

**Consolidated Annual Monitoring Report**

**Regional Development Programme of Georgia for 2015-2017**

**Department of European Integration and Reforms Assistance,  
Ministry of Regional Development and Infrastructure of Georgia**

**2016**

## Abbreviations

AA	Association Agreement
AP	Action Plan
CSO	Civil Society Organisation
EaP	Eastern Partnership
CEGSTAR	LEPL Vano Khukhunaishvili Center for Effective Governance Systems & Territorial Arrangements Reforms
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
FA	Financing Agreement
FPIR	Fund of Projects Implemented in the Regions
GCRD	Government Commission on Regional Development
GEL	Georgian Lari
GEOSTAT	Georgian Statistical Office
GiZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GoG	Government of Georgia
IMF	International Monetary Fund
M&E	Monitoring and Evaluation
MoF	Ministry of Finance of Georgia
MRDI	Ministry of Regional Development and Infrastructure of Georgia
PCA	Partnership and Cooperation Agreement
PFM	Public Finance Management SME Small and Medium-sized Enterprise
SWOT	Strengths, Weaknesses, Opportunities and Threats
RCC	Regional Consultative Council
RDA	Regional Development Agency
RDP	Regional Development Programme (national level document)
RDS	Regional Development Strategy (regional level document)
SPSP	Sector Policy Support Programme
TA	Technical Assistance
TNA	Training Needs Assessment
UNDP	United Nations Development Programme
WB	World Bank
WG	Working Group

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## Executive summary

This is the second Annual Monitoring Report providing information on financial and physical progress as well as achieved results of the 2015-2017 Regional Development Programme since the launch of its implementation at the beginning of 2015.

The RDP is financed from the State Budget of Georgia with additional support of international donors. The report serves the purpose of analysing the progress of realisation of regional policy goals in Georgia and reference point for public debate on its relevance and effectiveness in tackling identified development problems. At the same time, it represents one of the main conditions of the assistance of the European Union provided in the form of the Budgetary Support on the basis of sectoral financial agreement on regional development policy signed in 2014 between the EU and the Government of Georgia.

In 2016 the total expenditure under all 34 measures of the 2015-2017 RDP amounted to 1.2 billion GEL – considerably more than in the previous year (1.101 billion GEL).

**This figure represents 97.7% of the original plan, included in the State Budget for 2016, adopted by the Government in December 2015 or 98.8% according to the amended State Budget in December 2016.** Both figures are remarkably higher than the EU Financing Agreement performance condition (Policy reform matrix, Policy area 3) for 2016 – *“Annual actual expenditure under the regional development programme should be within 80% of the overall public/budgetary expenditure foreseen for the RD in the year in question”*. Cumulative amount of expenditure reached 2.232 bln GEL, which represents 65.8% of total expenditure (3.501 bln GEL) planned under the 2015-2017 RDP.

The biggest influence on achieved overall implementation rate has got priority 1 - “Improvement of physical infrastructure and Environment Protection” due to the fact that the allocation for this area represents almost 58.5% of total funds allocated for 2016.

The first half of the year showed significant differences between priorities and measures in the financial performance. This changed during the year and at the end of 2015 almost all priorities but one (No. 5) achieved satisfactory performance close to 100% of targets. The distinctive improvement in comparison to previous year’s situation is to be observed in realisation pattern of Regional Development Fund – in the first half of 2016 – 39.1% of funds were spent in comparison to only 17.5% in corresponding period of the previous year, which could mean that, in line with recommendations of 2015 RDP Annual Report, the quality of planning, pace of preparation of infrastructural projects and internal procedures have been significantly improved, especially on utilisation of the funds directly allocated to financing regional development projects.

According to the adjusted State Budget figures, in 2016 the most successful, in terms of absorption of allocated funds, was the case of Priority Axis No.4 “Tourism Development” – 125% of initial allocation (as in the previous year). This shows that the growing interest to come and visit Georgia by international tourists, is well addressed by the Government of Georgia through increasing support for promotional activities in this area. Achieved success rate in majority of other priorities is close to 100% with the exception of the priority 5 “Improvement of Human Capital and Development of Vocational Education Institutional Capacity at Sub National Level”, where only 92.2% of planned resources were absorbed. As this priority also in 2015 was underperforming, the situation calls for making improvements in planning and management of educational and training activities for students, teachers of VET system and civil servants - measures under this priority that represent crucial instruments for promoting regional development.

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

- 4.1 Promotion of tourism – 125%.
- 1.3 Solid waste management – 118%.

The success rate of other measures is close to 100%, which represents a substantial improvement compared to the previous year, in which percentage of the used money was much more differentiated between the measures. As it was mentioned above, the worst performing measure is to be found under priority 5. Only 14.8% of planned resources were used in 2016 under the Measure 5.4 Training of VET Teachers and Continuous Professional Development.

The implementation progress of the 2015-2017 RDP in physical terms allowed for meeting set targets in majority of measures and it is likely that targets for 2017 will be met. However, there are still some priorities for which an obvious need for planning capacity improvement of administration is identified. The biggest gaps in setting physical indicators are to be found in the priorities: 3. - “Agriculture” and 5. - “Improvement of Human Capital and Development of Vocational Education Institutional Capacity at Sub National Level”. A noteworthy efforts, to set targets and priorities is visible under Regional Development Fund, however the set targets correspond only to an individual year (2015 and 2016).

In total for 2016, RDP contributed to: completion and opening of 24 km of the highway in the Tbilisi-Kutaisi - Batumi corridor (in addition to 29 km built in the previous year), 232 km of new roads and 32 bridges were constructed/rehabilitated (in addition to 44 during the previous year), closing 4 old sites (13 in 2015) and rehabilitation of 3 (15 under previous year)\_dumps; connection of more than 11,348 (only 4700 in 2015) new customers to the water supply systems and more than 900 to the sewerage systems in cities; construction or modernisation of 792 km of water pipes (increase from 602 build/modernized during the previous year); rehabilitation/construction of 67.3 km of sewage system network; works were carried out in 16 locations as response to natural disasters and prevention measures and 14 sites along riverbeds were fortified against flooding; training of 400 specialist of National Forest Agency (in comparison to 300 during 2015); improvement of sanitary conditions for 22,400 ha of forests; construction or upgrading 55.7 km of forestry roads; under measure 2.1 financing of 2597 micro-size enterprises in different regions of Georgia, that resulted in more than 5302 new jobs created (together more 6100 of new jobs within two years); implementation of 46 projects on rehabilitation or construction of irrigation systems (44 in the previous year), allowing for irrigation of 25 579 ha of additional plots and drainage improvement of 10,408 ha of arable land; disbursement of 1863 loans for small farms (in comparison with more than 4 thousand in 2015); delivery of trainings on tourism development to 1270 participants (slightly higher figure than in 2015) and realization of 174 marketing activities. In total 7 regional studies on tourism potential were prepared during 2016 and 2 new information centres established; in addition to renovated and equipped 17 VET colleges in specified regions in Georgia in 2015, during 2016 new 11 colleges implementing professional development programmes were equipped and 18 education centres received innovative manufacturing laboratories; trainings to 110 teachers and extension workers were delivered (in comparison only to 20 in the whole 2015), 10 projects supporting provision of furniture and equipment to improve VET learning infrastructure for 15 service providers were implemented. As in the previous year the Regional Development Fund has financed hundreds of relatively smaller scale municipal projects allowing for construction /rehabilitation of 433,36 km of roads (436 in the previous year), 18 water supply facilities (52 km during the previous year), 12 (22 in 2015) sports facilities, 12,300 meters of sewage systems and construction/rehabilitation of 369 residential houses.

Regarding 2015-2017 RDP results achieved, in the second half of 2016 additional efforts were taken by MRDI and the implementing agencies, with support of the TA Project “Support to Regional Development Policy Implementation in Georgia Phase II”, to define and quantify at least 1 result indicator for each measure, which gave the basis for preliminary evaluation of the progress in achieving the set targets. Overall, the implementation of the RDP has got a significant influence on improving socio-economic conditions for development of Georgia and individual regions, especially in the area of international and

national road and water infrastructure, sewage and dump rehabilitation, supply infrastructure and development of tourism. The preliminary results (the detailed analysis of the results and impact of the RDP should be provided by the ex-post evaluation done at the end of the Programme) include (per measure)

1.1 – decrease of travel time from 5 h 45 minutes to 5 h between Tbilisi and Batumi;

1.2 – the share of landfills with modern management and improved environmental conditions grew from 23% in 2014 to 89%.

1.3 – During two years of the RDP implementation the share of population with 24-hours supply of potable water increased from 5.9% in 2014 to 18.9% in 2016 in the regions outside Tbilisi, Rustavi, Mtskheta and Adjara.

1.4 – Thanks to preventive measures the coverage of the works on bank protection increased from 4.7 km in 2014 to 20 km in 2017 (76.5% increase).

1.5 – Total share of inventoried forest areas increased from 10.25% to 15.62 %.

2.1 – Concerning the Micro and Small Enterprise Development component, during 2 years 6432 new jobs were created, which contributed to an increase of the share of the persons employed in the SMEs across the country from 0.44% in 2014 to 2.2% in 2016.

3.1 – Almost 38,000 ha of additional plots were irrigated and 12,000 of plots were equipped with the proper drainage system. It resulted in the increase of the share of ameliorated area to total area from 32% in 2014 to 40% in 2016. According to report of the Ministry of Agriculture, additional 1 billion of investments are required to ameliorate the whole area.

3.2 – The loan portfolio for agriculture sector increased from GEL 56.5 mln in 2013 (the starting point of the project) to GEL 365.5 mln at the end of 2016. However, there is no evidence that the portfolio grew only due to the implementation of the program.

3.3 – During 2 years of implementation of the programme the number of enterprises monitored against food safety amounted to 19,044 and the number of tests conducted for food safety and quality control was 7,464. As a result of these activities, share of detected violations in food products dropped from 31% in 2014 to 8.6 % in 2016.

4.1 – During 2015-2016, the National Tourism Administration spent GEL 48.2 mln for creation of 2 information centers, delivering 30 trainings for 2470 participants, preparing 5 regional studies and organizing 319 marketing events. This resulted in the growth of the incoming tourists by 15% at the end of 2016 in comparison to 2014, the increase in foreign currency inflow and major fluctuations of exchange rate in the country.

5.2 – The Ministry of Education and Science of Georgia spent GEL 22.8 mln under the measure for equipping, renovation and staffing of 35 colleges. Consequently, the number of new students across the country increased from 9.9 in 2014 to 11.6 thousand in 2016 (14.6% increase).

5.4 The increase of number of trained teachers from 519 in 2015 to 2754 in 2016.

5.5 The measure was funded by donors and implemented by UNDP. During 2 years of the RDP implementation GEL 0.5 mln were spent on trainings for public servants from local self-governments, State Representative-Governors' Administrations and MRDI. On the basis of the number of public servants trained within this measure, the share of trained local public servants to all local public servants grew from 6.5% in 2014 to 32% in 2016.

At this stage of implementation of the RDP 2015-2017 it is relatively premature to evaluate the impact on the regional cohesion. This needs more detailed and comprehensive analyses and evaluations done after the programme is finished (after 2017).

In total, for 66.2% (795.1 M GEL) of all spent funds regional breakdown was presented (excluding Adjara and Tbilisi). The level of regionalisation of funds stands almost at the same level as in the previous year – 69.2% (726.9 M GEL). The biggest share of funds - 22.1% was spent in 2016 in Imereti - a substantial drop from the previous year in which 34% went to that region. The following regions: Samegrelo-Zemo Svaneti, Shida Kartli and Guria received 16.4, 14.3 and 12.4% respectively. The region receiving the smallest share of the total funds attributable to regions under RDP in 2016, was, as in the previous year, Racha-Lechkhumi and Kvemo Svaneti – only 3.3 % (2.4% in 2017).

Altogether, in years 2015 and 2016 the highest amount of funds went to Imereti, Samegrelo-Zemo Svaneti and Shida Kartli (chart 9), what can be explained by the concentration of construction of the Tbilisi-Kutaisi-Batumi motorway in those regions and their role in the economic life of Georgia (in Imereti is located Kutaisi – second city in Georgia – seed of the Parliament).

Analysis of regional spending per capita (own estimations) in two subsequent years 2015-2016 and comparison with GDP per capita shows that there is a strong financial preference for the smallest and poorest region: Racha-Lechkhumi and Kvemo Svaneti inhabited in 2014 only by 31,900 inhabitants received in the recent two years, state transfers amounting to around 1370 GEL per capita – two times higher than national average (excluding Tbilisi and Adjara) – 646 GEL. The smallest per capita allocation went to Kakheti (341 GEL per capita - almost two times less than national average!) and Samegrelo-Zemo Svaneti (498 GEL). Evidence shows that some regions are more preferred than others but answering the question the funds are allocated this way, needs more comprehensive analysis also of the methods of regional allocation under individual sectoral mechanisms.

Several factors of different nature influenced on the implementation of the 2015-2017 RDP during 2016: including the macro-economic and financial situation, administrative capacity and political situation.

In 2016 one of the major factor influencing the implementation of the RDP was the parliamentary elections held in October. The elections brought to the power the same ruling political party with even more pronounced parliamentary majority. After elections, new government was formed under the same Prime Minister, although with some changes in the composition of the Government members, including the post of the Minister for Regional Development and Infrastructure. Changes on positions of Minister for Regional Development and Infrastructure and his First Deputy as well the reorganisation in the Ministry, did not delay the process of RDP implementation. However, in case of the Regional Projects Development Fund due to the Paragraph 3, Article 49 of the Georgian Election Code of Organic Law of Georgia in the election period certain restrictions on financing new projects might have had an influence on the expenditures of the Fund.

The Consolidated Monitoring Report makes recommendations on management and monitoring of the 2015-2017 RDP in order to improve implementation performance of the programme in 2017 as well identifies a couple of recommendation concerning regional policy and cohesion in Georgia. The most important ones include:

- monitoring process of the RDP 2015-2017 should be the subject of further improvement;
- further strengthening of the Georgian administration dealing with regional policy issues;
- further improvements in official statistics allowing better monitoring and evaluation of RDP are strongly needed;
- measure sheets have to be updated by identifying in close cooperation with ministries and agencies concerned the full list of indicators and its targets for the end of 2017;

- preparation of manual “on effects of the regional programmes and measurement of the expected results” combined with trainings on that subject for the institutions implementing the RDP;
- in order to assure sufficient evidence base in the course of preparation of the RDP post 2018, a broader socio-economic results of the RDP and its contribution to the regional cohesion trends should be a subject of additional studies and analysis (e.g. new study on regional disparities and trends). After the completion of the 2015-2017 RDP a comprehensive Ex-post evaluation should be prepared.



## Introduction

This draft Regional Development Programme Annual Implementation Report 2016 has been prepared by the Department of European Integration and Reforms Assistance, Ministry of Regional Development and Infrastructure of Georgia, in line with the obligations set in the Monitoring Plan for the Implementation of 2015-2017 Regional Development Programme of Georgia (RDP), adopted by the Government Commission on Regional Development of Georgia on 26.12.2014. The preparation of the report has been supported by the EU funded TA project “Regional Development Policy Implementation in Georgia II”. Since the start of the implementation of the RDP, this is the fourth implementation report and the second annual.

The Report presents summary information on the progress of the financial and physical implementation of the RDP as well as information on results achieved so far. It also reflects basic information about the influence of the fulfilment of Programme on regional cohesion, as foreseen in 2015-2017 RDP. Annex I contains detailed information about the progress of the relevant measures, prepared on the basis of information sheets provided by the relevant departments of MRDI, the Ministries and agencies in charge. Complementary information has been collected during informal meetings with all institutions involved in implementation of the measures, from the relevant experts and with the use of other sources such as financial execution report of the 2016 State Budget provided by the Treasury, Ministry of Finance, GeoStat, and National Bank of Georgia.

The process of consultations on the report, involved permanent process of discussions and sharing feedback, including in regards to the proposed recommendations on both management issues and directions for regional policy in Georgia. Among others, the draft report was presented on MRDI website to the general public, communicated to Governor’s Administrations and NGOs for their feedback, discussed within the Inter-Ministerial Working Group for the Monitoring of 2015-2017 Regional Development Programme of Georgia and in March 2017, one consultative meeting for different stakeholders, including representatives of relevant ministries, Governors’ Administrations, municipalities (National Association of Local Authorities of Georgia - NALAG), donor organisations and NGOs, members of academia and private sector was organized.

After consultation process is finished, the report will be presented subsequently to the Government Commission on Regional Development (GCRD) for its final approval.

## Identification of the RDP Annual Monitoring Report

Reporting Period	January-December 2016
Institution in charge of preparation of the report	Ministry of Regional Development and Infrastructure
Date of completion of the draft report by the MRDI	March 2017
Date of approval of the report by the Governmental Commission on Regional Development	March 17, 2017

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

### ***Overview of the implementation of the RDP 2015-2017 in the reporting period***

Overview of the implementation of the RDP has been prepared using two sets of data: financial and physical which was complemented by information on achieved so far specific results, collected through the consultation process and direct interviews with the relevant ministries and implementing agencies.

Detailed information about the implementation progress of individual measures are to be found in the relevant annual information sheets prepared by all involved Ministries/implementing agencies and submitted to the MRDI in the course of February 2017. The respective information sheets are summarized in the Annex 1.

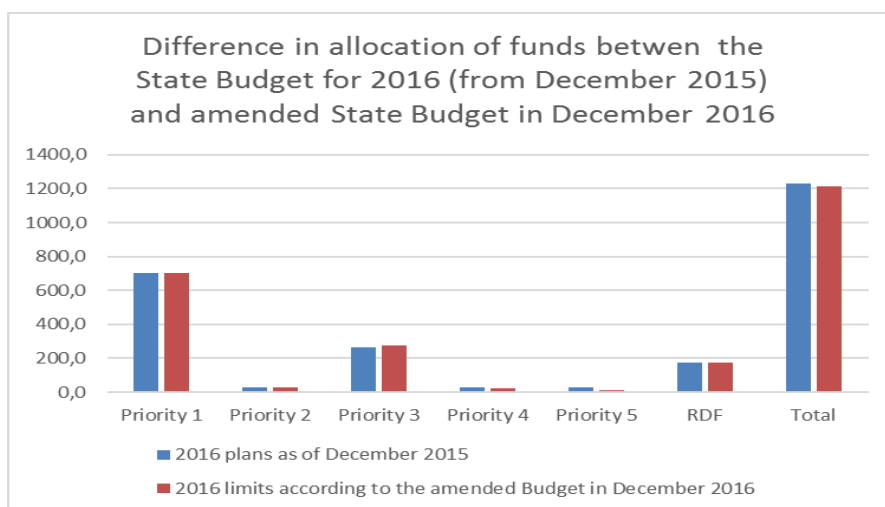
The report demonstrates financial performance at the level of priorities and measures of the RDP 2016 in regards to the State Budget for 2016, emendated in December 2016. The data was provided by the State Treasury.

The difference with the expenditures, planned for 2016 under RDP Monitoring Plan adopted by the Government in December 2015, is not very significant and does not influence overall success rate as presented in the chart 1. Overall amount of expenditure decreased slightly from 1.23 to 1.216 billion GEL, according to the adjusted state budget.

Differences at the level of priorities are very small – the only significant change can be found under priority 5-“Improvement of human capital and development of vocational education” – the total allocation of the state budget<sup>1</sup> decreased from 18.5 to 13 M GEL.

The highest increase of planned expenditure for 2016, according to the adjusted budget, took place in the priority 3 - Rural development” from 264.9 to 277 M GEL, mostly due to the increase in allocations for measure 3.2 - “Access to finance” and 3.3 - “Other programmes for rural development”).

**Chart 1.** The comparison between the planned expenditure under RDP: the original (from December 2015) and from the amended State Budget (December 2016).



<sup>1</sup> Please note that under this priority two measures 5.3 and 5.5 are implemented with the usage of non-budgetary resources, which are not included in the calculation of the success rate of the RDP.

Under priority 1 - “Improvement of Physical Infrastructure and Environmental Protection”, in which overall amount has not been changed significantly (only 2 M GEL for more than 700 M GEL of allocated funds), a decrease of funds from 167.4 to 157.9 M GEL can be found in the case of the measure 1.3 - “Water supply, sewage systems and waste management”, and at the same time, modest increase in allocation by 3 M GEL in measure 1.1 on roads of international and national importance.

For more detailed comparison, please refer to the data from the RDP Monitoring Table, used as a basis for the calculations.

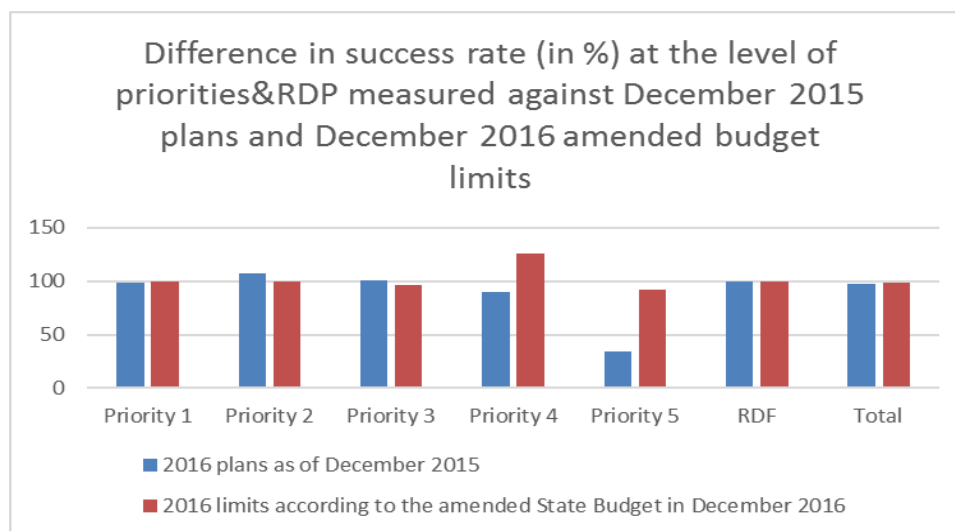
### Summary of financial progress

The implementation of the 2015-2017 RDP started at the beginning of 2015. Within the year 2016, which is second year of the implementation of the programme, the total expenditure amounted to 1.201 billion GEL – considerably more than in the previous year (1.101 billion GEL).

The actual expenditure for 2016 represents **97.7% of the original plan**, included in the State Budget for 2016, adopted by the Government in December 2015 or **98.8%** according to the amended State Budget in December 2016 (chart 2). **Both figures are remarkable higher than the EU Financing Agreement performance condition** (Policy reform matrix, Policy area 3) for 2016 – “Annual actual expenditure under the regional development programme *should be within 80%* of the overall public/budgetary expenditure foreseen for the RD in the year in question”.

Cumulative amount of expenditure under 2015-2017 RDP reached 2.232 bln GEL, which represents 65.8% of total expenditure (3.501 bln GEL) planned under RDP until the end of 2017.

**Chart 2.** 2015-2017 RDP fulfilment – total and at the level of priorities according to the original (December 2015) and amended State Budget (December 2016) provisions

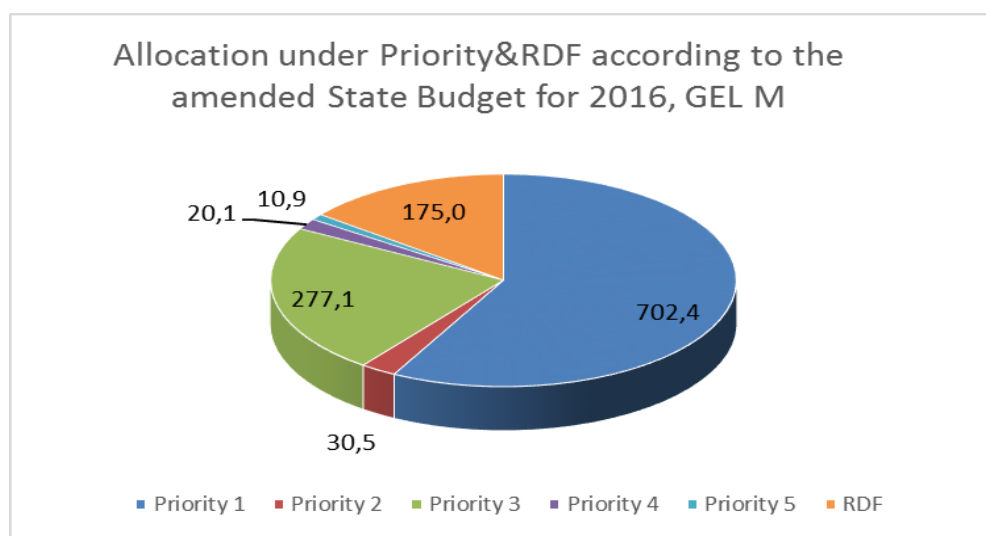


As can be seen from the Chart 3, the biggest influence on achieved overall implementation rate has got priority 1 - “Improvement of physical infrastructure and Environment Protection” due to the fact that the allocation for this priority represents almost 58.5% of total funds allocated for 2016 (702.4 M GEL out of total 1.201 bln GEL). Under this priority, the biggest share of allocation is devoted to financing construction, modernization and maintenance of international and national importance roads (516.2 M GEL). The priority with the second biggest allocation of 277 M GEL, representing 23% of total RDP

allocated funds for 2016, is rural development, which includes various supporting measures for development of agriculture and rural areas, including modernization of irrigation systems (66.3 M GEL), agro credits (48.9 M GEL) and financing vouchers for spring activities of small farmers (51.3 M GEL). The measure with the third biggest allocation is Regional Development Fund (175 M GEL), financing different types of infrastructural projects (from local roads, water and sewage facilities to street lighting and kindergartens) identified by the municipalities and taking into account regional development strategy objectives – balanced development of Georgia’s regions.

Such concentration of allocated funds under RDP for upgrading infrastructure – national and local scale roads, as well water and sewage systems on one hand and agriculture on other, shows the biggest needs and political priorities of the government. The implications for building an effective system of regional policy in Georgia with such structure of public expenditure are explored in the recommendations section of this report.

**Chart 3.** Planned expenditure for 2016 under RDP 2015-2017 by priority.

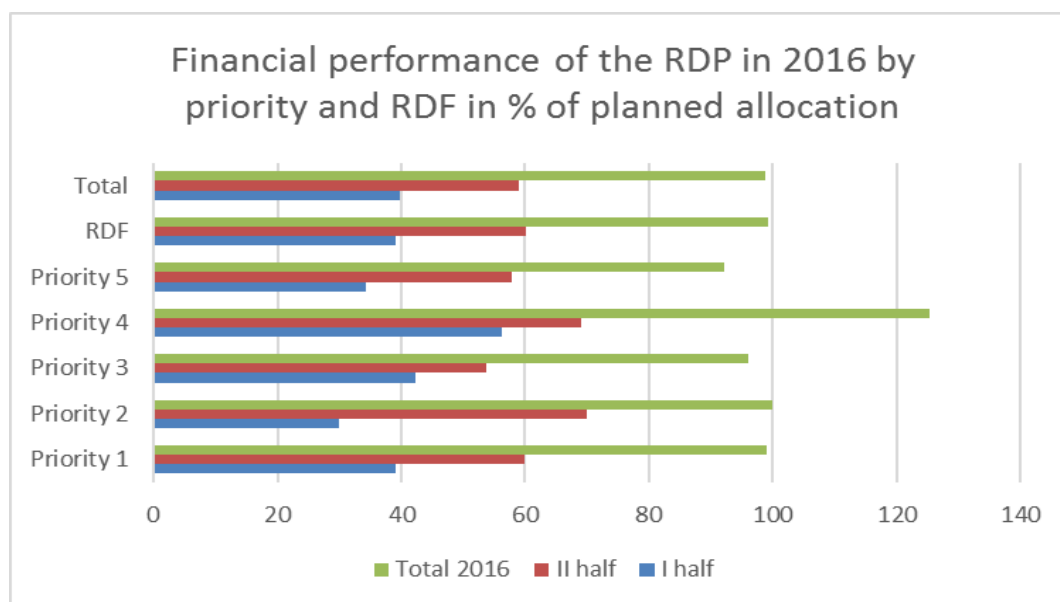


The implementation pace in the second half of 2016 (58.9% or 716.2 M GEL) was higher than in the first 6 months of the year (41.1% or 504.5). Such large improvement in the second half of the year can be attributed mostly to the cycle of preparation and implementation of infrastructural projects (counting all together for more than 65% of total RDP allocation), in which naturally, thanks to climate conditions and the way in which the state budget operates, are finalized and financially covered mainly in the second half of the year. One should note however, that in 2016 share of spent finances between first and the second half of the year was much balanced than in the year 2015 in which only 38% of money was spent during the first 6 months. The distinctive improvement is to be observed in realization pattern of Regional Development Fund – in the first half of 2016 – 39.1% of funds were spent in comparison to only 17.5% in corresponding period of the previous year.

This could mean that in line with recommendations of 2015 RDP Annual Report, the quality of planning, speed of preparation of infrastructural projects and internal procedures have been significantly improved, especially on realization of funds directly devoted to financing regional development projects.

As was mentioned above, **overall fulfilment rate – utilized funds against the planned expenditure for 2016 is close to 100%** but certainly, there are differences between performances within individual priorities and measures.

**Chart 4.** Percentage of 2016 expenditure to RDP allocation used until the end of December 2016 at the level of priority axis (measured against amended state budget figures in December 2016).



In regard to the amended State Budget figures, in 2016 the most successful, in terms of spent percentage of allocated money, was the case of Priority Axis No.4 “Tourism Development” – 125% of initial allocation (chart 4). This displays that the growing interest to come and visit Georgia by international tourist, is well addressed by the Government by increasing support for promotional activities in this area. The support, although not very high in comparison to the other priorities (only 28 M GEL), is adapted in a flexible way to the demand and was increased during the year alongside with the growing number of visitors.

Achieved success rate in majority of other priorities is close to 100% with the exception of the priority 5 “Improvement of Human Capital and Development of Vocational Education Institutional Capacity at Sub National Level”, where only 92.2% of planned resources were used. As comparison with the previous year shows, this priority in 2015 was also underperforming in terms of usage of allocated funds, what could mean that there is a need for making improvements in planning and management measures under this priority, as they are financing educational and training activities for students, teachers of VET system and civil servants - crucial instruments for promoting regional development.

At the level of measures (chart 5) the highest levels of implementation can be observed in relation to:

- 4.1 Promotion of tourism – 125%.
- 1.3 Solid waste management – 118%.
- Majority of other had been implemented in 2016 as planned. The success rate is close to 100%, what represents a substantial improvement compared to the previous year, in which percentage of the used money was much more differentiated between the measures (for comparison please refer to chart 5).

As it was mentioned above, the worst performing measure is to be found under priority 5. Only 14.8% of planned resources were used under Measure 5.4 Training of VET Teachers and Continuous Professional Development.

**Chart 5.** Success rate in % of used planned funds (according to the amended State Budget) in 2016 and in 2015 by RDP measure.



## Summary of physical progress

As it was already mentioned in the previous monitoring reports, the Annex 5 of the RDP Monitoring Plan adopted by GCRD in December 2014 set several indicators for individual measures however, most of them were not quantified in terms of targets, neither for 2015, nor for 2016/2017. During 2015 and especially during the course of 2016, the Ministries and implementing agencies, at the request of MRDI and the European Commission, managed to establish target values for 2017 or at least for the current year - for majority of set indicators. The biggest gaps in setting physical indicators still to be found in the priorities: 2. -“Agriculture”, 3. - “Tourism Development” and 5. - “Improvement of Human Capital and Development of Vocational Education Institutional Capacity at Sub National Level”. An effort to establish targets and priorities is visible under Regional Development Fund, however set targets correspond only to an individual year (2015 and 2016).

**Further efforts from all concerned implementing entities are required. Setting all targets is crucial in order to show better the effectiveness and efficiency of the measures concerned and the whole of 2015-2017 RDP.**

The efforts made by Georgian administration to establish more physical indicators allowed for measuring physical progress, not only in terms of presenting simple outputs, but also in regard to what shall be expected by 2017 outputs (table 1).

For the measures in which targets have been set (see table 1 below), general progress towards achievement of foreseen outputs at the end of the programming period (2017) can be assessed positively – after two years of realization of the RDP the performance rate in majority of measures is at least 65% (2/3 of total plans). However, in many priorities and measures the rate is already well above 100%, that is attributable to different factors; this in some cases gives concerns to the quality of planning and ability of setting physical indicators corresponding directly to the financial progress, and in other cases, may require clearer elaboration on respective reasons.

In physical terms, in the course of 2016 RDP contributed to (see details in description of individual measures -Annex 1):

- 1.1 - completion and opening of 24 km of the highway in the Tbilisi- Kutaisi - Batumi corridor, 232 km of new roads and 32 bridges were constructed /rehabilitated;

Measure	Indicator	Value	UPDATED Target value 2017	Cumulative output as of the end 2016	2015			2016		
					I H	2 H	Total	I H	2 H	Total
1.1 Roads of International and National Importance	<i>Rehabilitation - periodical maintenance works on roads</i>	<i>km</i>	700	486	55	199	254	83	149	232
	<i>Construction of highway</i>	<i>km</i>	80	53	12,5	17	29	18	6	24
	<i>Bridges rehabilitation/construction</i>	<i>unit</i>	120	76	10	34	44	10	22	32



- Under the 1.2. Solid Waste Management - 4 old sites were closed, 3 rehabilitated;

Measure	Indicator	Value	UPDATED Target value 2017	Cumulative output as of the end 2016	2015			2016		
					I H	2 H	Total	I H	2 H	Total
1.2 Solid Waste Management	<i>Number of new (regional) dumps</i>	<i>unit</i>	0	0	0	0	0	0	0	0
	<i>Number of old closed dumps</i>	<i>unit</i>	20	17	0,0	13,0	13,0	1,0	3,0	4
	<i>Number of rehabilitated dumps</i>	<i>unit</i>	18	18	9,0	6,0	15,0	0,0	3,0	3

- Under measure 1.3. - Construction and rehabilitation of water supply and sewerage systems expanding of investment in comparison to the previous year allowed for connection of 11,348 new customers to the water supply systems (only 4,700 in the whole 2015 were connected), building or modernization of 792 km of water pipes (increase from 602 build/modernized during the previous year) and rehabilitation/building of 67.3 km of sewage system network.

Measure	Indicator	Value	UPDATED Target value 2017	Cumulative output as of the end 2016	2015			2016		
					I H	2 H	Total	I H	2 H	Total
1.3 Construction and rehabilitation of water supply and sewerage systems	<i>Number of constructed and rehabilitated head works</i>	<i>number</i>	5	0	0	0	0	0	0	0
	<i>Number of constructed filtration facilities</i>	<i>number</i>	2	0	0	0	0	0	0	0
	<i>Number of metered new customers</i>	<i>number</i>	10100	15075	925	2802	3727	8655	2693	11348
	<i>Length of rehabilitated or newly constructed sewerage system pipes</i>	<i>km</i>	no target	67,82	0,48	0	0,48	10,34	57	67,34
	<i>Length of rehabilitated or</i>	<i>km</i>	800	1396,431	223,83	381	604,431	495	297	792

	<i>newly constructed water supply pipes</i>									
	<i>Number of new customers connected to the sewerage systems</i>	<i>number</i>	350	1203	592	315	907	296	0	296
	<i>Number of new customers connected to the water supply system</i>	<i>number</i>	10100	16050	1450	3252	4702	8655	2693	11348

- Under the measure 1.4 Natural disaster Risk Reduction Prevention and Management of Industrial Sites - works were carried out in 16 locations as response to natural disasters and prevention measures and 14 sites along riverbeds were fortified against flooding. In addition, National Environmental Agency implemented a number of activities concerning environmental protection and research (details are listed in annex 1);

Measure	Indicator	Value	UPDATED Target value 2017	Cumulative output as of the end 2016	2015			2016		
					I H	2 H	Total	I H	2 H	Total
<b>1.4. Natural Disasters Risk Reduction and Prevention and Management of Old Industrial Polluted Sites</b>	<i>Analytical study/recommendations aim to define possible natural hazards</i>	<i>number</i>	1	7	1	4	5	2	0	2
	<i>Regional natural hazards/disasters forecasting early warning system</i>	<i>number of regions</i>	For all vulnerable municipalities	205	0	3	3	95	107	202
	<i>Municipal plans of preventive measures for natural hazards</i>	<i>number</i>	For all vulnerable municipalities	3	1	1	1	1	1	2
	<i>Coast Fortification Works</i>	<i>number of projects</i>	50	35	11	10	21	5	9	14
	<i>Immediate response and prevention works</i>	<i>number of projects</i>	70	47	22	9	31	11	5	16

- Under the measure 1.5 - works were continued both aiming at improving methodological and legislative framework concerning restoration and prevention of forests, as well as management of the forests. Number of trained specialists and rangers of National Forest Agency reached 400 (in comparison to 300 during 2015), sanitary conditions were improved for 22,400 ha of forests and 55.7 km of forestry roads were upgraded and rehabilitated;

Measure	Indicator	Value	2015				2016			
			UPDATED Target value 2017	Cumulative output as of the end 2016	I H	2 H	Total	I H	2 H	Total
1.5 Georgia Forest Inventory and Implementation of Stable Forestry Strategy	Number of legal documents (Legislative base established)	number	18	2	2	5	7	5	6	11
	Number of trained specialists of National Forest Agency	number	900	700	240	60	300	400		400
	Improving sanitary conditions of forest	ha	86800	48400	26000		26000	22400		22400
	Forest roads rehabilitation	km	750	199,32	0	123	123	55.7		55.7
	Number of regional forestry districts equipped with firefighting tools	number	44 (2016)	46	46	0	44	0		0

- Substantial progress is to be noted in terms of supporting SMEs under measure 2.1. During the 2016 in total 2597 micro-size enterprises were financed in different regions of Georgia, what resulted in more than 5302 new jobs created;

Measure	Indicator	Value	2015				2016			
			UPDATED Target value 2017	Cumulative output as of the end 2016	I H	2 H	Total	I H	2 H	Total
2.1 Supporting business in Georgia's regions through institutional and programming activities	Number of supported enterprises	number	65 (2016)	105	10	16	26	30	49	79
	Upgraded enterprises	number	20 (2015)	85	12	25	37	22	26	48
	Value of loans issued by commercial banks within the programme	GEL mln	90 (2016)	179,365495	39	57	96	27	57	83
	Total to be invested	GEL mln	125 (2016)	285,092416	57	75	132	52	101	153

	<i>Micro and small businesses set up in regions (micro and small entrepreneurship support part)</i>	<i>number</i>	3000	3207	0	610	610	535	2062	2597
	<i>New jobs created</i>	<i>number</i>	4800	6432	0	1130	1130	2081	3221	5302
	<i>Beneficiaries trained (micro and small entrepreneurship support part)</i>	<i>number</i>	8725	8880	0	3118	3118	3716	2046	5762

- Under priority 3 - Agriculture and Rural development following outputs were reported:
  - Number of rehabilitated or new irrigation projects reached 46 allowing for irrigation of 25 579 ha of additional plots and improvement of drainage 10,408 ha of arable land.

Measure	Indicator	Value	UPDATED Target value 2017	Cumulative output as of the end 2016	2015			2016		
					I H	2 H	Total	I H	2 H	Total
3.1 Improve agriculture water management	<i>Number of rehabilitated and new irrigation projects</i>	<i>number</i>	no target	90	18	26	44	46		46
	<i>Acreage of additional irrigated land plots</i>	<i>ha</i>	31995,374 (2016)	37986	4 123	8 284	12 407	14 468	11 111	25579
	<i>Acreage of land with proper drainage system</i>	<i>ha</i>	5204,626 (2016)	12403	975	1 020	1 995	5 350	5 058	10408

- Agro-credit program allowed for establishment of 14 firms (the same number as in 2015) and disbursement of 1863 loans (in comparison with more than 4 thousand in 2015), a lot of other activities was implemented under measure 3.3 concerning support to agricultural cooperatives, co-financing agriculture products processing companies, food safety and development of viticulture and implementation of scientific research measures in agriculture (for details see annex 1).

Measure	Indicator	Value	UPDATED Target value 2017	Cumulative output as of the end 2016	2015			2016		
					I H	2 H	Total	I H	2 H	Total
3.2 Improve access	<i>Number of new enterprises and farms financed</i>	<i>number</i>	50	28	11	3	14	1	13	14

	<i>through this program</i>									
	<i>Number of loans issued under this programme</i>	<i>number</i>	2500	5955	2 134	1 958	4092	805	1 058	1 863
<b>3.3 Other rural development programs</b>	<i>Number of food and agribusiness enterprises monitored against food safety measures</i>	<i>number</i>	8000	19044	3 239	4 985	8 224	4 150	6 670	10 820
	<i>Number of research projects completed or in progress</i>	<i>number</i>	no target	98	43	5	48	50		50
	<i>Number of events funded within the Georgian wine promotional campaign</i>	<i>number</i>	89	156	24	15	39	57	60	117
	<i>Number of agriculture cooperatives established</i>	<i>number</i>	no target	1292			856	306	130	436
	<i>Number of tests conducted for food safety and quality control</i>	<i>number</i>	3500	7464	1 144	3 076	4 220	1 385	1 859	3 244

- As was noted in the financial section additional funds made available for tourism promotion (priority 4) during the course of 2016 (the same happened in 2015) allowed for delivery of trainings on tourism development to 1270 participants (slightly higher figure than in 2015) and realization of 174 marketing activities. In total 7 regional studies on tourism potential were prepared during 2016 and 2 new information centers established in Samegrelo-Zemo Svaneti and Samtskhe-Javakheti regions and according to information from the National Tourism Administration, establishment of 1 information center in Imereti region will be finished in the first half of 2017.

Measure	Indicator	Value	UPDATED Target value 2017	Cumulative output as of the end 2016	2015			2016		
					I H	2 H	Total	I H	2 H	Total
<b>4.1 Promotion of Tourism Development</b>	<i>Number of regional studies completed</i>	<i>number</i>	No target	7	0	5	5	0	2	2
	<i>Number of information centres established</i>	<i>number</i>	No target	2	0	0	0	0	2	2

	<i>Number of training courses provided</i>	<i>number</i>	No target	30	9	8	17	6	7	13
	<i>Number of participants of training courses</i>	<i>number</i>	No target	2470	770	430	1200	420	850	1270
	<i>Number of marketing activities</i>		No target	319	65	80	145	98	76	174
	<i>Number of "tourism products" developed.</i>	<i>number</i>	No target	32	4	21	25	3	4	7

- Realized outputs under priority 5 - "Improvement of Human Capital and Development of Vocational Education Institutional Capacity at Sub National Level" include:

Measure	Indicator	Value	UPDATED Target value 2017	Cumulative output as of the end 2016	2015			2016		
					I H	2 H	Total	I H	2 H	Total
<b>5.1. Labour market demand-side survey</b>	<i>Prepared labor market needs survey</i>	<i>number</i>	1	1	1		1	0	0	0

- Under measure 5.2 continued support for the strengthening of the capacity of the vocational colleges located in different regions of the country: 11 colleges, implementing professional development programmes were equipped and 18 education centers received innovative manufacturing laboratories;

Measure	Indicator	Value	UPDATED Target value 2017	Cumulative output as of the end 2016	2015			2016		
					I H	2 H	Total	I H	2 H	Total
<b>5.2 Rehabilitation of Existing Colleges; Construction, Equipment and Staffing of New Colleges</b>	<i>New colleges constructed/renovated, equipped and staffed in specified regions</i>	<i>number</i>	20	20	2	7	9	2	9	11
	<i>Existing colleges renovated and equipped in specified regions.</i>	<i>number</i>	no target	36	5	11	18	5	13	18
	<i>New colleges constructed/renovated, equipped and staffed on specified levels with</i>	<i>number</i>	no target	5	5	0	0	0	5	

	<i>participation of the private sector</i>									
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- Under measure 5.3 - Agriculture related VET & Extension Systems - further support was provided to the development of programmes, on the basis of developed modules provision of trainings for teachers in the area of agriculture related VET services and work-based pilot learning for farmers implemented with the cooperation of Georgian Farmers' Association. By the end of 2016 among others (see details in annex 1): 110 teachers and extension workers were trained (in comparison only to 20 in the whole 2015), 10 projects supporting provision of furniture and equipment to improve learning infrastructure and 15 service providers were trained.

Measure	Indicator	Value	UPDATED Target value 2017	Cumulative output as of the end 2016	2015			2016		
					I H	2 H	Total	I H	2 H	Total
5.3 Agriculture Related VET & Extension Systems	<i>Trained VET teachers and extension workers</i>	<i>number</i>	no target	130	20	0	20	110		110
	<i>Supported projects to improve learning environment (infrastructure, training materials, and equipment)</i>	<i>number</i>	no target	29	19	0	19	10		10
	<i>VET colleges and Information Consultancy Centres which have introduced effective and innovative agriculture study programs and capacity to deliver extension services in agriculture</i>	<i>number</i>	no target	16	0	0	0	16		16
	<i>Trained VET services providers (veterinarians, zoo-technicians, food processors, agriculture, machinery operators, input suppliers and animal food producers)</i>	<i>number</i>	no target	40	25 sturdy tours		25 study tours	15		15
	<i>Number of participants from private sector who provide their input</i>	<i>number</i>	no target	10	0		0	10		10

	<i>in professional re-training and agriculture innovations</i>									
	<i>Creation of the public-private cooperation platform to ensure coordination of consultation service and provision of agricultural training and extension services</i>	<i>number</i>	No target	4	2		2	2		2

- Under measure 5.4 - support was continued for the implementation of the 2014's conception of teachers' professional development and education: number of trained VET teachers reached the number 2235 by the end of 2016;

Measure	Indicator	Value	UPDATED Target value 2017	Cumulative output as of the end 2016	2015			2016		
					I H	2 H	Total	I H	2 H	Total
5.3 Agriculture Related VET & Extension Systems	<i>Trained VET teachers and extension workers</i>	<i>number</i>	no target	130	20	0	20	110		110
	<i>Supported projects to improve learning environment (infrastructure, training materials, and equipment)</i>	<i>number</i>	no target	29	19	0	19	10		10
	<i>VET colleges and Information Consultancy Centres which have introduced effective and innovative agriculture study programs and capacity to deliver extension services in agriculture</i>	<i>number</i>	no target	16	0	0	0	16		16
	<i>Trained VET services providers (veterinarians, zoo-technicians, food processors, agriculture, machinery operators, input suppliers and animal food producers)</i>	<i>number</i>	no target	40	25 sturdy tours		25 study tours	15		15



<i>Number of participants from private sector who provide their input in professional re-training and agriculture innovations</i>	<i>number</i>	no target	10	0		0	10		10
<i>Creation of the public-private cooperation platform to ensure coordination of consultation service and provision of agricultural training and extension services</i>	<i>number</i>	No target	4	2		2	2		2

- Under measure 5.5 - with the support of the UNDP (Fostering Regional and Local Development Project) and Vano Khukhunaishvili Center for Effective Governance System and Territorial Arrangement (CEGSTAR) under the project of training of public servants (measure 5.5), 16 trainings were organized (1410 training days) for 807 public officials, including representatives of local self-governments, State Trustees'-Governors' Administrations and MRDI.

Measure	Indicator	Value	UPDATE D Target value 2017	Cumulative output as of the end 2016	2015			2016		
					I H	2 H	Total	I H	2 H	Total
5.5 Training of Public Servants in Regions	<i>Number of municipalities with effective HR policies</i>	<i>number</i>	76	76	0	56	56	76		76
	<i>Number of new training programmes (curricula)</i>	<i>number</i>	12	49	11	22	33	7	9	16
	<i>No of persons/days of trainings organized</i>	<i>number of person/day</i>	4500 (2017)	8832	1541 training days	5881 training days	7422 training days	516	894	1410
	<i>Number of local officials trained (gender disaggregated)</i>	<i>number</i>	2,000 including 600 F 1,400 M	3146	768 (338 female / 430 male)	1571 (768 female/803 male)	2339 (1106 female / 1233 male)	402	405	807

- Under the Regional Development Fund - providing finances to mostly small scale infrastructural projects proposed by Municipalities among others (see details in Annex 1) following outputs were produced by the end of 2016: 433 km of roads were constructed or rehabilitated in all regions of Georgia (excluding Tbilisi) in comparison

to 436 km in 2015, 18 water supply facilities were constructed or rehabilitated (52 one year ago), 34.9 thousand of street lighting items, 12.3 thousand meters of sewage systems and 369 residential house construction.

Measure	Indicator	Value	UPDATE D Target value 2017	Cumulative output as of the end 2016	2015			2016		
					I H	2 H	Total	I H	2 H	Total
Regional Development Projects Fund	Roads construction/rehabilitation	meter	457,8 (2016)	869	56,4	379,6	436,0	140,0	292,7	433
	Water supply construction/rehabilitation	meter	522,07 (2016)	996	14,0	538,2	552,3	21,7	422,5	444
	Water supply other infrastructure system construction/rehabilitation	number of projects	20 (2016)	70	0	52	52	1	17	18
	KGs construction/rehabilitation	number of projects	96 (2016)	214	0	128	128	9	77	86
	Sports facilities construction/rehabilitation	number of projects	14(2016)	34	0	22	22	7	5	12
	Culture facilities construction/rehabilitation	number of projects	14 (2016)	32	0	24	24	2	6	8
	Street lighting	meter	34935 (2016)	#####	0	50770,0	50770,0	#####	31560,0	34935
	Bridges construction/rehabilitation	number of projects	11 (2016)	26	0	15	15	3	8	11
	Coast fortification system construction/rehabilitation	meter	1988 (2016)	2 359,4	0	2,4	2,4	170,0	2187,0	2357
	Drainage system construction/rehabilitation	meter	3929,0 (2016)	6 084,0	0	40,0	40,0	#####	3694,0	6044
	Multi family dwelling construction/rehabilitation	number of projects	402 (2016)	633	0	264	264	3	366	369

	<i>Sewage system construction/rehabilitation</i>	<i>meter</i>	16823 (2016)	12 287	0	0	0	1 836	10 451	1228 7
	<i>Recreation facilities</i>		8 (2016)	8	0	0	0	1	7	8
	<i>Other infrastructure/rehabilitation</i>	<i>number of projects</i>	no target	133	0	127	127	0	6	6

## ***Preliminary results of implementation of RDP until the end of 2016***

With regard to broader results of the RDP programme, they should be assessed by the ex-post evaluation to be prepared after end of the RDP 2015-2017 implementation. The Regional Development Programme 2015-2017 defines the priorities and measures addressing the identified objectives of the programme together with the financial allocations for each of the priority/measure. The detailed information on data to be collected in order to monitor the implementation of the Programme have been included in the "Monitoring Plan for the Implementation of Regional Development Programme of Georgia 2015-2017" and in the "Detailed Measure Sheets for Supporting the Monitoring of 2015-2017 Regional Development Programme". In the abovementioned documents indicators for individual measures were identified, however most of them were not quantified in terms of targets, neither for the whole implementation period 2015-2017, nor for separate years.

During 2015 and 2016, the Ministries and the implementing agencies, following the request of MRDI and the European Commission, managed to establish target values for majority of set output indicators but still in some measures and operations not all specified output indicators were defined with values and in case of some activities, there is still lack of any indicator defining the progress in implementation. The situation is even less satisfactory in case of planned results of RDP implementation. The "Monitoring Plan" does not contain any result indicators and in "Detailed Measure Sheets" the results for each measure are specified, although not in the quantified terms.

In the second half of 2016 additional efforts were taken by MRDI and the implementing agencies, with support of the TA Project "Support to Regional Development Policy Implementation in Georgia Phase II" to define and quantify at least 1 result indicator for each measure, which gave the basis for preliminary evaluation of the progress in achieving the set targets. The improvement of the result indicators and their collection, as well as increasing their number within each of the priorities, should be one of the tasks for 2017 and should ensure much better evaluation of the efficiency of the Programme at the end of its implementation period. The outcome of this work is presented in table 2 and summary description is also provided below.

The result indicators were chosen based on consultations and common work of the TA Project experts and the staff of the agencies. Except of data provided by the ministries and implementing agencies the statistics from GeoStat and National Bank of Georgia (Balance of Payments) were used during the preparation of the monitoring report.

**1.1** - Roads Department spent GEL 474.1 mln in 2015 and GEL 509.4 mln in 2016 for construction/rehabilitation of roads and bridges rehabilitation and construction. During 2 program years, the Roads Department constructed 24 km of highway from Tbilisi to Batumi – the capital of Adjara AR and the port on the Black Sea, which resulted in decreasing of travel time from 5 h 45 minutes to 5 h.

**1.2** - In the years 2015 and 2016, the Solid Waste Management Company spent GEL 27.2 mln for closing down 17 landfills in different regions and rehabilitation of 18 landfills. As the result of these works by the end of 2016 the share of landfills with modern management and improved environmental conditions grew from 23 % in 2014 to 89 %.

**1.3** - During 2 first years of implementation of the Programme the United Water Supply Company and Municipal Development Fund spent GEL 293.6 mln on rehabilitation of 1278 km of pipeline and as a result, more than 15000 new customers were connected to the water supply system. However, the progress remains modest, since the share of population with 24-hours supply of potable water remains low. During two years of the RDP implementation the indicator increased from 5.9% in 2014 to 18.9% in 2016 in the regions outside Tbilisi, Rustavi, Mtskheta and Adjara.

**1.4** - During 2 years, GEL 42.8 mln were spent for natural disaster risk reduction and protection. Until the end of 2016 the Environment Agency of Georgia has not been able to measure results related to the environment protection, monitoring, forecasting and prevention due to the lack of adequate data. The Roads Department of Georgia implemented 35 bank fortification projects which resulted in increasing the number of inhabitants living in 2 km buffer zones protected from the natural disasters from 159,000 in 2015 to 356,000 in 2016. The coverage of the works on bank protection increased from 4.7 km in 2014 to 20 km in 2016.

**1.5** - Sanitary conditions improved on 26,000 hectares in 2015 and 22,400 hectares in 2016. 178.9 km of forest roads were rehabilitated in the years 2015-2016. The Forest Agency proposed to use a result indicator the area of inventoried forest: the share of the area inventoried (i.e. for which the information is available and is managed according to modern standards) to total forest area increased from 10.25% to 15.62 %. The result seems to be modest.

**2.1** - Enterprise Development Agency spent GEL 42.5 mln under that measure. Due to the shortage of the appropriate data, the Agency was not able to submit the result indicator for Industrial component of the programme. As far as the Micro and Small Enterprise Development component is concerned, during 2 years 6432 new jobs were created which resulted in the increase of the share of the persons employed as a result of the programme to total number of employed in the SMEs across the country from 0.44% in 2014 to 2.2% in 2016.

In total, under the state programme “Produce in Georgia” 236 projects have been supported, with overall investment volume of 556.5 mln GEL, which has converted into creation of 10,705 new jobs.<sup>2</sup>

**3.1** - Amelioration Agency spent GEL 131.3 mln during 2 years of the programme for modernization of irrigation system sub-measure. The Agency implemented 90 projects related to construction of new and rehabilitation of already existing irrigation systems. Almost 38,000 ha of additional plots were irrigated and 12,000 of plots were equipped with the proper drainage system. It resulted in the increase of the share of ameliorated area to total area from 32% in 2014 to 40% in 2016.

**3.2** - The Agriculture Projects Management Agency has not presented the relevant indicators for measuring the output of the implemented activities. But as an indirect result indicator, they suggest to use data of the National Bank, according to which the loan portfolio for agriculture sector increased from GEL 56.5 mln in 2013 (the starting point of the project) to GEL 365.5 mln at the end of 2016. However, there is no evidence that the portfolio grew due to the implementation of the program.

**3.3** - GEL 303 mln was spent by several agencies implementing this Measure. However, only Food Safety Agency was able to provide information related to the measurable results. During 2 years of realization of the programme the number of enterprises monitored against food safety amounted to 19,044 and the number of tests conducted for food safety and quality control was 7,464. As a result of these activities, share of detected violations in food products dropped from 31% in 2014 to 8.6 % in 2016.

**4.1** - During 2015-2016, the National Tourism Agency spent GEL 48.2 mln for creation of 2 information centers, delivering 30 trainings for 2470 participants, preparing 5 regional studies and organizing 319 marketing events. This resulted in the growth of the incoming tourists by 15% at the end of 2016 in comparison to 2014 and the increase in foreign exchange inflow into the country.

**5.1** - The measure 5.1 concerns the Labour market demand survey. The survey was conducted in 2015 and according to the donors' advice should be updated in 3 years (i.e. in 2018). Therefore, no relevant result indicator is defined for the measure.

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<sup>2</sup> Numbers reflect portfolio of all 3 state agencies involved in “Produce in Georgia”: Enterprise Georgia, National Agency of State Property and Agricultural Projects Management Agency.

**5.2** - The Ministry of Education and Science spent GEL 22.8 mln under the measure for equipping, renovation and staffing of 35 colleges. Consequently, the number of new students across the country increased from 9.9 in 2014 to 11.6 thousand in 2016.

**5.3** - The measure has been implemented by UNDP with donors' funds. UNDP has not yet presented the result indicator for the measure.

**5.4** - The Ministry of Education and Science spent GEL 13.2 mln. Since the MoES was able to provide only the number of trained teachers, the result could be measured as the increase of number of trained teachers from 519 in 2015 to 2754 in 2016.

**5.5** The measure was funded by donors and implemented by UNDP. During 2 years of the RDP implementation GEL 0.5mln were spent on trainings for public servants from local self-governments, State Trustees'-Governors' Administrations and MRDI. On the basis of the number of public servants trained within this measure, the share of trained local public servants to all local public servants was calculated, which shows that this result indicator grew from 6.5% in 2014 to 32% in 2016.

**Table 2.** Result Indicators of RDP 2015-2017 by Measure

		Result Indicators							
Priority	Measure	Indicator	Measurement Unit	Target Value (2017)	2014 (baseline)	2015	2016	2017 (plan)	Means of Verification/Comment
1. Improvement physical infrastructure and environmental protection	1.1 Roads of international and national importance	Average travel time from Tbilisi to Batumi	hours / minutes	5 h	5h 45 min	5 h 30min	5 h 15min	5 h	Roads Department of Georgia
	1.2 Solid Waste Management	Share of landfills with reduced risk of negative impact on environment and public health	%	94	23	75	89	94	Solid Waste Management Company of Georgia
	1.3 Water supply, sewage and waste water systems	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).	%	n/a	5,9	13,6	18,9	n/a	United Water Supply Company
	1.4 Natural Disaster Risk Reduction and Protection	Number of inhabitants protected from the disaster by bank fortification works in 2 km	number	n/a	n/a	159 000	356 000	n/a	Roads Department of Georgia

		buffer zones - (cumulative)							
		Length of the banks protected	linear meters	23 748	4 770	16 184	20 141	23 748	Roads Department of Georgia
	1.5 Georgia Forest Inventory and Implementation of a Stable Forestry Strategy	Area of inventoried forest /total forest fund of Georgia 2013= 100% (cumulative, area excludes Adjara fund and protected areas)	%	17,46	10,25	12,77	15,62	17,46	National Environment Agency
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.	Jobs created within the program Produce in Georgia to total employed in business sector	%	2,2	n/a	0.44	1,59	2,2	Enterprise Development Agency
3.* Rural development	3.1 Improvement of Amelioration systems	Share of ameliorated area out of total drylands	%	45	32	36	40	45	Amelioration Agency
		Share of the area protected from the flood out of total floodplain and wetland	%	33	24	25	30	33	Amelioration Agency
	3.2 Improve access to finance	Number of employed within the program/Total	%	n/a	n/a	n/a	n/a	n/a	Post Evaluation Report



		number of employed in the agriculture							
	3.3 Other Programs (Testing and distributing new varieties; development of cooperatives; food safety and development of wine industry)	Share of detected violations of food security norms out of all inspected documents/cases	%	n/a	31	14,9	8,6	n/a	Food Security Agency
		Number of deceases (rabies and anthrax) detected per 100,000 animals	number	n/a	8	8,4	4,2	n/a	Food Security Agency
4. Tourism Development	4.1 Tourism Development	Share of tourism in GDP	%	n/a	6.32	6.71	7.33 (I-III Q)	n/a	National Tourism Administration
		Revenues from tourism	USD mln	n/a	1,14	1,18	1.17 (Q3)	n/a	National Bank of Georgia
		Change in revenues from tourism, (2014=100%)	%	n/a	100	103,5	102.6 (Q3)	n/a	National Bank of Georgia
		Growth of international visitors (2014=100%)	%	n/a	2	7	8	n/a	National Tourism Administration

5.** Improvement of Human Capital and 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	Number of new students in VETs across Georgia	number	n/a	9 910	10 273	11651	n/a	Ministry of Education and Science
	5.3 Agriculture Related VET & Extension Systems	Number of students received in VETs supported by the project	number	n/a	n/a	n/a	n/a	n/a	UNDP will support VET system, the number of students might be the relevant indicators, unless other is not provided by UNDP
	5.4 Training of VET Teachers and Continuous Professional Development	Number VET teachers trained (cumulative)	number	n/a	n/a	519	235	2	Ministry of Education and Science
	5.5 Training of Public Servants in the Regions	Share of trained local public servants to total local public servants % (cumulative)	%	n/a	6,5	25,8	32	n/a	UNDP/CEGSTAR

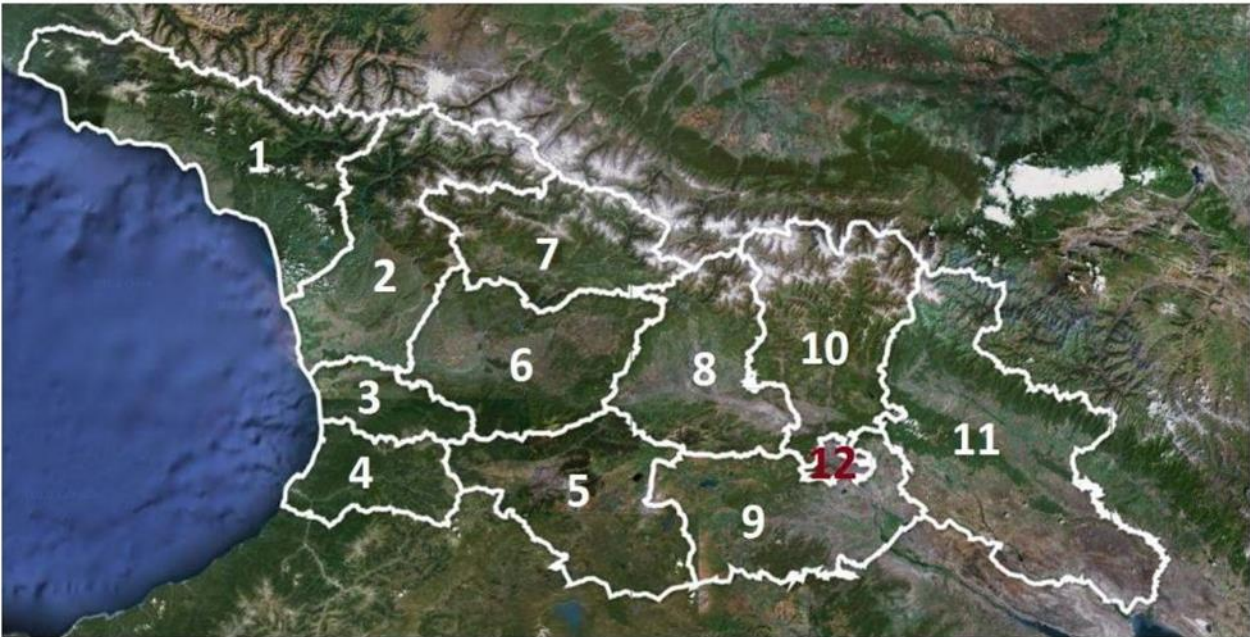
\* Agriculture Projects Management Agency - the implementing agency of measure 3.2 was not able to provide result indicators since all the information regarding lending process and its results was in the commercial banks and the agency did not have it.

\*\* The measure 5.1 - is Labour market demand survey which was done in 2015 and according to the donors' advice should be updated in 3 years. Therefore, MoLHSA was not be able to measure the results and the table doesn't include it.

**Section 2. Progress in achieving regional cohesion objectives as defined the RDP. Regional distribution of funds.**

Regional Development Programme 2015-2017 identifies a number of socio-economic and territorial factors, which contribute to uneven economic and social development of Georgia. The analysis underlined particularly the imbalance between so called Greater Tbilisi and the rest of the country. Other important regional development problems include territorially uneven access of citizens and companies to public goods such as basic infrastructure (roads, water delivery and sewage system, internet) and services like health care, education, culture, public transport or social services. This hampers perspectives of increasing the levels of investment and employment opportunities outside Tbilisi and some fast-developing urban centres like Batumi. Specific challenges are to be found in sparsely populated mountainous areas in the north of the country as well in some post mono-industrial cities.

Map. 1 Regions of Georgia



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

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

- a) support to economic development and creation of new jobs in regions with low levels of employment
- b) improvement of living standards, especially in rural and underdeveloped areas.

Taking into account limited availability of statistical data coming from monitoring system and official statistics<sup>3</sup> at this stage of implementation of the RDP 2015-2017 **it is difficult to assess the impact of its realization on the regional cohesion** and identified above problems. This issue needs to be addressed through a set of comprehensive analyses and ex-post evaluation to be done after the programme is finished (after the end of 2017).

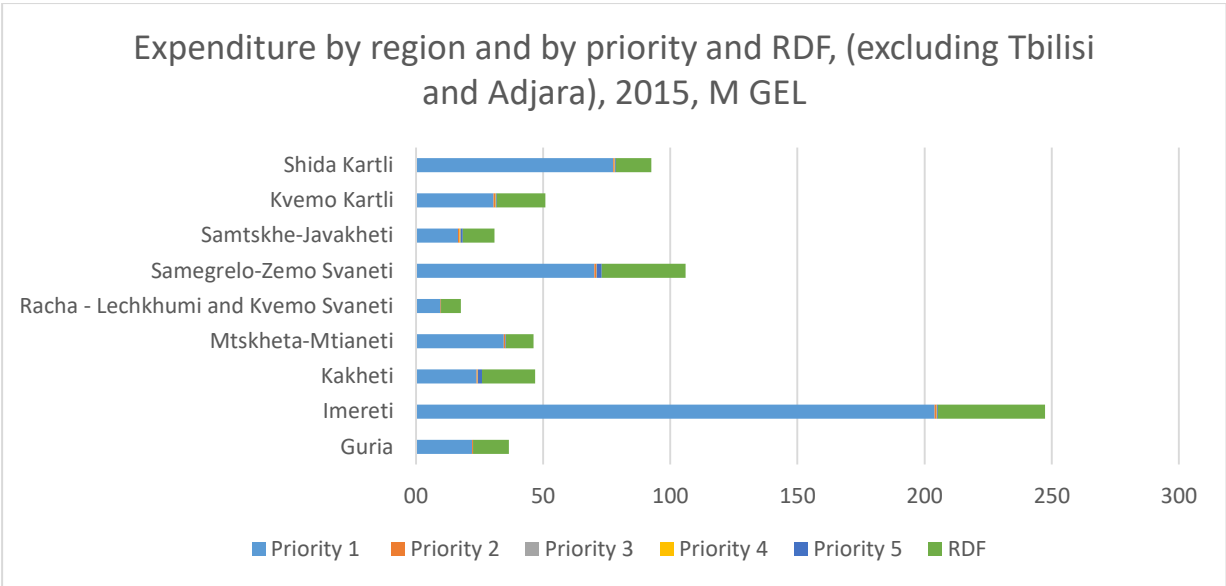
Since the second half of 2015, following observations made by EU appraisal mission and previous recommendations on regional policy (see 2015 Annual Implementation Report), Georgian Administration has made an effort to collect both financial and physical data for some measures implemented under RDP. In total, for 66, 2% (795.1 M GEL) of all spent funds it was possible to present regional breakdown. Adjara and Tbilisi are excluded from these calculations – those regions have their own sources of revenues and only in some measures ministries included information about realization of RDP in those areas.

The level of regionalization of funds stands almost at the same level as in the previous year – 69.2% (726,9 M GEL). Unfortunately, the possibility of gathering regional data was limited mostly to the priority 1 (infrastructure) and Regional Development Fund. Regional breakdown of financial and physical progress is non- available for priority 3 (Agriculture and rural areas) and majority of measures under priority 5 Human Resource Development.

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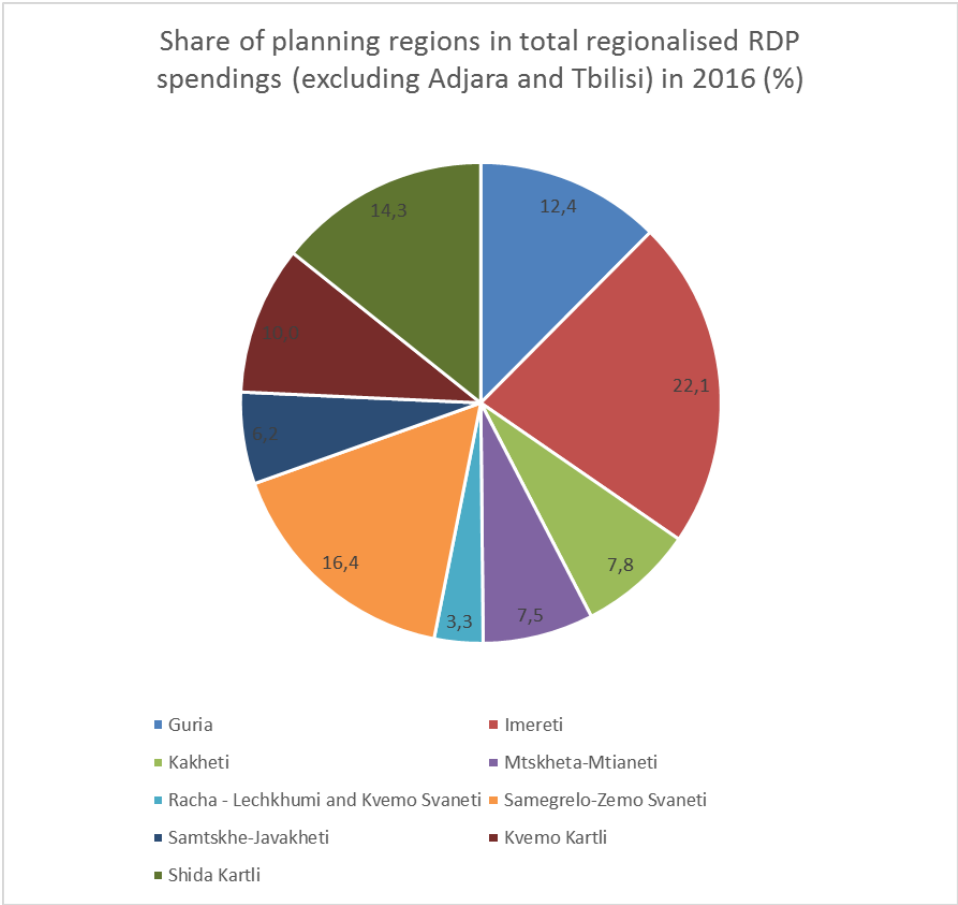
<sup>3</sup> For more information on regional statistics see „Report on Review of Regional Statistics”, Support to Regional Development Policy Implementation in Georgia II, December 2016

**Chart 6.** Expenditure by region and by priority and RDF (excluding Tbilisi and Adjara), 2016, M GEL.



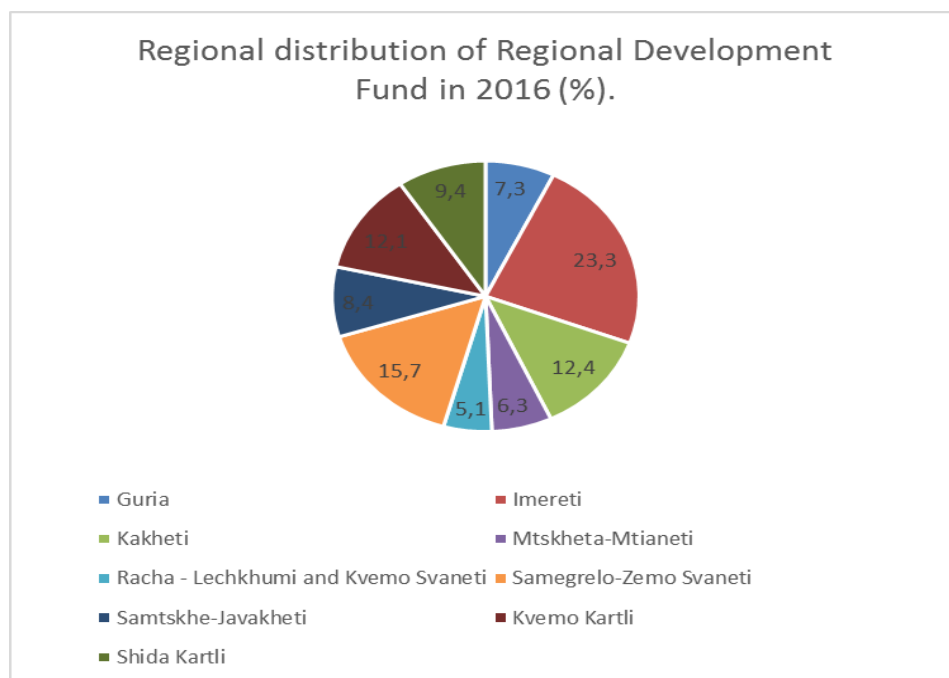
**Territorial distribution of all funds, which the Ministries and implementing agencies were able to regionalise, is much more balanced than in the previous year (chart 6). The biggest share of funds (chart 6), 22.1% was spent in 2016 in Imereti - a substantial drop from the previous year in which 34% went to that region. Domination of this region in regionalized spending can be explained by the fact that this is the most populated region (after Tbilisi) in Georgia and within its borders during last two years has been built the international highway linking Tbilisi-Kutaisi and Batumi. The following regions: Samegrelo-Zemo Svaneti, Shida Kartli and Guria received 16.4%, 14.3% and 12.4% respectively. Shares for the first two regions are similar to those observed in the previous year with the exception of Guria which received in percentage terms more than double funds. Once again, as it was in the case of Imereti, the high shares of Guria and Shida Kartli can be explained by the consequent progress in realization of motorway between Tbilisi and Batumi in those regions (all together 34 km of motorway was built in 2016).**

**Chart 7.** Share of funds spent in individual regions of Georgia, 2015 and 2016



The analysis of regional distribution of 2016 expenditures under Regional Development Fund, which finances relatively smaller scale infrastructure projects proposed by municipalities and assessed by Regional Consultative Councils and MRDI in line with the provisions of relevant regional development strategies, shows that the mechanism of allocation is similar to observed in distribution of all funds (chart 7). The biggest share of RDF has been used in 2016 in Imereti (23.3%), Samegrelo-Zemo Svaneti (15.7%) and Kvemo Kartli (12.1%). Subsequently, the more developed regions (outside Tbilisi and Adjara) still tend attract the biggest share of public investments.

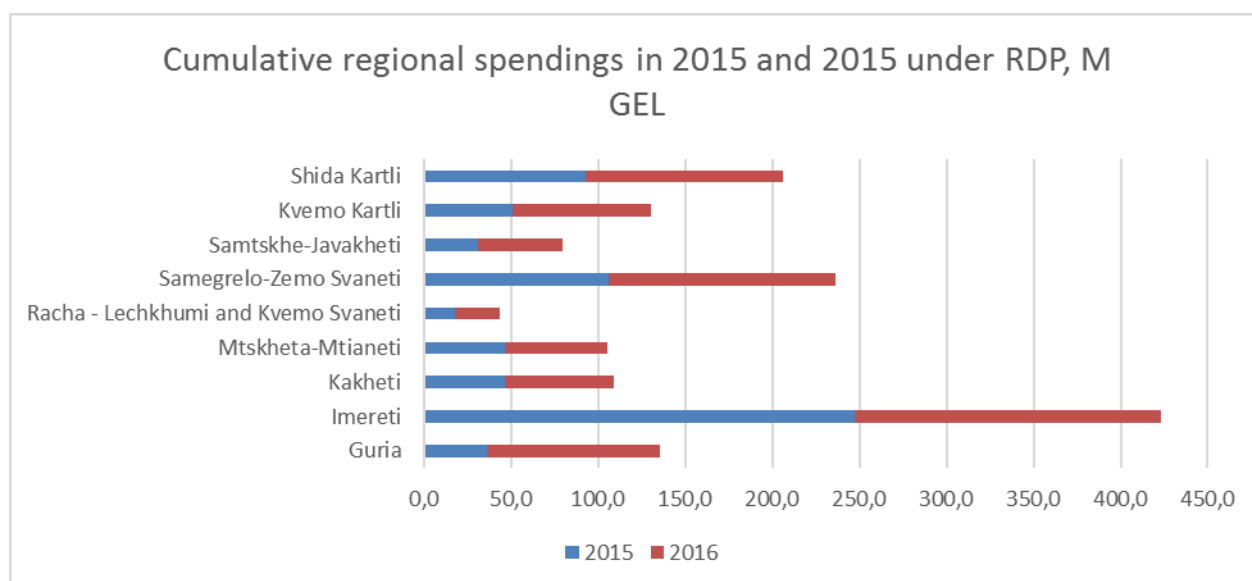
**Chart 8.** Regional distribution of Regional Development Fund by individual regions, 2016.



The region receiving the smallest share of the total funds attributable to regions under RDP in 2016 was, as in the previous year, Racha–Lechkhumi and Kvemo Svaneti – only 3.3 % (2.4% in 2017). The same position is occupied by that region under RDF receiving only 5.1% of its allocation (4.5% in 2015).

In total in years 2015-2016 the highest amount of funds went to Imereti, Samagrelo -Zemo Svaneti and Shida Kartli (chart 9), what can be explained by the concentration of construction of the Tbilisi-Kutaisi-Batumi motorway in those regions and their role in the economic life of Georgia (in Imereti is located Kutaisi – second city in Georgia – seed of the Parliament) as well as, at the same time, weak equalization effects of the RDP.

**Chart 9.** Regional distribution of RDP funds in years 2015 and 2016.

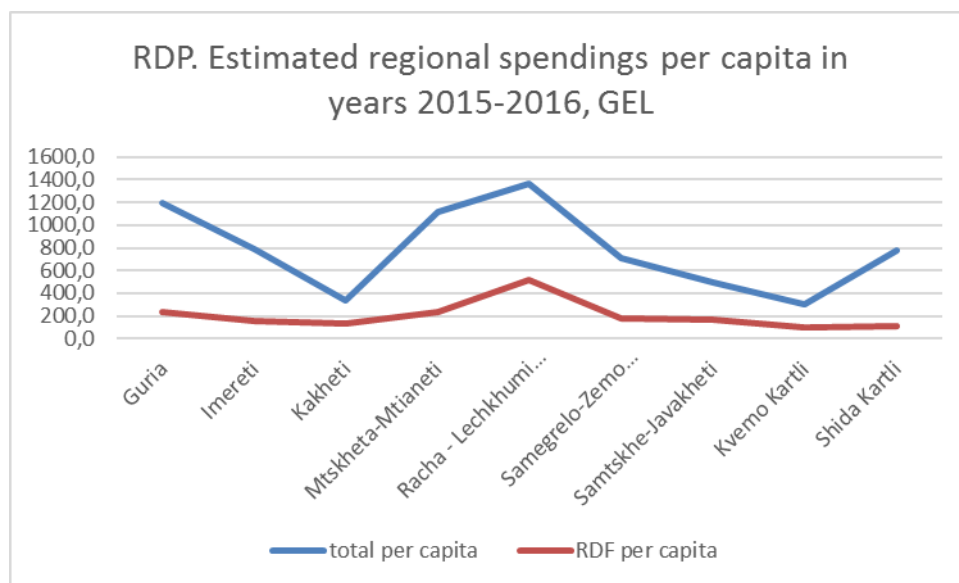


Analysis of regional spending per capita (own estimations) in two subsequent years 2015-2015 (Chart 10) and comparison with GDP per capita (table 3) shows that there is a strong financial preference for the smallest and poorest region: Racha–Lechkhumi and Kvemo Svaneti inhabited in 2014 only by 31,900 inhabitants received in the recent two years public transfers amounting to around 1370 GEL per capita – two times higher than national average (excluding Tbilisi and Adjara) – 646 GEL.

Other regions with the highest spending per capita include: Guria (around 1196 GEL per capita) and Mtskheta-Mtianeti (1118 GEL). Mtskheta-Mtianeti is among the poorest regions but Samtskhe-Javakheti (see table 3) being also very poor, receives only few moneys addressed regionally. The smallest per capita allocation went to Kakheti (341 GEL per capita - almost two times less than national average!) and Samstskhe-Javakheti (498 GEL).



**Chart 10.** Expenditure per capita per region, total and for RDF, in GEL, 2015-2016.



The analysis of regional distribution of funds and comparison with regional GDP (and hence measuring the impact of RDP on regional cohesion) must be done with caution. Evidence shows that some regions are more preferred than others but answering the question why it is happening, needs more comprehensive analysis also on the methods of regional allocation under individual, sectoral mechanisms. As was explained, the information about regional distribution of RDP funds is also incomplete - available mostly in case of infrastructure spending and RDF. The additional analyses and ex-post evaluation of the RDP as well more efforts on the side of ministries to show and monitor regional dimension of sectoral spending in coming years should provide more evidence on regional distribution of funds and its effects on the regional cohesion in Georgia.

Table 3. Population and GDP per capita in 2014 (own estimations)

Region	Population	GDP per capita in GEL
<b>Guria</b>	113221	5162
<b>Imereti</b>	536052	4728
<b>Kakheti</b>	319144	4572
<b>Mtskheta-Mtianeti</b>	94370	4137
<b>Racha-Lechkhumi and Kvemo Svaneti</b>	31927	4728
<b>Samegrelo-Zemo Svaneti</b>	331145	5458
<b>Samtskhe-Javakheti</b>	160262	4521

<b>Kvemo Kartli</b>	424769	5092
<b>Shida Kartli</b>	264633	4137
<b>All regions excluding Adjara and Tbilisi</b>	2275523	4794
<b>Adjara</b>	336077	6069
<b>Tbilisi</b>	1118035	10865
<b>Total</b>	3729635	6729

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

Once analysing the main factors influencing implementation of RDP in 2016, general macro-economic and financial situation, administrative capacity, weather conditions and natural disasters have to be taken into account.

#### Macro-Economic and Financial Situation

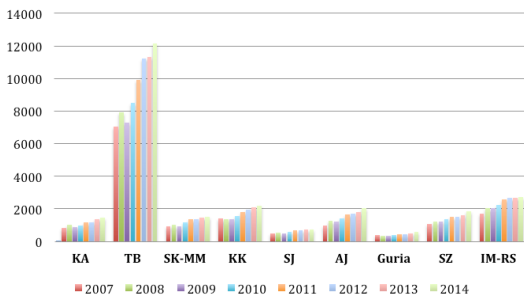
In 2016, further slow-down in the GDP growth was observed in Georgia: from 4.6% in 2014 to 2.9% in 2015 and 2.7 in 2016 (Chart 1). Based on the sectoral decomposition of growth during the first three quarters of 2016, it can be assumed that in the second half of the year deceleration of construction and manufacturing sectors took place, with lower government investments in infrastructure during this period 2016 affecting this outcome. Tourism-related sectors and financial intermediation remained stable with growth rates above 10 percent throughout the year. Meanwhile, the other sectors grew at a modest rate. Asymmetry between regions is resilient (Chart 2), as Tbilisi still generates 48% of the country GDP<sup>4</sup>.

**Chart 1:** Georgia GDP Growth



Source: Based on data from the National Statistics Office of Georgia<sup>5</sup>

**Chart 2:** Distribution of gross value added by regions (at current prices, mil. GEL)



Source, Based on data from the National Statistics Office of Georgia<sup>6</sup>

The overall fiscal deficit widened in 2016 against 2015 and also exceeded the deficit target set in 2016 budget law: according to budgetary projects fiscal deficit in 2016 was expected to narrow to 3% of GDP from 3.8% in 2015. However, excessive spending across the most budget items led to an overrun of 3.4 % in current expenditures and of 6.5 % in public investments. The wage bill, goods and services and social benefits were the drivers of the deviations. Meanwhile, tax collections were strong, resulting in an over-performance by 0.7%. The fiscal deficit thus widened to 4.2 percent as of end-2016.

The fiscal outlook is expected to improve in the near term, owing to the increase in excise tax rates effective January 2017. The anticipated negative fiscal impact of the profit tax reform (Estonian

<sup>4</sup>TB: Tbilisi; AJ: Adjara; KK: Kvemo Kartli; IM-RS: Imereti, Racha-Lechkhumi and Kvemo Svaneti; SZ: Samegrelo-Zemo Svaneti; GU: Guria; SK-MM: Shida Kartli and Mtskheta-Mtianeti; SJ: Samtskhe-Javakheti; KA: Kakheti

<sup>5</sup>[http://geostat.ge/index.php?action=page&p\\_id=119&lang=eng](http://geostat.ge/index.php?action=page&p_id=119&lang=eng)

<sup>6</sup>[http://geostat.ge/index.php?action=page&p\\_id=1220&lang=eng](http://geostat.ge/index.php?action=page&p_id=1220&lang=eng)

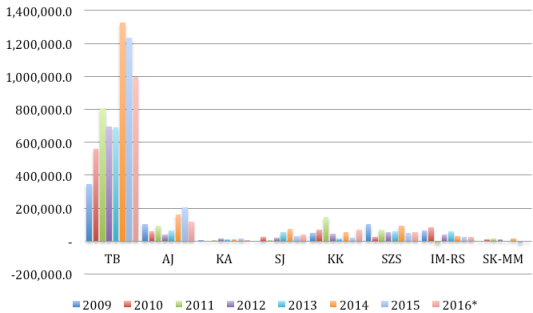
model) on revenue collections and the related concerns over the sustainability has been partially mitigated through the revenue gains to be delivered by the sharp increase of tobacco, fuel and car excises. However, similarly strong consolidation efforts are needed on expenditure side to secure sustainability in the medium and long run.

According to Geostat, the average annual consumer price index was 2.1 in 2016 (1.8% Dec 2015 to Dec 2016) and for industrial products the annual average reached - 0.1%. (7.5% December 2015 to December 2016). At the same time, the GEL exchange rate depreciation to EUR and USD was observed: 6.9% and 10% respectively)<sup>7</sup>.

The trade deficit of goods improved in 2016. This reversal in trend was driven by a decline in imports by 1 percent (excluding imports of grant-funded hepatitis-C medicine, representing 30 percent of total imports in 2016), although export was slightly down as well (by 4%). The trade balance was positively affected by higher export of copper ores, alcohol and unprocessed gold in 2016, while export of used cars, ferroalloys, pharmaceuticals and mineral fertilizers declined. The share of EU countries in total exports declined by 8 ppt to 27% of total during 2016. Tourist arrivals increased by 7.6% in 2016, remittances rose by 7% due to considerable pick-up since June 2016 after long period of decline. The most important trade partners of Georgia are the EU and ECA countries. The overall attitude towards Georgia’s export growth is “more of the same”, which is a reflection of the fact that while export growth is increasing and export firms remain relatively large, export activity is concentrated with the same products and same trade partners as it used to be over the recent decades.

In 2016, **Foreign Direct Investment (FDI)** inflows, though strong in Georgia, were directed mainly to transports and communications, financial, energy and manufacturing sectors. These sectors were the largest FDI recipient sectors in last 10 years. According to Geostat’s last estimates, net foreign direct investment in Georgia amounted to 1.298 billion USD in the first three quarters of 2016, a 4.3% year to year increase. The main countries by share of total FDI were Azerbaijan (33.4%), Turkey (15.2%), the United Kingdom (6.2%), Luxembourg (5.2%), the Czech Republic (5.1%), and the Netherlands (4.8%). Tbilisi is accounting nearly three-quarters of incoming FDI after 2011 (Chart 3).

**Chart 3:** FDI in Georgia by Regions, 1000 USD



Source: Based on data from the National Statistics Office of Georgia<sup>8</sup>

**Chart 4:** Employment, Self-Employment and Unemployment by Selection Regions (2015)



Source: Based on data from the National Statistics Office of Georgia<sup>9</sup>

<sup>7</sup> National Bank of Georgia

<sup>8</sup> [http://geostat.ge/index.php?action=page&p\\_id=2222&lang=eng](http://geostat.ge/index.php?action=page&p_id=2222&lang=eng)

<sup>9</sup> [http://geostat.ge/index.php?action=page&p\\_id=1187&lang=eng](http://geostat.ge/index.php?action=page&p_id=1187&lang=eng)

Despite the slower GDP growth, the unemployment rate remained at 12% at the end of 2015. A key issue is the fact that 60% of the employed is self-employed (Chart 4). Across regions, including well-populated areas, unemployment remains a major impediment to economic growth and represents persistent issues in regional inequality. Formal employment across regions is low, for example, but Tbilisi has the highest rate of those formally employed at just above 65% of the working age population. In all other regions this figure is below 35%. Self-employment figures may mask the true story behind job opportunities; many people may be self-employed due to lack of other options because they are unable to find formal jobs. Unemployment rate in Tbilisi is the highest, accounting for 21.4% of those eligible for work. The disparity in unemployment rates across regions in Georgia was greater than in comparator countries in Eastern Europe or the EU. The employment imbalance across regions is a major concern in the “Georgia 2020” strategy and reaffirms the necessity of developing skills that match labour demands to spur growth.

### ***Administrative capacity***

The overall performance in implementation of the Regional Development Programme in 2016 in terms of financial and physical targets can be assessed as positive. One of the factors influencing this performance was the increased capacity of the authorities to monitor the RDP implementation process and to cope with the challenges encountered during the second year of the fulfilment of the Programme.

In 2016, the performance of the agencies responsible for the programme implementation were improved, with the increased capacities by the staff of MRDI and other institutions and agencies involved. It is to be noted that the capability of the MRDI to coordinate the whole implementation process has significantly augmented. However, further strengthening of the authorities, dealing with regional policy issues, is essential. It is recommended to prepare the Training Needs Analysis of all institutions involved in realization of the RDP and on the basis of TNA, develop and deliver the special capacity building programme and other training modules for MRDI, implementing institutions and agencies. Additionally, preparation of standardized manuals on different aspects of implementation, including strategic programming, monitoring, evaluation and programming can be considered, as well as more vigorous involvement of implementing agencies in the coordination process.

### ***Climate and weather conditions. Natural disasters***

In 2016 the central budget expenditures on liquidation of consequences of natural disasters happened in 2015-2016 for first 3 quarters of 2016 amounted to GEL 15.9 million (excluding Adjara region). Out of this amount GEL 4.1million was spent on liquidation of damages caused by the 2015 flood in Tbilisi. The rest of the amount was addressed to liquidate other natural disaster consequences, among which were the consequences of rainfall in Guria region.

Climate and weather conditions are one the most important factors influencing progress of implementation of infrastructure projects. Due to climate conditions and geographic locations in some municipalities (especially in mountainous regions) carrying out the works is possible only during several months of the year.

### ***Other factors***

One of the major factors characterizing the implementation of the RDP in 2016 were the parliamentary elections held in October 2016 in Georgia. The elections brought to the power the same as previously ruling political party with even more pronounced parliamentary majority. After elections, new government was formed under the same Prime Minister, although with some changes in the composition of the Government members, including the post of the Minister for

Regional Development and Infrastructure. But it is to be stated that the changes on positions of Minister for Regional Development and Infrastructure and his First Deputy and the reorganization in the Ministry did not delay the process of RDP implementation. However, in case of the Regional Projects Development Fund due to the Paragraph 3, Article 49 of the Georgian Election Code of Organic Law of Georgia in the election period certain restrictions on financing new projects might have had an influence on the expenditures of the Fund.

Among other factors, having impact on realization of the particular priorities and measures of the Programme, the most important ones 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.

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

### ***Assessment of the fulfilment of recommendations from RDP Annual Monitoring Report 2015***

In Annual Monitoring Report on Implementation of Regional Development Programme in 2015 several recommendations were included, divided into two groups: recommendations on management, programming, monitoring and implementation of Regional Development Programme and recommendations on regional policy. Majority of them have got a universal value – are still valid and should be implemented gradually over a couple of years to come. The level of fulfilment of the recommendations is described in the table below.

## Fulfilment of recommendations from the 2015 Annual Implementation Report

### Recommendations on management, programming, monitoring and implementation of Regional Development Programme

No.	Recommendation	Assessment of fulfilment	Remarks
1.	Continuation of strengthening the administrative capacity of Georgian Administration to deal with programming, implementation and monitoring issues referring to the EU standards.	The increase in the capacity of the institutions implementing RDP is observed, but still in case of other than MRDI institutions there is a need for further improvement, especially in the field of data collection and presentation.	Strengthening of administrative capacity of the institutions involved in RDP implementation should be continued. Training and workshops to be delivered concerning monitoring, evaluation and programming.
2.	Continuous work on further improvement of the reliability and accuracy of the monitoring process of the RDP 2015-2017, which include:		
	a. Update current annex 6 of the RDP Monitoring Plan	The Annex was updated in April 2016 and at the end of 2016. The above is also reflected through relevant GCRD protocols.	The Annex to be updated in 2017, if relevant.
	b. Defining all physical targets (output indicators) for 2017.	Most of the targets have been defined, and updated, whereas possible and applicable, according to the information received from implementing entities; however some changes in the set of indicators can be observed.	Updating of Measures Sheets necessary in accordance with the list of indicators presented in the Annual Report 2016.
	c. More attention paid to defining broader socio-economic expected results	The list of result indicators has been prepared and presented in the Annual Report 2016.	The list of result indicators needs further improvement, in cooperation with MRDI and institutions implementing RDP.
	d. Where relevant more reporting about the physical and financial progress in implementation of measures in individual regions.	Where relevant and feasible, the regional break-down of output and result indicators has been presented in the Annual Report 2016.	Further improvement in collecting the data on physical and financial progress on regional level is necessary, in cooperation with MRDI, GEOSTAT and implementing institutions.



3.	Better coordination of ministries, agencies and other stakeholders in regard to programming, monitoring and implementation of the regional policy.	On-going process.	To be continued in 2017.
	a. Strengthening the capacity of the MRDI, including better staffing, additional trainings, more power in relation to setting standards for programming, monitoring and implementation and the application of territorial dimension to sectoral policies.	After the recent reorganization and optimization in MRDI at the end of 2016, the functions and human resources of its relevant structural unit – Department of European Integration and Reforms Assistance (former Department of European Integration, Reforms and Innovations) has been considerably modified and strengthened. The Division of Reforms and Strategic Planning, under the Department, has been not only functionally modified and strengthened but also some additional human resources were allocated to it in order to improve departmental capacity for comprehensive programming, monitoring and implementation of respective strategic and programmatic assignments. Reorganization and optimization of staff took place in other MRDI units as well.	Additional specific training of the relevant staff to be continued in 2017.
	b. Further efforts for aligning RDP priorities and instruments with regional development strategies and action plans to the extent practical and possible.	Ongoing process. The priority measures of the Action Plans of Region-specific Development Strategies are aligned with the RDP priorities and instruments to the extent practical and possible. This is also duly reflected in protocols of the Working Groups under Regional Development Councils (RCCs).	
	c. Ensuring further coordination between different agencies and instruments operating in	The MRDI staff and the TA experts proactively contact with the RDP WG; whereas specific needs or complications emerge, those are resolved in close coordination and with due consultations. Closer	

	the same field (e.g. MDF, Water company, RDF).	coordination between MDF and Water Company in the course of reporting process, have been also addressed and ensured as they have number of important common projects.	
4.	Implementation of improved/simplified internal procedures under various measures including Regional Development Fund.	<p>Ongoing process.</p> <p>RDF project appraisal procedures and guidelines were revised and already applied at both national and sub-national levels. Further amendments were introduced on November 25, 2015 by the Government Decree #594. The changes in the methodology template format caused major progress in document's effectiveness, applicability and transparency. It advances and provides for genuinely strict and objective criteria for project selection and assessing impacts by putting individual points through two tiers of filters, thus significantly reducing subjective and unjustified factors.</p> <p>Further improvements are foreseen in 2017-2018.</p>	
<b>Recommendations on Regional Policy</b>			
5.	All 5 priorities stated in the RDP section 5.4 remain pertinent and essential to be implemented. However, for future regional development programmes, consider allocating/increasing expenditure reserved for infrastructure and directed to different activities: <b>SMEs</b> , support of <b>innovation</b> and <b>foreign investment</b> and delivery of other essential public services (education, health, etc.).	The recommendation to be implemented in the course of preparation of the new RDP for <b>2018-2020</b> .	
6.	Efforts to allocate more money for implementation of more		

	effective regional development policy.		
	a. Consider possibilities for converting Regional Development Fund from the source of money for municipalities into more complex instrument for promotion of socio-economic development of regions.	From 2018  Following the completion/approval of the Decentralisation Strategy of Georgia and the draft Law on “Regional Policy and Development Planning”	
	b. Further efforts to improve coordination between the budgetary expenditure and activities financed or implemented by international donors and encouraging more focus on regional needs instruments.	On-going process	
	c. Soliciting more funds and thematic projects from the EU financial support frameworks for Georgia allocated directly to regional development.	The active consultations with the EU on the 2017-2020 SSF document enters the conclusive phase; the Territorial/Regional Development is allocated within the first pool of SSF priorities that is a relevant precondition for commencing the new sectoral support phase in 2018; the specific modalities and the final format of the sector-specific support programme are also subjects of further consultations in 2017.	

During the implementation of the Regional Development Programme in 2016 a significant progress in achieving the set objectives has been observed, however some obstacles and barriers still remain, which hamper the smooth realization of the programme. To remove the barriers, several additional activities to those presented above are recommended.

## ***Additional recommendations after the second year of implementation of RDP***

	<b>Recommendation</b>	<b>Implementing Agencies</b>	<b>Means of implementation</b>	<b>Implementation deadline</b>
<b>Recommendations on management, programming, monitoring and implementation of Regional Development Programme</b>				
<b>1</b>	The key elements of the monitoring process of the RDP 2015-2017 should be the subject of further development	Implementation bodies, MRDI.	The remaining gaps in setting targets for some indicators (mostly result indicators, but also some output indicators) have to be filled in. The systematic monitoring of selected indicators has to be ensured.	2017
	Further strengthening of the Georgian administration dealing with regional policy issues including capacity of MRDI and Governmental Commission on Regional Development (GCRD) to coordinate the whole process. Stronger involvement of the implementing institutions and agencies in the monitoring and programming is recommended.	MRDI, GCRD. Support to be provided by TA project and other donors	Concrete steps may include:  assuring additional staffing, if still necessary, capacity building programs, additional trainings, preparation of standardised manuals	2017
<b>3</b>	Further improvements in official statistics allowing better monitoring and evaluation of RDP are strongly needed	GEOSTAT in co-operation with MRDI	Gradually increasing the number of provided result indicators on regional level including development of regional accounts and	2017+

			business statistics. In a longer run, consider introduction of territorial nomenclature coherent with NUTS regulation	
4	Measure sheets have to be updated by identifying 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.	2017-18
5	Preparation of manual on effects of the regional programs and measuring of the expected results combined with trainings on that subject for the institutions implementing the RDP.		Can be implemented by using the resources of the TA Project.	2017
<b>Recommendations on Regional Policy</b>				
6	In order to assure sufficient evidence base in the course of preparation of the RDP post 2018, a broader socio-economic results of the RDP and its contribution to the regional cohesion trends should be a subject of additional studies and analysis (e.g. new study on regional disparities and trends). After the completion of the 2015-2017 RDP a comprehensive Ex-post evaluation should be prepared.	MRDI with support of the TA Project	TA Project resources. Taking into account low availability of indicators, especially at regional level, and shortage of proper expertise in this regard in Georgia, within that evaluation macroeconomic modelling should be applied to assess effects of the RDP.	Analysis and studies – 2017 Evaluation in 2018

## **Annex 1: Summary of the financial and physical progress at the level of individual measures**

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

Measure	Budget Code	Name of the Budget Code	Target value; mln GEL (31.12.2016)	Budget Resources	Other	2016			Implementation Progress (%) (Based on December)		
						Actual Expense; mln GEL					
						I half	II half	Total	I half	II half	Total
<b>1.1 Roads of international and national importance</b>		<b>Total Allocation for the measure</b>	<b>516,9</b>	<b>257,1</b>	<b>249,6</b>	<b>197,1</b>	<b>312,3</b>	<b>509,4</b>	<b>38,1</b>	<b>60,4</b>	<b>98,5</b>
	25 02 02 (except 25 02 02 05 and 25 02 02 07)	Construction and Maintenance of Roads	<b>239,1</b>	197,6	41,5	105,4	133,1	<b>238,5</b>	44,1	55,7	<b>99,8</b>
	25 02 03	Construction of Highways	<b>277,8</b>	63,5	214,3	91,7	179,2	<b>270,9</b>	33,0	64,5	<b>97,5</b>

#### **Allocation and expenditures**

The State Budget Allocation for the Measure was GEL 516 mln in 2016. During the year the Roads Department spent GEL 509.4 mln - 98.5 % of the allocated amount.

#### **2016 Implementation progress**

Approximation of Georgian roads sector to EU standards remained the most important challenge in 2016. The Roads Department provided maintenance works on 232 km of existing roads, constructed 24 km of highways and built and rehabilitated 32 bridges in 2016.

In regional profile – outstanding work was implemented in Imereti, in 2016. The largest rehabilitation of roads was done in that region (65.9 km) followed by Kakheti (34 km) and Kvemo Kartli (48.6 km). The longest part of the new high way has been constructed on the territory of Imereti (17.2 km), while the rest 7 km was in Shida Kartli. In Kvemo Kartli 10 out of 32 bridges were rehabilitated or built, in Imereti that number was 9.

Totally during two years' of Regional Development Program implementation, 486 km (69.4% of target) of roads were rehabilitated, 54 km of highway were constructed (66.9%) and 76 bridges were built or rehabilitated (63.3% of the target value) - that represents the very good implementation.

The existence of the old “Soviet” standards in roads sector remained one of the main obstacles, and due to that fact the harmonization of the existing standards with the best international practice and introduction modern ones represented the most important precondition for the further success.

Thanks to construction of 24 km of Tbilisi – Kutaisi – Batumi highway within RDP the average time needed for travelling from Tbilisi to Batumi decreased from 5 hours and 45 minutes to 5 hours. It reflects the increasing of mobility and the transit competitiveness of the country.

## 1.2 Solid Waste Management

Measure	budget code	name of the budget code	2016								
			Target value; mln GEL (31.12.2016)	Budget Resources	Other	Actual Expense; mln GEL			Implementation Progress (%) (Based on December)		
						I half	II half	Total	I half	II half	Total
1.2 Solid Waste Management		<b>Total Allocation for the measure 1.2</b>	<b>7,7</b>	<b>7,0</b>	<b>0,7</b>	<b>3,7</b>	<b>5,4</b>	<b>9,1</b>	47,6	70,5	<b>118,1</b>
	25 03 07 (2017 - 25 05 01)	Georgia Solid Waste Management	<b>7,0</b>	7,0	0,0	3,0	4,0	<b>7,0</b>	42,9	57,1	<b>100,0</b>
	25 03 08 (2017 - 25 05 02)	The Integrated Solid Waste Management project of Kutaisi (EU, KFW)	<b>0,2</b>	0,0	0,2	0,5	1,4	<b>2,0</b>	273,0	714,0	<b>987,0</b>
	25 03 09 (2017 - 25 05 03)	Kvemo Kartli waste management project (EBRD, SIDA)	<b>0,5</b>	0,0	0,5	0,1	0,0	<b>0,1</b>	23,8	0,0	<b>23,8</b>

### Allocation and expenditures

The budget allocation for 2016 was GEL 7.7 mln for the measure, the actual spending was GEL 9.1 mln.

### 2016 Implementation progress

During 2016, four landfills in different regions were closed down: in Tsalka and Manglisi –Kvemo Kartli, Gurjaani – Kakheti, Martvili – Samegrelo-Zemo Svaneti. Together with 13 landfills closed down in 2015, the total amount (17) was in line with the target for the programming period. Closing of one additional landfill in Samtskhe – Javakheti (Bakuriani) was postponed for 2017 due to the winter weather conditions.

3 landfills were rehabilitated in Kvemo Kartli (Rustavi), Racha-Lechkhumi and Kvemo Svaneti (Tsageri) and Imereti (Tkibuli) in 2016, together with 15 rehabilitated in 2015, the 3-year target was met in two years.

In terms of rehabilitation and closing down of the landfills, the Solid Waste Management Company met targets for the 2015-2017 period within 2 years of implementation of the Programme.

The company formulated their expected results of 2015-2017 RDP as management of the existing sites, construction and operation of regional landfills and improvement of the management infrastructure in Western Georgia.

As the result of two years' implementation of the program, the share of the landfills with improved management and reduced risk of hampering environment and public health increased from 23% in 2014 to 89% in 2016 across the country. For the end of 2017, the company expects that the indicator will increase up to 94%. In Guria, Samegrelo, Imereti and Samtskhe-Javakheti the share of landfills with the reduced negative environmental impact is 100%.

Regarding the budget code 25 05 02, according to the report of Solid Waste Management Company, the sharp increase of execution is provoked by 2 factors: change in currency exchange rates of Euro – GEL and acceleration of work of consultants in relation to the planned 2016 target. Additionally, this was caused by direct payment method and certain unclarities regarding the amounts of available donor funds.

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

Measure	Budget Code	Name of the Budget Code	Target value; mln GEL (31.12.2016)	Budget Resources	Other	2016 Actual Expense; mln GEL			Implementation Progress (%) (Based on December)		
						I half	II half	Total	I half	II half	Total
						<b>from code 25 04</b>	<b>Total Allocation for the measure 1.3</b>	<b>157,9</b>	<b>33,2</b>	<b>124,7</b>	<b>64,8</b>
<b>1.3 Construction and rehabilitation of water supply and sewerage systems</b>	25 04 01	Sewage System Project of Kobuleti (EBRD, ORET)	<b>3,5</b>	0,0	3,5	1,2	3,4	<b>4,6</b>	34,6	98,3	<b>132,9</b>
	25 04 02	Water Infrastructure Modernization Project I (EIB EU)	<b>0,9</b>	0,1	0,7	0,1	0,6	<b>0,8</b>	12,5	75,2	<b>87,7</b>
	25 04 03 (25 04 02)	Water Infrastructure Modernization Project II (EIB, EU)	<b>27,4</b>	4,1	23,3	12,9	13,8	<b>26,7</b>	47,0	50,3	<b>97,3</b>



25 04 04 (2017 - 25 04 03)	Sewage system sustainable management project (SIDA)	<b>2,6</b>	0,1	2,5	0,3	2,2	<b>2,5</b>	12,3	84,4	<b>96,7</b>
25 04 05 (2017 - 25 04 04)	Urban Services Improvement Project (ADB)	<b>109,9</b>	15,2	94,7	46,6	63,4	<b>110,0</b>	42,4	57,7	<b>100,1</b>
25 04 07 (2017 - 25 04 05)	Regional Water Supply Support Activities	<b>13,6</b>	13,6	0,0	3,7	9,9	<b>13,6</b>	27,2	72,8	<b>100,0</b>

### Allocation and expenditures

The measure includes construction of headworks and filtration facilities, as well as rehabilitation of water supply system and construction of sewage system. The measure is implemented by United Water Supply Company and Municipal Development Fund. The target budget allocation of the measure was GEL 157.9 million while spending GEL 158.2 mln – 100% of the target value.

### 2016 Implementation progress

There were no new headworks and filtration facilities constructed or reconstructed during 2015 and 2016, while the targets for 2017 foreseen 5 headworks and 2 filtration facilities in the regions. Significant progress was achieved in terms of construction of Mestia Water Treatment Facility, Anaklia Sewage Treatment Facility, Ureki Water Supply and Sewage Systems, Ureki Sewage Treatment Facility, Construction/Rehabilitation of Kutaisi Water Supply System – II phase and construction of Zugdidi Drinking Water Systems.

As the result of those works, 11348 new customers were connected to the water supply system in 2016. The total number of the customers connected to the water supply system in 2015 and 2016 was 15075, which was notably more than planned for 3 programming years.

296 customers were connected to the sewage system in 2016, and the same number in 2015. The total target value for 2015-2017 was 350.

Supply of 95% of population with potable water within 24 hours is the expected result for RDP. In 2016, the share of the country population country excluding Tbilisi, Mtskheta, Rustavi and Batumi receiving water during 24 hour increased from 5.9 % in 2014 to 18.9% in 2016, while with those cities the indicator is about 49%. In some regions (Kakheti, Racha-Lechkhumi Kvemo Svaneti, Imereti, Samtskhe Javakheti and Mtskheta-Mtianeti) 24 hours water supply was totally unavailable. As of the end of 2016, that share reached 39%, 19%, 6%, 12 % respectively, except of Mtskheta-Mtianeti region where the 24 hours' water supply is still unavailable. The weather conditions, long run negotiations of the land owners and broken obligations of sub-contractors were the main problems hampering the realization of planned investments.

## 1.4 Natural Disaster Risk Reduction and Protection

2016											
Measure	Budget Code	Name of the Budget Code	Target value; mln GEL (31.12.2016)	Budget Resources	Other	Actual Expense; mln GEL			Implementati on Progress (%) (Based on December)		
						I half	II half	Total	I half	II half	Total
<b>1.4 Natural Disaster Risk Reduction and Protection</b>		<b>Total Allocation for the measure 1.4</b>	<b>16,8</b>	<b>14,3</b>	<b>2,5</b>	<b>8,6</b>	<b>8,0</b>	<b>16,6</b>	50,9	47,9	<b>98,8</b>
<b>Disaster risk reduction</b>	25 02 02 05	Works to be carried out as the immediate response to natural disasters and prevention	<b>11,7</b>	11,7	0,0	6,7	5,0	<b>11,7</b>	57,1	42,6	<b>99,7</b>
	25 02 02 07	Coast fortification works	<b>2,4</b>	2,4	0,0	0,6	1,8	<b>2,4</b>	25,0	75,0	<b>100,0</b>
	38 08	Environment protection, monitoring, forecasting and prevention (only own resources)	<b>2,7</b>	0,1	2,5	1,3	1,2	<b>2,5</b>	47,1	46,6	<b>93,7</b>

### Allocation and expenditures

2016 budget allocations for the measure was GEL16.8 mln while spending was GEL 16.6 million. That measure is implemented by National Environmental Agency (natural disaster prediction and early warning) and by the Roads Department of MRDI (bank fortification works and immediate response to natural disasters).

### 2016 Implementation progress

During 2016, the National Environmental Agency provided 202 geological reports and recommendations on natural hazards forecasting and recommendations, provided hydro-meteorological and geological observations, geological assessments in different regions, issued annual geological information bulletin and geological hazard maps; issued geological report of riv. Gldaniskhevi basin, maps of flood, snow and avalanches, landslides, debris flow/mudflow, rock fall hazards were developed for the territories of towns Mestia, Lenjeri, Chuberi, Mulakhi, Becho and Nakra communities of Mestia Municipality (Samegrelo-Zemo

Svaneti region). Recommendations on preventive measures were prepared. 105 warnings on the expected natural hydro-meteorological processes in the territory of Georgia were prepared and provided to the decision-makers and media. The abovementioned works included all the regions (including Tbilisi).

In 2016, bank fortification works have been carried out on 16 sites, out of them works have been finished on 10 sites. Natural disaster liquidation and prevention works have been underway on 26 sites; on 23 sites the works were finished.

As the result of the 2015-2017 RDP implementation, the number of inhabitants living within 2 km of the buffer zones and protected against disaster increased from 159 thousands in 2015 to 356 thousands in 2016. The coverage of the works on bank protection increased from 4.7 in 2014 km to 20 km in 2017. 99% of the allocated funds under this measure were spent.

### 1.5 Georgia Forest Inventory and Implementation of a Stable Forest Strategy

2016											
Measure	Budget Code	Name of the Budget Code	Target value; mln GEL (31.12.2016)	Budget Resources	Other	Actual Expense; mln GEL			Implementation Progress (%) (Based on December)		
						I half	II half	Total	I half	II half	Total
1.5 Georgia Forest Inventory and Implementation of a Stable Forestry Strategy	from code 38 04	<b>Total Allocation for the measure 1.5</b>	<b>3,2</b>	<b>1,8</b>	<b>1,4</b>	<b>0,9</b>	<b>1,5</b>	<b>2,5</b>	28,7	48,5	<b>77,2</b>
	38 04 02	Georgian Forest Save and restore	<b>0,9</b>	0,7	0,1	0,3	0,5	<b>0,9</b>	39,4	57,8	<b>97,2</b>
	38 04 03	Forest Utilization Activities	<b>1,4</b>	0,2	1,2	0,1	0,7	<b>0,7</b>	4,9	47,4	<b>52,4</b>
	38 04 04	Georgia forest inventory and stable forest management	<b>0,5</b>	0,5	0,0	0,1	0,3	<b>0,5</b>	28,2	66,9	<b>95,1</b>
	38 04 05	Fire prevention measures	<b>0,4</b>	0,4	0,0	0,4	0,0	<b>0,4</b>	94,1	5,9	<b>100,0</b>

#### Allocation and expenditures

The measure is implemented by the National Forest Agency. The budget allocation for the measure was GEL 3.2 mln while actual spending – GEL 2.5 mln (77%).

## 2016 Implementation progress

In 2016, the Agency have been working on improvement of the legal base. Major package of amendments in the bylaws was prepared, including “forest management rules” - where 7 amendments to the package was adopted, as well as a 3 amendments in the “timber traffic rules” regulations. Also packages of some other amendments were prepared. Besides, the Decree of Georgian Government on making amendment to the Decree #240, as of August 13, 2010 of Georgian Government on “the Regulations for Establishing State Forest Fund Boundaries” (on Demarcation) was adopted.

In 2015-2017 the special treatments were conducted against the eaters in Samtskhe-Javakheti and also, for destructing, prevalent in western Georgia, box-trees "Alura". The areas are specified annually, which, taking into account the intensity distribution of pests, can be added or reduced.

Sanitary conditions on 22400 hectares were improved in 2016, while in 2015 on 26000 hectares. The target for 2015-2017 is 86,800 hectares, which means that the Agency needs strong efforts to reach the overall target of the programme until the end of 2017. 178 km of forest roads were rehabilitated in two years (o/w 55.7 km – in 2016), which represents only 26.5% of the total plan for three years, which was 750 km. 400 foresters and branch specialists were trained in 2016. The target for 3 years is 700, in 2015 200 –were trained.

The moderate rate of achieving results was caused by the number of factors among which the most important were: the lack of information about real situation in the forest fund, low awareness level of population and decision makers; lack of financial resources; problems with procurement of services.

The Agency aims toward the improvement of information on number and conditions of forest in the country and new standards in the forest management. During the programming years the share of the area inventoried (i.e. for which the information about number and conditions of the forest is available) increased from 10.25% to 15.62 %. For 2017 the share is planned to increase up to 17.47%.

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

2016											
Measure	Budget Code	Name of the Budget Code	Target value; mln GEL (31.12.2016)	Budget Resources	Other	Actual Expense; mln GEL			Implementation Progress (%) (Based on December)		
						I half	II half	Total	I half	II half	Total
2.1 Supporting business in Georgia’s regions through institutional and programming activities	24 01 03 02 (2017 - 24 07 02)	Support to SMEs	30,5	30,5	0,0	9,1	21,4	30,5	30,0	70,0	100,0

## **Allocation and expenditures**

The State Program “Produce in Georgia” consists of 2 components: Industrial and Micro and Small Businesses Development (MSBD). Industrial part foresees the supporting enterprises in receiving financial instruments (loans and leasing) from the commercial banks and payment the major part of the loans interest and leasing during 2 years, while the (MSBD) includes trainings and small grants up to GEL 15 thousand for the new micro and small businesses.

The total budget allocation for the Enterprise Development Agency to implement the measure was GEL 67.1 million for 2015-2017. GEL 25.1 million was spent in 2016 and GEL 12 million – in 2015. It should be noted that abovementioned allocations represent the State budget co-financing part of the program and include spending on the trainings and interest payments for participant enterprises. The amount of the total investment the RDP includes the total loans’ and leasing amounts issued by the commercial banks for the enterprises.

## **2016 Implementation progress**

The program implementation showed outstanding results. Within the Industrial component total investments (including loans and leasing) were GEL 153 million in 2016- GEL 27 million more than annual target. 79 new businesses were supported, with 34 of them concentrated in Tbilisi and Adjara and 35 distributed among 9 regions.

Within the Micro and Small Businesses Development components, during 2016, 2597 micro and small business entities were supported (including Adjara A/R), more than 2300 new workplaces were created and 6834 beneficiaries were trained. 100 per cent of allocated amount under the program was absorbed.

The program positively affected on the employment. The share of the employed to total employed in the SMEs across the country as the result of the program increased from 0.44% in 2014, to 1.59% - in 2015 and 2.2% - in 2016. In the regions (excluding Racha Lechkhumi and Kvemo Svaneti) the maximum share of the employed under the program to total employed in business sector was 9% in Samtskhe-Javakheti and Mtskheta Mtianeti regions. In Tbilisi those indicators were 0.7% and Adjara – 1.2 % in 2016 that reflects the other opportunities of the job creation in SME there.

The most impressive result in supporting job creation was achieved by the program in Racha-Lechkhumi and Kvemo Svaneti – the most vulnerable region of Georgia. The share of the employed within the program to total employment in the business sector in the region increased from 2% in 2015 to 43% in 2016. In 2017, it is expected that the program will provide the half of the total amount of jobs in the region.

### 3. Agriculture and Rural Development

#### 3.1 Improve Amelioration System Management

2016											
Measure	Budget Code	Name of the Budget Code	Target value; mln GEL (31.12.2016)	Budget Resources	Other	Actual Expense; mln GEL			Implementation Progress (%) (Based on December)		
						I half	II half	Total	I half	II half	Total
<b>3.1 Modernization of irrigation system</b>	<b>from code 37 01</b>	<b>Total Allocation for the measure 3.1</b>	<b>68,3</b>	<b>54,9</b>	<b>13,4</b>	<b>21,3</b>	<b>45,5</b>	<b>66,7</b>	<b>31,2</b>	<b>66,6</b>	<b>97,8</b>
	37 01 14 01 (2017 - 37 01 12 01)	Irrigation and Drainage (WB)	<b>12,9</b>	0,0	12,9	7,9	4,9	<b>12,7</b>	61,0	37,8	<b>98,8</b>
	37 01 03 (2017 - 37 07)	Modernization of Amelioration systems (2017 - and support to development of agricultural sector)	<b>53,0</b>	53,0	0,0	13,4	39,6	<b>53,0</b>	25,3	74,7	<b>100,0</b>
	37 01 14 03 (2017 - 37 07 05)	Rehabilitation of irrigation system in Zemo Samgori (ORIO)	<b>2,4</b>	1,9	0,5	0,0	1,0	<b>1,0</b>	0,0	42,6	<b>42,6</b>

#### Allocation and expenditures

In 2016, the amount allocated under that measure was GEL 68.3 mln, while the actual spending was GEL 66.7 mln, (97.8% of the total allocation).

#### 2016 Implementation progress

There were 46 rehabilitation or construction of the irrigation systems projects completed in 2016. The projects covered the following regions: Kvemo Kartli (Gardabani, Tetrtskaro and Marneuli municipalities), Kakheti (Sagarejo, Gurjaani, Telavi and Signaghi, Lagodekhi and Dedoplistskaro municipalities). Mtskheta-Mtianeti (Dusheti and Tianeti municipalities), Shida Kartli (Kaspi, Gori and Kareli municipalities), Imereti (Tskaltubo municipality), Samtskhe Javakheti (Akhaltsikhe, Akhalkalaki municipalities, Guria (Lanchkhuti municipality), Samegrelo-Zemo Svaneti (Khobi and Zugdidi municipalities), Adjara (Kobuleti municipality).

However, the acreage of irrigated plots in 2016 was 26 thousand and together with 2015 – 38 thousand, while the targeted value for 2016 was notably higher–32 mln.

Acreage of the land with the proper drainage in 2016 was 10,400 hectares, which together with 2015 result was 12.4 thousand hectares. LTD “Georgian Melioration” needs investment in the amount of 1 bln GEL for completing the outcomes, defined by the Action Plan (i.e. tripling the outputs of irrigated and drained area).

Despite the modest input indicators, the result indicators of ameliorated area across the country show a positive trend however the achieved values are still not high. The share of ameliorated area out of total drylands was 32% in 2014 and increased to 40% in 2016. For 2017 42% is planned. In Kakheti the indicator increased modestly by 1 percentage point from 17% (2014) to 18% (2016). In other regions the increase was more noticeable. During 2014-2016 in Imereti the share of ameliorated lands in Imereti increased from 29% to 43%, in Samtskhe-Javakheti from 24% to 53%, in Mtskheta Mtianeti - from 61% to 79%, in Kvemo Kartli from 49% to 61%, in Shida Kartli from 28% to 31%. The share of area protected from flood increased from 25% to 33% across the county with the noticeable improvement in Kakheti (from 9% in 2014 to 37% in 2016) and Guria (from 19% to 30% in the same period).

### 3.2 Improve Access to Finance

2016											
Measure	Budget Code	Name of the Budget Code	Target value; mln GEL (31.12.2016)	Budget Resources	Other	Actual Expense; mln GEL			Implementation Progress (%) (Based on December)		
						I half	II half	Total	I half	II half	Total
3.2 Improve access to finance (Agro-credit programme )	37 01 07 (2017 - 37 05 02)	Total Allocation for the measure 3.2	48,9	48,9	0,0	23,3	25,9	49,2	47,6	53,0	100,5

#### Allocation and expenditures

„Preferential Agro Credit Project” has started on March 27, 2013. Before launching the project the majority of financial institutions considered the sector risky and issued loans with high interest rates. The purpose of the project was to offer the opportunity for companies and individuals of affordable and long-term funds through co-financing the repayment of the interest rates of banks’ loans during 2 years.

The budget allocation was GEL 48.9 mln, while actual spending was GEL 49.2 mln, which is about 100%.

#### 2016 Implementation progress

During the reportable period about GEL 74 mln was spent in the national currency and about USD 52 million - in USD. The largest volume and number of loans were issued in Kakheti and Shida Kartli.

Region	GEL		USD	
	Number of	Amount issued	Number of	Amount issued
Adjara	6	265,000	15	652,700
Guria	10	348,800	10	1,044,800
Tbilisi	9	635,500	21	3,988,055
Imereti	69	4,357,442	58	2,612,049
Kakheti	543	47,088,705	400	26,534,747
Mtskheta-	27	1,233,500	20	1,624,553
Racha-Lechkhumi	4	430,000	8	464,170
Samegrelo	84	3,350,155	53	3,681,491
Samtskhe-	69	2,888,200	28	794,079
Kvemo Kartli	42	3,020,190	56	4,541,238
Shida Kartli	196	10,103,699	165	5,917,147
<b>Total</b>	<b>1,056</b>	<b>73,721,191</b>	<b>834</b>	<b>51,855,029</b>

14 new enterprises have been financed in 2016, out of which 4 in Kakheti, 3 in Shida Kartli, and 1 in each of the following regions: Adjara, Guria, Mtskheta-Mtianeti, Samegrelo, Samtskhe-Javakheti, Kvemo Kartli, Tbilisi.

The project aimed to improve the processes of primary agriculture production, processing, storage and sale. There were no result indicators presented by APMA – Agriculture Projects Management Agency, however according to the National Bank data, the loan portfolio for agriculture sector increased from GEL 56.5 mln in 2013 (the starting point of the project) to GEL 365.5 mln at the end of 2016.

### 3.3 Other Agriculture Programmes

Measure	Budget Code	Name of the Budget Code	Target value; mln GEL (31.12.2016)	Budget Resources	Other	2016 Actual Expense; mln GEL			Implementation Progress (%) (Based on December)		
						I half	II half	Total	I half	II half	Total
							<b>from code 37 01 and 35 05</b>	<b>Total Allocation for the measure 3.3</b>	<b>158,0</b>	<b>134,5</b>	<b>23,5</b>
<b>3.3 Other rural development programs</b>	37 01 05 (2017 - 37 06)	Agricultural Cooperatives promoting activities	<b>4,8</b>	4,8	0,0	0,7	1,8	<b>2,5</b>	14,1	37,5	<b>51,6</b>
	37 01 08	Supporting Spring activities vouchers for Small Land Owner Farmers;	<b>51,3</b>	51,3	0,0	44,9	6,4	<b>51,3</b>	87,5	12,5	<b>100,0</b>



37 01 17 (2017 - 37 05 07)	Co-financing agriculture products processing companies	14,4	0,0	14,4	4,7	3,7	8,4	32,6	25,7	58,3
37 01 14 02 (2017 - 37 07 04)	Agriculture Supporting Activities (GEF, IFAD)	3,0	0,3	2,7	0,5	1,6	2,1	17,3	52,2	69,5
37 02	Food safety, plant protection and episodic safety	29,6	24,3	5,2	14,9	16,9	31,8	50,4	57,2	107,6
37 03	Development of viticulture	44,5	43,9	0,6	3,4	40,7	44,1	7,6	91,5	99,1
37 04	Implementation of scientific research measures in agriculture	10,4	9,8	0,6	3,8	5,6	9,4	36,3	58,6	94,9

### Allocation and expenditures

The sub-measure supports competitiveness of the local small and medium scale farmers. In 2016 GEL 158 mln were allocated from the State Budget, GEL 150 mln were spent (95 %)

### 2016 Implementation progress

The status of the **agriculture cooperatives** has been granted to 436 agriculture cooperatives. Overall, as of the date, 1292 agriculture cooperatives have been registered throughout Georgia since the beginning of 2015. The most of them were in Samtskhe-Javakheti Region (355), Kvemo Kartli (214), Adjara and Kakheti (154).

**98 research projects** were completed in all the regions of Georgia, 50 of which were done in 2016. 241 hectares of **land demonstration plots** were set up in 2016, which is 2 times more than in 2015. Research and scientific studies, and adoption of new varieties and cultivars strongly supports the development of agriculture sector.

10820 food and agriculture enterprises were **monitored against food safety**. During 2 programming years there number achieved 19044 which is 2 more times higher than targeted 2015- 2017. Number of **tests** conducted for **food safety and quality control** done in 2015 (4220) and 2016 (3244) was higher than 2015-2017 target (3500). 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.

117 events were financed through **wine promotion campaign** in 2016 and totally, during 2 programming years – 156 events. It was almost 2 times more than targeted. As the result of those activities the geography

of Georgian wine abroad increased and includes such countries as Japan and China among others. After the drop of wine exports in 2015 caused by the external factors, its volume increased by 19% in 2016.

### 3.4 Develop the agriculture land market

2016											
Measure	Budget Code	Name of the Budget Code	Target value; mln GEL (31.12.2016)	Budget Resources	Other	Actual Expense; mln GEL			Implementation Progress (%) (Based on December)		
						I half	II half	Total	I half	II half	Total
3.4 Develop the agriculture land market		<b>Total Allocation for the measure 3.4</b>	<b>2,0</b>	<b>0,0</b>	<b>0,7</b>	<b>0,0</b>	<b>0,04</b>	<b>0,04</b>	0,0	2,0	<b>2,0</b>
	26 09	Development of Land Market (WB)	<b>2,0</b>	0,0	2,0	0,0	0,04	<b>0,04</b>	0,0	2,0	<b>2,0</b>

#### Allocation and expenditures

This measure is financed through the WB loan and implemented by the National Agency of Public Registry operating under the Ministry of Justice of Georgia. The budget allocation was GEL 2 mln and spending GEL 40 thousand.

#### 2016 Implementation progress

The measure aimed to contribute to the development of agricultural land market, promote consolidation of fragmented plots and increase investments in commercial agriculture. As a result of the implementation of the measure, in June 2016, 6 Legislative acts necessary for launching the State Project of Land Registration have been adopted, including 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". 12 settlements where the systematic land registration shall be conducted under the pilot Project were determined that should be considered as extremely important step towards the regulated land market in Georgia.

## 4.1 Tourism Development

Measure	Budget Code	Name of the Budget Code	Target value; mln GEL (31.12.2016)	Budget Resources	Other	2016			Implementation Progress (%) (Based on December)					
						Actual Expense; mln GEL			I half	II half	Total	I half	II half	Total
						I half	II half	Total						
4.1 tourism development promoting	24 05 02	Domestic tourism and marketing at international market	20,1	20,1	0,0	11,3	13,9	25,2	56,2	69,1	125,2			

### Allocation and expenditures

In 2016, the budget allocation was GEL 20.16 mln and spending was GEL 25.2 million. According to the information received from National Tourism Administration, since the necessity of additional funds aroused those were allocated from reserve fund of the government (about 5 mln. GEL) resulting in the increase of execution to 25% more than planned.

### 2016 Implementation progress

The activities under the measure included the following:

- Trainings of people employed in tourism sector were held in Ajara and Guria, Imereti, Racha-Lechkhumi, Mtskheta-Mtianeti, Kakheti, Samegrelo and Shida Kartli.
- Three tourist products and 4 minor infrastructures were created: hiking trails in Svaneti, Adaptation of Mtskheta Historical Monuments for Persons with Disabilities, constructions of double-sided illuminations in Kutaisi (Imereti), Ozurgeti (Guria), Akhaltsikhe (Samtskhe-Javakheti) and Kvareli (Kakheti), where the map is given showing your location, and installation of picture-frames in Gudauri (Mtskheta-Mtianeti) and Bakuriani (Samtskhe-Javakheti).
- Information Centers were established in Bakuriani and Poti (Samegrelo-Zemo Svaneti).
- Cultural and sports events related to the season opening in Bakuriani and Mestia were carried out. The World Run Marathon was organized in Kakheti with the support of National Tourism Administration support, and in Adjara was arranged the tour for accredited Ambassadors in Georgia. The Administration held the first Global Wine Conference in Kakheti. The press tours within the framework of "Get Acquainted with Georgia and be the Tourist of your Country" were arranged for Georgian media sources in the following regions: Kakheti, Samegrelo, Adjara, Guria, Svaneti, Mtskheta-Mtianeti, and Racha.

As the result of the activities provided under the measure in 2015-2016 the positive measurable results were achieved: according to the Administration data, the number of international tourists increased by 7% in 2015 and by 14% in 2016 (forecast) comparing with 2014. And as the indirect positive result of RDP, the total foreign exchange inflow into the economy from the tourism grew from USD 1.14 million to 1.17 million (Q3 2016).

## 5.1 Labour Market Demand Survey

2016											
Measure	Budget Code	Name of the Budget Code	Target value; mln GEL (31.12.2016)	Budget Resources	Other	Actual Expense; mln GEL			Implementation Progress (%) (Based on December)		
						I half	II half	Total	I half	II half	Total
5.1 Labour Market Demand Survey	35 05 03	Inspection of working conditions	0,3	0,3	0,0	0,1	0,2	0,3	17,5	0,0	17,5

The measure is a country wide but focusing on the situation in individual regions. The labour market demand survey has been prepared in 2015. Since the next study should be done in 2018, in 2016 and 2017 no further activities and spending are foreseen.

## 5.2 Rehabilitation of Existing Colleges

2016											
Measure	Budget Code	Name of the Budget Code	Target value; mln GEL (31.12.2016)	Budget Resources	Other	Actual Expense; mln GEL			Implementation Progress (%) (Based on December)		
						I half	II half	Total	I half	II half	Total
5.2 Rehabilitation of Existing Colleges, Construction, Equipment and Staffing of New Regional VET Colleges	32 06 02 02 (2017 - 32 07 02 02)	Infrastructure development of Educational and scientific institutions	10,0	10,0	0,0	3,6	6,3	9,9	35,8	62,7	98,6

### Allocation and expenditures

The measure aims towards extension of the existing network of VET colleges and equipping existing ones. In 2016, there were GEL 10 mln allocated from the while GEL 9.9 were spent.

### 2016 Implementation progress

In 2016, construction of 9 colleges was finished and 5 was in the progress, while the target was at least 1 in 3 years. 18 colleges were renovated in 2016, while 3 years target was 20. As of 2016 data by and in participation of the state 38 educational institutions operate in Georgia, which carry out vocational education programs (colleges and universities). In 2016 the rehabilitation/equipping works have been carried out in the following regions:

- Kvemo Kartli – 1 VET college
- Imereti – 1 VET college
- Kakheti – 3 VET colleges
- Mtskheta-Mtianeti – 3 VET colleges
- Racha-Lechkhumi and Kvemo Svaneti – 1 VET college
- Samegrelo-Zemo-Svaneti – 4 VET Colleges
- Samtskhe-Javakheti – 1 VET College

The medium-term result of the implementation of the RDP measure (5.2 „Rehabilitation of existing colleges, construction, equipment and staffing of new colleges and development of infrastructure”) is related to the increase of the number of VET students and the rate of employment of VET graduates. The number of enrolled VET college students is growing (in 2014 -9910 students; in 2015 - 10 273 students; in 2016 - 11 651 students), in addition the rate of employment of VET graduates has increased (in 2015 -47% (2014 graduates); in 2016 - 56% (2015 graduates)). In 2017 it is expected to increase the number of VET students at least by 5% compared to 2016 data.

### 5.3 Agriculture Related VET and Extension System

2016											
Measure	Budget Code	Name of the Budget Code	Target value; mln GEL (31.12.2016)	Budget Resources	Other	Actual Expense; mln GEL			Implementation Progress (%) (Based on December)		
						I half	II half	Total	I half	II half	Total
5.3 Agriculture Related VET & Extension Systems		Resources not listed in the State Budget; No budgetary code	1,8	0,0	1,8	1,4	0,0	1,4	78,1	0,0	78,1

#### Allocation and expenditures.

The project is funded by UNDP and the period of its implementation is 2013 – 2018. The first stage of the project covers the period of 2013-2016. For 2016, there were GEL 1.8 mln allocated and GEL 1.4 mln spent.

#### 2016 Implementation progress

During implementation of the project, the activities were transformed in the way that the main load falls on performing the activities supporting the institutions of vocational educational system (Ministry of Education and Science and vocational colleges). As well as, in the light of agriculture, it is directed to support the development of information-consulting services (Ministry of Agriculture and regional and district information-consulting offices).

In Samegrelo and Imereti Regions the 60-day modular training program was implemented for field consultants: 15 participants - in Imereti, 15 participants - in Samegrelo; in parallel, within the frames of the program about 400 farmers were provided with consultation on nut cultivation issues; 25 employees of information-consulting services passed a training course in presentation-communications skills. In

Samtskhe-Javakheti Region 4 demonstration plots were arranged; 16 field days were held; 290 farmers were provided with consultations on new technologies related to cereal and legume crops; 13 field consultants (agronomists) were retrained. In Racha-Lechkhumi Region one demonstration plot of legume crops was arranged; 5 field days were held; 30 farmers passed consultations on legume crops; 4 field consultants were retrained.

In the next few years these programs will be implemented directly by the colleges and not by the projects, and, consequently, it will be reflected in the allotments considered in voucher financing budget lines foreseen for vocational college attendees in the budget of the Ministry of Education and Science (the funds are already allocated).

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

2016											
Measure	Budget Code	Name of the Budget Code	Target value; mln GEL (31.12.2016)	Budget Resources	Other	Actual Expense; mln GEL			Implementation Progress (%) (Based on December)		
						I half	II half	Total	I half	II half	Total
5.4 Training of VET Teachers and Continuous Professional Development	part from code 32 02 02	Support to teachers professional Development	0,3	0,3	0,0	0,0	0,0	0,04	14,8	0,0	14,8

#### Allocation and expenditures

In 2016, total allocation from the State Budget was 0.3 mln GEL, but only GEL 44 thousand -(15%) was utilized.

#### 2016 Implementation progress

In 2016, trainings were held for the public vocational school teachers related to the introducing of modular teaching, inclusive professional development and pedagogy; trainings covered all regions of the country. The total number of trained teachers was 2235 in 2016.

By regions the highest rate of trained teachers is recorded in Kakheti region (17 training groups, 325 teachers) where besides of the planned trainings a pilot course in pedagogy for vocational teachers was held. E.g. the activities were underway in the public colleges of Samegrelo-Zemo Svaneti, Imereti and Shida Kartli regions (respectively 136, 119 and 104 teachers participated in professional development activities); in 2016 for the first time the professional development activities were carried out in Mtskheta-Mtianeti region, where a new public vocational school has become operational; In the trainings teachers from Samtskhe-Javakheti and Kvemo Kartli regions were actively involved. Within the program of the National Center for Teachers Professional Development relatively low activity was recorded in Guria and Racha-Lechkhumi and Kvemo Svaneti regions, where in each region there is only one public vocational college and they are not fully involved in the current activities related to the introduction of modular teaching in vocational schools.

## 5.5 Training of Public Servants in the Regions

Measure	Budget Code	Name of the Budget Code	2016								
			Target value; mln GEL (31.12.2016)	Budget Resources	Other	Actual Expense; mln GEL			Implementation Progress (%) (Based on December)		
						I half	II half	Total	I half	II half	Total
5.5 Training of Public Servants in the Regions		Resources not listed in the State Budget; No budgetary code	0,3	0,0	0,3	0,2	0,1	0,3	77,6	22,8	100,4

### Allocation and expenditures

The project is financed by UNDP. There was GEL 0.3 mln allocated for the measure and total amount absorbed by the program in 2016 is 100%.

### 2016 Implementation progress

Training session on the following topics was provided during 2016: Inter-Municipal Cooperation, Modern Management Methods, Internal Audit, and Legal Framework for LSG, Policy Analysis and Evaluation, Civil Servants Skills (effective communication and writing skills), Performance Appraisal, Project Proposal Writing. Program Budgeting, Regional Development and Strategic Planning, Civil Service Reform, Local Economic Development and Decentralization, Special Planning and Soldier recruiting.

Representatives of 76 municipalities participated in the trainings, 16 new training plans were worked out and 807 local public servants were trained.

As the result of the measure the share of the public servants received trainings on the abovementioned topics to the total local public servants increased from 6.5% in 2014 to 32% in 2016.

**\* Regional Development Fund**

2016											
Measure	Budget Code	Name of the Budget Code	Target value; mln GEL (31.12.2016)	Budget Resources	Other	Actual Expense; mln GEL			Implementation Progress (%) (Based on December)		
						I half	II half	Total	I half	II half	Total
Regional Development Fund	62 08	Fund of Projects to be Implemented In the Regions of Georgia	175,0	175,0	0,0	68,5	105,3	173,8	39,1	60,2	99,3

**Allocation and expenditures.**

The amounts from the fund are used primarily to cover the expenses related to basic infrastructural projects of local self-governments. There were GEL 175 mln allocated for the municipal projects in 2016, the spending was GEL 173.8 mln (99.3%) and 524 projects were funded.

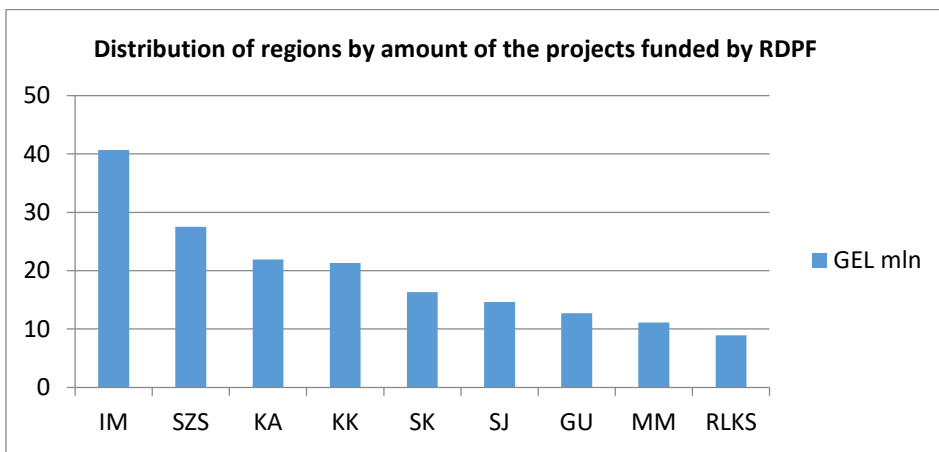
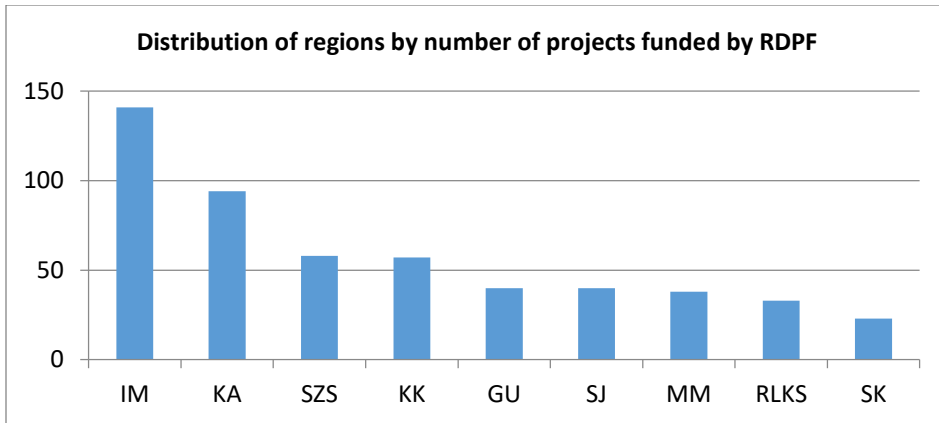
In February 2016 (differently that in 2015), the Fund allocated resources for the Municipalities to carry out the works related to the projects directly, and the Municipalities on their own expenses prepared the project-and-accounting documentations in 2015.

**2016 Implementation progress**

By December 31, 2016, the following works were completed:

- Construction/rehabilitation works of 432,6km road;
- Construction/rehabilitation works of 444,2km water supply network and arrangement of 18 infrastructural water supply facilities;
- Construction/rehabilitation works of 86 kindergartens;
- Construction/rehabilitation works of 12 sports facilities;
- Construction/rehabilitation works of 8 cultural facilities;
- Arrangement of 34,9km street lighting;
- Construction/rehabilitation of 11 bridges;
- Construction/rehabilitation of 2,4km riverbank protection systems;
- Construction/rehabilitation of 39,3km drainage system;
- Rehabilitation/roofing/arranging yards of 369 multi-apartment buildings;
- Construction/rehabilitation of 12,3km sanitation system;
- Construction/rehabilitation of 8 recreation facilities.





According to the data of December 31, 2016, the agreements were concluded on 523 projects for the total amount of GEL 174.7 mln. . With the savings generated as the result of tenders (GEL 22.5mln) the additional infrastructure projects submitted by the Municipalities were financed and the relevant corrections of the funds allocated under the Decree of the Government of Georgia have been made accordingly. Taking into account the a/m savings, in total 524 projects for the total amount of GEL 197.2 mln were funded.