved so far effects in terms of fulfilling the programme measures and building administrative capacity to conduct modern regional policy. Prepared recommendations aim at improvement of the RDP implementation process and increasing its overall efficiency which both will be the subject of the ex-post evaluation prepared after implementation of RDP is finished in the end of 2017.

Two evaluation questions were formulated:

- Too what extent current implementation of the programme is heading towards foreseen results?
- What is the influence of the realisation of the programme on the capacity of the Georgian administration to deal with regional policy issues?

- **Evaluation Approach**

Taking into account short implementation period of the RDP only two evaluation questions were formulated:

1. To what extent current implementation of the programme is heading towards foreseen results?
2. What is the influence of the realisation of the programme on the capacity of the Georgian administration to deal with regional policy issues?

In answering those questions, the following tools have been employed by the evaluating team:

- *Complex Desk Research*
- *Examination of the available RDP Monitoring Reports (Annual Report 2015; Mid-year Reports of 2015 and 2016)*
- *Interviewing the representatives of MRDI, ministries and agencies implementing RDP*
- *Examination of the evaluation reports of the EU Verification Missions.*

In addition to detailed analysis of the mentioned above documents, a number of interviews with RDP implementing entities have been conducted. Those interviews allowed for obtaining first-hand information from managers and employees directly responsible for implementation of individual measures (for the list of interviewed persons see [Annex I](#)).

The RDP implementing agencies in question have been asked the set of predefined specific questions, as provided in the table below:

Table 2. **Questions to the RDP Implementing Entities:**

<ul style="list-style-type: none">• What are effects of the implementation of the RDP?• Could you provide at least 1 indicator which will measure result(s) you stated in the respective Measure Sheet of the RDP?<ul style="list-style-type: none">- <i>if not, do you plan to work on it?</i>- <i>when will you set up the indicator? (if they plan to work out)</i>- <i>please provide an example of the indicator(s).</i>• Is it any evidence that might prove your performance in terms of the respective Measure of the RDP?• Is there any problem(s) which might negatively affect the performance of the respective Measure?• How do you assess effects of the realisation of the programme on the administrative capacity of your institution to deal with regional policy?• What kind of support would be necessary in the future to improve effectiveness and efficiency of the programme?
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- **Assessment of RDP results at the level of priority measures**

In combination with the initial desk research and full examination of the RDP and related monitoring documents (Annual and mid-term Monitoring Reports), the interview-based

feedbacks of the implementing agencies have been taken into due account in the course of respective analysis

Note: Some implementing agencies did not provide enough target values for inputs and results to make quantitative analyses; thus the interviews were used to document variations in program implementation by different agencies. The representatives of all the agencies related to the RDP implementation (see Annex 1) were asked several questions regarding measuring of results achieved. The interviewees were represented by employees who were directly involved into the reporting process of supplying data for the RDP Monitoring Reports. In some cases, the decision makers and analysts who were able to make forecasts and judge about indicators and measures were interviewed.

In addition, the desk research aimed to identify the data produced by National Statistics Office of Georgia was useful for the evaluation. The findings of the interviews were used in combination with quantitative measures and indicators.

- **Roads of International and National Importance**

1) The maintenance, rehabilitation and construction of the roads of international and national importance is implemented by the Roads Department of MRDI. As of the H1 2016, periodic works on 337 km were completed, which is 48 % of the target value set for the evaluated period. Taking into account that almost half of the target value were met in the middle of the programming period, the performance seems to be successful.

In terms of construction of the international highway, the performance is even more excellent, since 59% of the target value was met for the same period.

In terms of bridge rehabilitation and construction, the Roads Department fulfilled 45% of the 2017 target that was met starting from 2015 till H1 2016.

Based on the performance input indicator, the implementation of the RDP Measure 1.1 is to be assessed as satisfactory.

The Road Department mentioned the increase of transit competitiveness of the country, improving international and regional mobility and reduction of the traffic accident as the expected results of their activities. During the interviews, the representatives were not able to demonstrate the results indicators due to specific complexity of the activities; however they assured the interviewer that they would be elaborated in the beginning of 2017. In order to measure numbers of the traffic incidents, the statistics of the Ministry of Internal Affairs were used, however the figures shown the increasing trend in 2015 comparing with 2014 (5.9 and 6.4 thousands respectively). As it was claimed by the Road Department, the most of the accidents were caused by driving violations but not by the road conditions.

As far as improvement of the mobility of the roads is concerned, the department did not provide any indicator. Within these circumstances, some sketchy evidence might be used to prove the fact that the transit time from Tbilisi to Kutaisi and Batumi - the largest cities and administrative centers in Western Georgia was reduced minimum by 1 hour during the evaluated period.

The department needs to work further to create result indicators in order to measure the medium and long-term results achieved in a more sophisticated way. The number of traffic accidents, if affected by other factors rather than the conditions of roads, should be withdrawn and substituted with relative one(s).

2) The capacity of the Roads Department in terms of implementation of the goals and objectives mentioned in the RDP maybe accessed as decent.

1.2 Solid Waste Management

1) The management of the landfills is implemented by the Solid Waste Management Company. The objective of the activities includes reducing negative impact of solid waste on environment and human health and creating efficient management system, which will be in line with the EU standards.

Starting from 2015, the company closed down 14 out of 17 targeted in 2015 old landfills and rehabilitated 15 ones out of 22 targeted for 2017.

During the interview, it was mentioned that the company planned to finish the closure of the 17 old landfills by the end of 2015. Nonetheless, due to reasons related to the construction of the transfer stations and finding the available land plots, the number, eventually, was less than planned. The rehabilitation works is progressing better, as physical input indicators show below.

In the Measure Sheets for supporting the implementation of 2015-2017 RDP, the company formulated their expected results as management of the existed sites, construction and operation of regional landfills and improvement of the management infrastructure in Western Georgia. The company worked out the share of landfills with the reduced risk for negative environment and human health impact as the share to the total landfills. According to their data, the share increased from 24% in 2014 to 75% in 2015 across the country. For the end of 2016, the company expects that the indicator will increase up to 87% and 95% in 2016 and 2017.

2) The capacity of the company to implement the goals and objectives of the RDP is to be assessed as decent.

1.3. Construction and Rehabilitation of water supply and sewerage system.

1) In order to improve the service delivery, provide local communities with a 24-hour access to potable water and sewerage system, functioning according to the modern standards, the United Water Supply Company started the works in 51 municipal centres (including the self-governing

cities) and tourist zones. The company does not operate in Tbilisi, Mtskheta, Rustavi and Adjara. The entire population of those cities have 24-hour water supply. In Adjara the activities are managed by the local company.

During the evaluated period, the number of new customers of water supply system grew up to 10,7 thousands, which represents 106% out of target set up for 2017. This indicator show very good performance, however, in the monitoring reports the company indicated the set of problems (weather conditions, long run negotiations of the land owners and broken obligations of sub-contractors) as the reasons of delays.

The result indicator (the share of population with 24-hour water supply out from all population) show some modest progress. In 2014, 5.4% of the population of targeted locations received the potable water within 24 hours, while in 2015 it increased more than twice to 13.6% and to 18.9% in 2016. In the RDP Measure Sheet the Company set up the target - 95% of population supplied with water within 24 hours by 2019.

But if one takes into account that Tbilisi, Mtskheta and Rustavi have 24-hour water supply, the general result is more optimistic since about 49% of the entire Georgia population (excluding Adjara where a local company operates) is provided with potable water during 24-hour by the end of 2016.

2) Based on the result indicator, one should assume that the capacity of the Company in implementation of the RDP goals and objectives is relatively modest. In other terms, the company needs to improve further its performance or change indicators to measure the expected results.

1.4 Natural Disaster Risk Reduction and Protection

1) The measures aim to reduce risk and protect against natural disasters are implemented by MRDI and National Environment Agency of the Ministry of Environment and Natural Recourses Protection of Georgia.

The Agency implemented 7 analytical studies with the recommendations defining the possible hazards. This activity did not have target, since it had been carried out by each particular demand. The Agency set up establishing natural hazards early warning system having no target. Until now it was established in 98 locations. Initially, it was projected to create municipal plans for preventive measures in all vulnerable municipalities; however, it was done only in 2 ones, including Tbilisi.

There were 26 projects for coast fortification completed, while 50 projects represent target for 2017. Works of immediate response and prevention of the disasters were done in 42 locations out of 70 targeted one. According to that indicator, the performance of the Roads Department in those directions was very good.

Both agencies were unable to provide result indicators so far. During the interviews, the representatives of the agency mentioned the need of a plain guidance to produce the result indicators, while MRDI Roads Department assured to work out indicators, reflecting the number of tourist objects, historic monuments and other facilities protected as the result of fortification works done.

2) The capacity of the National Environment Agency is relatively modest, unless it is able to prove the opposite by the result indicators in the further period. Meanwhile, the performance of the Roads Department is to be assessed as decent.

1.5 Georgia Forest Inventory and Implementation of a Stable Forest Strategy

1) The measure aimed to promote state forest management system. The National Environment Agency fulfilled the number of activities in this direction and measured them by physical output indicators. Starting from 2015 till H1 2016, the Agency worked on the improvement of the legislative base and prepared 7 legal documents, while the target was 2 by the end of 2015. 700 specialists were trained in “basic principles of forest planning and management” with support of Environmental Information and Education Centre, GIZ and National Forest Agency. That was 78% of 2017 target. The sanitary conditions were improved 48,400 hectares of the forest that is 56% out of 2017 target.

In the RDP Measure Sheet, the agency mentioned the improvement of information of number and conditions of forest in the country and new standards in the forest management. During the interview, the representatives assured that in 2017 the Agency will provide result indicator reflecting the share of inventoried forest out of the total forest fund.

2) The Agency’s capacity of implementing the RDP is to be assessed as good, however the indicators demonstrated the results achieved need to be improved further.

Resuming Priority one of 2015-2017 RDP -“Improvement of Physical Infrastructure and Environment Protection”, one could conclude that the best performance was observed in the Measures 1.1, 1.2 and 1.4 (partly); satisfactory in the Measure - 1.5, while in the Measures 1.3 and 1.4 (partly) - performance was relatively modest. The result indicators reflecting the results achieved by the implemented agencies need to be elaborated further at the beginning of 2017.

2.1 Supporting Business in Georgia’s Regions through Institutional and Programming Activities

The measure 2.1 aims to promote micro and small business and stimulate local industrial productivity through affordable loans and leasing for medium and large enterprises, trainings, consulting and grants for small and micro businesses. The government programme named “Produce in Georgia” consists of two parts: i) loans and leasing for existing businesses (industrial part) and ii) supporting small and micro business start-ups. The programme is implemented by Enterprise Development Agency of the Ministry of Economy and Sustainable Development. The

increasing rate of employment and exports sales were mentioned as the expected results in the RDP Measure Sheet.

During the evaluated period, 58 entrepreneurs were supported (including Tbilisi and Autonomous Republic of Adjara) that was 89% of the target value for 2017. Also, equipment of 53 enterprises was upgraded that was 2.7 times more than 2015 target value. Commercial banks issued GEL 126 million (about EUR 45 million) loans that was by 40% more than 2016 target, total investment was GEL 186 million (about EUR 66 million) by 49% more than 2016 target value.

Within the micro and small entrepreneurs support component, 1,145 micro and small enterprises were set up (38% of 2017 target) across the country that created more than 3,000 new jobs (43% of 2017 target) and more than 6,000 beneficiaries were trained (78% of 2017 target).

According to the output indicators mentioned above, the performance of the programme was successful, however for a more accurate analysis, the improvement of the result indicators are essential. During the interview, the representative of the Agency agreed that they need to set up the result indicators in the beginning of 2017. In particular, in order to measure whether the programme had significantly promoted employment, the share of jobs created by the programme to total employed in SMEs will be calculated for 2017-2017 against the 2014 data as a baseline. For measuring growth in the exports, the Agency suggested to calculate the amount of exports of goods and services of companies participated in the industrial component for 2014-2017 with 2014 as a baseline.

2) Taking into account successful progress of the output indicators of the programme, whilst also the absence of the result indicators for the present moment, the capacity of the Agency in implementation of the RDP may be assessed as satisfactory.

Resuming the Priority 2, performance of the Measure 2.1 is to be assessed as satisfactory. In order to achieve a more advanced performance, the Agency needs to demonstrate further the success by result indicators.

3.1 Improve Amelioration System Management

1) The measure aims to improve irrigation system and remove excess water from flooded areas. During the evaluation period, 90 projects were implemented in order to improve melioration system in the dryland areas by the United Amelioration System Company. The acreage of the additional irrigated land plots increased by 26.8 thousand hectares in the evaluated period and it was 3 times more than 2017 target. The acreage of the land with the proper drainage system was 7.3 thousand hectares that was by 26% more than it was targeted for 2017. During the interview, the representatives of the United Amelioration System Company emphasized that they had faced the problems related to the information from the land cadastre. Besides, a sub-contractor did not fulfil its obligation and they had to suspend some projects.

The Agency was able to submit the result indicators – 1) the share of ameliorated area out of total drylands and 2) share of the area protected from the flood out of total floodplain and wetland. The share of ameliorated area out of total drylands increased from 31% in 2014 to 36% in 2015, while the share of the area protected from the flood out of total floodplain and wetland increased from 24% in 2014 to 25% in 2015. The progress was modest that seemingly was caused by the problems mentioned above.

During the interview, it was noted that the system needs about GEL 1 billion (about EUR375million) during next 5 years in order to finish the planned rehabilitation and construction projects. The total dryland is 278 thousand hectares, of which 100 thousand is ameliorated. In order to finish all the land by 2020, the company should ameliorate 35.6 thousand each year, that was not the case in 2015.

2) The result indicators are modest; however the causation was linked to the external factors. Therefore, notwithstanding the abovementioned problems (which are not directly related to the capacity of the company), the performance of this RDP measure is satisfactory; however, if the company is not be able to overcome the problems and attract the additional funds, there is a high risk that the performance of the measure will get worse.

3.2 Improve Access to Finance

1) The measure aims to increase access to finance possibilities to all the farmers and their groups. Cheap agro-loans and agro-insurance were introduced by the GoG. The RDP reflects lending activities of the cheap agro-loans programme in its output indicators. During the evaluating period, the number of new enterprises and farms received the loans was 13, which represents 26% of 2017 target. From the other side, 128 already existed farms received the loans. The number of loans issued by the programme was 4.9 thousand, which is almost 2 times more than targeted. One could assume that loans are concentrated in the existing enterprises, which could easily receive the loans due to their experience and higher credibility, rather than newly established enterprises, thus the access to business loans for them remains problematic.

In order to provide more accurate assessment about cheap agro-loan programme, the relative indicator(s) should be introduced. During the interview, the representatives of the Agricultural Projects Management Agency stressed the difficulties related to calculation of the value added by the loans borrowers, while it should be useful if an indicator measured the effectiveness of the programme. Another issue is that loan portfolios are managed by the commercial banks – and they are reluctant to share the information with the third party. Also, in many cases, due to the specificity of the sector, it takes time to produce the agriculture goods that makes the result assessment impossible. However, it is to be noted that the Agency, as the representative of the Government should require the information of the profit/income and production produced by the beneficiaries. It would give an opportunity to provide the realistic evaluation of the programme.

The agro-insurance is the other financial instrument used in order to make funds more affordable for the farmers and protect their harvests against loss. Traditionally, the agriculture is high risky sector and insurance companies avoided to insure farmers. During the interview with the Agency representatives, it was mentioned that almost all the farmers, which met the programme criteria, received the monetary compensation when it was the insurance case. The coefficient (compensation paid versus total premium) in 2014-2015 was 88.5% (farmers received 2014 H2 compensation in 2015). 85% of the total premium was contributed by the Agency, that in the absolute terms means that the State gave the insurance companies GEL 13.7 million (EUR 4.9 million) out from GEL 16 million of the total premium pool and later on the farmers received GEL 14 million from that pool.

In the Measure Sheet of the RDP, the Agency mentioned opening of 50 new processing enterprises and compensating the farmers' loss during the natural disasters, as the results achieved. The Agency supported only 13 new enterprises. The insurance programme seems to be successful according to the year and a half figures.

2) The capacity of the Agency in meeting the RDP goals and objective related to the cheap loans component may be assessed as modest for the evaluated period. It was not possible to measure the income generated, new enterprises, how many jobs were created or value added by the enterprises. The Agency needs to introduce the relative indicator(s) in order to make the performance measurable. In the insurance component – the performance could be assessed as decent, since without the support of the programme, the loss of the farmers would be GEL 14 million in 2014-2015.

3.3 Other Agriculture Programmes

1) The measure aims further developing of agriculture market in Georgia, diversification of production and increase exports opportunities in the agriculture sector. The measure includes the activities in various spheres related to the agriculture.

During 2015-H1 2016, 12 thousand agribusiness and food enterprises were monitored against food safety measures, and their number was 55% more than targeted for 2017. The number of test of food for the safety was 5.6 thousand that was 60% more than 2017 target. The figures included Tbilisi and Adjara.

As the result of the tight monitoring policy, the number of detected violations decreased dramatically from 31% in 2014 to 15% - 2015. During the interview, the representative underlined that in 2016 the downward trend of detected violations will continue. The performance could be assessed as decent.

During the evaluated period, 96 events were funded through wine promotion campaign and it is 8% more than targeted for 2017. The share of wine exports in total exports dropped from 6.3 % in 2014 to 4.3 % in 2015. The reason was the armed conflict and economic constrains in

Ukraine and Russia - the largest Georgian wine consumer countries. Therefore, the share of imports was decreased under the external factors.

During the interview, the representatives of National Wine Agency mentioned that the geography of Georgian wine exports expands gradually and includes such countries as Japan and China. Also, the Agency expected the annual trend of wine exports will notably improve in 2016. Since there is no data that might prove it and the assessment is based on some sketchy evidence, the performance of this component of the programme may be assessed as satisfactory.

Within the evaluated period, there were 1,196 agriculture cooperatives established across the country. This physical indicator has no target. The Agriculture Cooperatives Development Agency mentioned the increasing of the number of cooperatives as the result of their programme. However, it is difficult to appraise the results of this particular activity, because the idea of a cooperative is to support its member to generate income, rather than increase the number of cooperatives.

The Agency was unable to provide the data whether any of the established cooperatives managed to generate income, because the programme has been functioning since 2014 and time passed is not enough to produce surplus in income. The Agency representatives assured to set up the result indicator(s) in 2017. Based on the number of newly established cooperatives, the performance of the Agency is satisfactory, however, in the next years the activity of the Agency should be assessed not only by the number of the cooperatives, but also by the income generated and the level of competitive production.

Started from 2015, 362 hectares of the demonstration plots were established. The target value was set up for 2015 (30 hectares) that means that by the end of H1 2016, the area was 10 times more than targeted in 2015. It is difficult to assess whether it was positive achievement, since according to the interview, the Scientific-Research Centre works out only output indicators. The same situation relates to the research projects, which are listed among physical indicators of the RDP but have no target value. 48 projects were implemented in 2015, but no projects were done in 2016. The role of scientific research in support of agriculture developing should be assessed as modest.

2) Based on the information above, the capacity of National Food Agency is decent, Wine Agency – satisfactory, Cooperatives Development Agency – satisfactory, Scientific Research Centre – modest.

Resuming Priority 3 of 2015-2017 RDP – rural development – the decent performance was observed for the Measures 3.2 and 3.3 (partly), satisfactory performance - in the Measures 3.1 and 3.3 (partly) and relatively modest performance in 3.2 (partly) , 3.3 (partly) and 3.4. The result indicators need to be further elaborated or improved by the agencies at the beginning of 2017,

with the exception of Cooperative Development Agency, which appears set to provide the result indicators in 2017.

3.4 Developing Agricultural Land Market

1) The measure aims to contribute to the development of agricultural land market, promote consolidation of fragmented plots and increase investments in commercial agriculture. This measure is financed through the WB loan and implemented by the National Agency of Public Registry operating under the Ministry of Justice of Georgia. There are no target values in the input indicators and the implementing agency did not provide result indicator. During the interview, it was underlined that in June 2016 the Parliament of Georgia adopted the law "About improvement of cadastral data and special rule of systemic and sporadic registration of rights on the land areas within the frameworks of state project" and it is a good precondition to regulate land market.

2) Adoption of the law represents a crucial step in creation a legal framework for the development of the land market, but is not enough to access the effectiveness of this measure. Therefore the capacity of the Ministry in developing the agriculture land market might be evaluated as modest.

4.1 Tourism Development

1) The measure aims to support and promote development of Georgia's tourism industry and includes: support to utilize tourism potential of the country, promotion of domestic and internal tourism, establish a network of tourism information centres, improve quality of service through trainings, developing small-scale tourism infrastructure. During the evaluation period, per these measure the Georgian National Tourism Administration completed 5 regional studies, delivered 23 training courses where 1,620 people participated, carried out 243 marketing events and activities, and developed 28 tourism products. The Administration did not set target values for abovementioned activities. As the result of this measure, it is expected that the number of the international travellers in Georgia will be increased and revenues from tourism will grow.

According to the Administration data, the number of international tourists increased by 7% in 2015 and by 14% in 2016 (forecast) comparing with 2014. Although it was not possible to get information about revenues received from tourist sector, the share of tourism in GDP proves the positive trend. According to the GeoStat, the indicator grew by 14% in 2015.

2) Even though the national indicators show upward trend in tourism development, they don't measure the effect of tourism on the regional level. Therefore it might be assumed that the

capacity of tourism Administration is satisfactory. The better performance on the regional level may be proved by the respective indicators.

Based on the information above, the implementation of the Priority 4 of the RDP may be assessed as satisfactory.

5.1 Labour Market Demand Survey

1) The goal of the survey was to prepare detailed information on the demand of employers on the labour market and study the needs of employers. The survey was done by the Ministry of Labour, Health and Social Affairs in 2015. In 2016, a new survey was not conducted, since WB recommended doing it once in 3 years. Based on the information provided by the representative of the Ministry, based on the results of survey, more than 600 people were re-trained in 2015 in accordance with the most demanded professions, identified by the survey. By the end of 2016, the annual number of trainees was expected to achieve 2,000.

The monitoring over further employment of trainees is provided by Social Service Agency (SSA) - legal entity of public law under the Ministry. During the interview, it became observable that there is no information exchange established between the Ministry and the SSA, whilst the Ministry doesn't have information whether the trainings were effective and helped re-trained people to find new jobs.

Increasing opportunity of the State to prepare and implement labour market policy is indicated as the result in the Measure Sheet of the RDP. However, the number of trainees is not enough to assess whether the survey helped the State to implement a sound labour policy.

2) Based on the abovementioned, it is not conceivable to define the usefulness of the survey in relations to the expected results; therefore the capacity of the Ministry in implementation of this RDP measure might be evaluated as modest. In order to improve the performance, the interrelations between the survey and employment data should be established.

5.2 Rehabilitation of Existing Colleges

1) The objective of this measure is to provide high quality vocational training facilities in the country. According to the physical indicators available from 2015 to H1 2016, there were 11 colleges renovated, equipped and staffed, including 4 new in different municipalities that was actually more than initially planned (at least 1 in 3 years). Based on those indicators, the performance is considered as successful. In the RDP Measure Sheet, the Ministry of Education and Science mentioned the improving quality of the vocational training through supported centres as the result, but they were incapable to provide any result indicator for the evaluated period. However, during the interview, the representatives of the Ministry underlined that they are working on setting up the possible result indicator in the beginning of 2017.

2) Taking into account that the Ministry presented good output performance, its capacity of implementing the RDP measure related to rehabilitation of existing colleges still might be evaluated as satisfactory.

5.3 Agriculture Related VET and Extension System

1) The project is supported by UNDP and initially it was planned to provide trainings within the project. Later on the project started to support professional education facilities across Georgia. During the evaluation period, with the support of the project: 130 teachers were re-trained, 29 projects, aimed to support learning environment, were implemented, 16 Information and Consultancy Centres were set up, 40 study tours for trained VET service providers were organised, 4 working groups were created for improving public-private cooperation. It is not probable to measure output performance results of the project, but during the interview, it was underlined that the UNDP will elaborate new set or results indicators at the beginning of 2017.

2) The capacity of the project in terms of implementation of the RDP measure might be evaluated as satisfactory.

5.4 Training of VET Teachers and Continuous Professional Development

1) The measure aims to improve the quality of teaching in VET schools. Improvement of quality of teaching and assessment process was stated as the expected result of the measure. In 2015, 110 teachers were trained and 74 trainings were delivered in the working environment. There was no target set up for physical indicators.

The Ministry of Education and Science has not set up result indicators since measuring whether the trainings improved the quality of teaching requires conducting a special survey. The Ministry suggested the number of new students attended VETs as the only possible result indicator.

2) Taking into account that there were no output targets set and any result assessments conducted, the capacity of the Ministry of implementing this RDP measure might be evaluated as modest so far.

5.5 Training of Public Servants in the Regions

1) The measure aims to establish mechanism for continuous and systemic capacity development for local authorities. The project is implemented by the UNDP. The following targets were set up for 2017: 2000 local public servants to be trained, of which 30% of women. By the end of evaluation period, the training was delivered to 2597 beneficiaries, which exceeded the target by 11%. The expected results indicated in the RDP Measure Sheet included: i) by 2017, overall evaluation of the local authorities increased by at least 20% (3.2 out of 5); ii) services delivered by local authorities evaluated positively (after transfer of relevant competencies to the Local Self Governments).

2) Since trainings result evaluation works have not been completed yet, the capacity of the project in terms of the RDP measure implementation might be evaluated as satisfactory.

Resuming Priority 5 of 2015-2017 RDP -“Improvement of Human Capital and Development of Vocational Education Institutional Capacity at a Sub-National Level” - there were no measures with decent performance, whilst satisfactory performance was observed for the Measures 5.2, 5.3, and 5.5, and the modest performance for Measure 5.1 and 5.4. In future, it would be advantageous to assess the outcome results of all the trainings implemented according to the measures of the Priority 5 in order to make more accurate evaluation of this part of the RDP.

- **Summary of evaluation findings**

The work of the evaluation team was aiming at answering two general questions:

1. To what extent current implementation of the programme is heading towards foreseen results?
2. What is the influence of the realisation of the programme on the capacity of the Georgian administration to deal with regional policy issues?

In relation to those questions evaluation findings include:

- As reported in the monitoring reports and confirmed by representatives of MRDI, ministries and implementing agencies, the overall progress of the 2015-2017 RDP in financial and physical terms should be assessed as a very positive: despite budgetary problems caused by fluctuation of the economic performance and changes in the policy priorities (e.g. increase funds for tourism and agriculture) **targets set for the whole implementation period financial and physical targets (product indicators) are likely to be achieved.**
- **The progress of the programme in terms of socio-economic results at this stage is difficult to assess. Only limited observations can be drawn at the level of individual measures as discussed in previous chapter.** This is situation relates to three major issues:

- After only 22 months since the start of the programme, broader impacts on competitiveness, economic activity and territorial cohesion cannot be properly assessed;
 - Absence of setting up expected results in the RDP;
 - Low availability of indicators to measure socio-economic development, this relates both to the lack of needed indicators at national and regional level in particular (this issue is subject of being developed in parallel Review of regional statistics) and the fact that the recent available data for those being provided by GEOSTAT and other agencies show the situation at the end of 2015 or even 2014.
 - Low ability of administration to deal with programming and measuring results of socio-economic in general and regional development in particular.
-
- **The influence of the implementation of the RDP on the capacity of the Georgian Administration is very positive.** Programme has brought a new standards in relation to cross cutting activities coordination, multiannual programming, monitoring, cooperation, partnership with stakeholders. As regards overall performance of the administration to implement RDP measures there has been no detected systemic barriers which could prevent administration from implementation of budgetary resources in a timely and effective manner, **however some deficiencies persist in regard to monitoring and measuring (and understanding) of results achieved:**
 - Ability of the administration to deal with financial management should be assessed very positively – the financial accounting system works well and delivers necessary information about the progress of the RDP.
 - Ability of the administration to assess physical progress of the programme as foreseen in RDP and its Monitoring Plan is sufficient however there are still some measures without properly set targets for the whole implementation period.

- Although the understanding of requirements among staff of RDP implementing entities is satisfactory (see Table 3) the possibility of receiving information on results of the RDP is very limited. Partially this problem has its roots in lack of setting the proper list of expected results and corresponding indicators at the level of the whole programme and individual measures. The detailed measure sheets contain some indicators but as has been revealed during interviews, agencies are not able to assess the progress or they proposing to change the indicators.

Table 3. *Assessment of the ability of administration to measure results at the measure level*

Priority	Measure/Results	Assessment of the ability of administration to understand and measure results
1. Improvement physical infrastructure and environmental protection	1.1 Roads of international and national importance	good
	1.2 Solid Waste Management	good
	1.3 Water supply, sewage and waste water systems	modest
	1.4 Natural Disaster Risk Reduction and Protection	modest (partly), good (partly)
	1.5 Georgia Forest Inventory and Implementation of a Stable Forestry Strategy	satisfactory
2. Supporting the Development of SMEs and the Creation of New Jobs	2.1 Supporting business in Georgia's regions through institutional and programming activities.	satisfactory
3. Rural development	3.1 Improve Amelioration system management	satisfactory
	3.2 Improve access to finance	modest (partly), good (partly)
	3.3 Other Programs (Testing and distributing new varieties; development of cooperatives; food safety and development of wine industry)	good (partly), satisfactory (partly), modest (partly)
	3.4 Develop the Agriculture Land Market	modest
4. Tourism Development	4.1 Tourism Development	satisfactory
5. Improvement of Human Capital and	5.1 Labor Market Demand Survey	modest

Development of Vocational Educational Institutional Capacity at Sub-National Level		
	5.2 Rehabilitation of Existing Colleges, Construction, Equipment and Staffing of New Regional VET Colleges	satisfactory
	5.3 Agriculture Related VET & Extension Systems	satisfactory
	5.4 Training of VET Teachers and Continuous Professional Development	modest
	5.5 Training of Public Servants in the Regions	satisfactory

• **Recommendations**

On the basis of findings identified during the evaluation process several recommendations for improvement of effectiveness and efficiency of the RDP implementation can be drawn:

- In order to assure that RDP will be implemented according to the financial and physical plan there is a need for constant monitoring and further strengthening of the overall capacity of Georgian administration dealing with regional policy issues including capacity of MRDI and Governmental Commission on Regional Development (GCRD) to coordinate the whole process. Concrete steps may include:
 - assuring additional staffing,
 - capacity building programs, additional trainings,
 - preparation of standardised manuals on different aspects of implementation including monitoring,
 - involving in coordination activities on daily basis not only ministries but also implementing agencies (e.g. MDF, United Water Supply Company, RDPF Unit).

Institution responsible: MRDI and GCRD. Support provided by Support to Regional Development Policy Implementation II EU funded TA project and other donors

Timing: 2017, 2018

- There is a need for improving collected and available publicly in Georgia regional statistics. Without better and recent indicators at the level of planning regions, measuring impact and effects of the RDP will be not possible. Recommendations in this regard should be formulated in the Review of Regional Statistics.

Institution Responsible: GEOSTAT with cooperation of MRDI

Timing: 2017, 2018

- In order to improve ability of administration to assess expected results thus increasing the possibility for measuring effects of the RDP beyond financial and physical indicators, there is a need for updating measure sheets and identify in close cooperation with ministries and agencies concerned the full list of indicators and its targets for the end of 2017. This activity can be implemented alongside the work on new Annual Progress report and involve TA project resources. During the year 2017 also preparation of manual on effects of the regional programs and measuring of the expected results combined with trainings on that subject should be delivered.

Institution Responsible: MRDI with support of the TA project

Timing: March 2017 (updated measure sheets), 2017 – manual and trainings

- Broader socio-economic results of the RDP and its contribution to the regional cohesion trends should be a subject of comprehensive evaluation prepared after the end of the programme implementation. Taking into account low availability of indicators, especially at regional level, and absence of proper expertise in this regard in Georgia, within that evaluation macroeconomic modelling should be applied to assess effects of the RDP.

Institution Responsible: MRDI with support of the TA project

Timing: 2018

- Evaluation should be complemented by new study on regional disparities and trends with the use of new set of indicators stemming from the Review of Regional statistics. This study will be also useful in the context of preparation of the new Regional Development programme post 2018.

Institution Responsible: MRDI with support of the TA project

Timing: Second half of 2017

Annex 1.

Interviews were conducted in November, December 2016

List of Interviewees – (Representatives of the) RDP Implementing Entities

- Roads Department of Georgia – Pavle Gamkrelidze, Giorgi Basiashvili, Giorgi Japaridze
- Ltd “Solid Waste Management Company of Georgia” – Lasha Mchedlishvili, Khatuna Chikviladze, Vakhtang Baramia
- Ltd “United Water Supply Company of Georgia” – Giorgi Archaia, Mikheil Tataradze
- Enterprise Development Agency of Georgia – Otar Antia
- Ministry of Agriculture of Georgia – Shalva Kereselidze
- National Food Safety Agency – Ana Gemazashvili
- Ltd “United Amelioration systems Company of Georgia” - Zviad Papidze
- National Wine Agency – Paata Chavchanidze
- National Scientific and Research Centre – Nino Chkhartishvili
- Cooperatives Development Agency – Konstantine Khutsaidze, Nino Melia

- Agriculture Projects Management Agency – Micheil Kuchava, Nino Khuchua
- Georgian National Tourism Administration – Rusudan Mamatsashvili
- National Environmental Agency – Elene Kemashvili
- Natural Resources Protection Agency of Georgia – Lia Komakhidze
- Ministry of Labour, Health and Social Affairs – Giorgi Gamkrelidze
- Ministry of Education and Science - Natia Gvirjishvili
- United Nations Development Program- George Nanobashvili, Nino Kakubava