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SDC

REVIEW OF THE

RURAL ECONOMIC DEVELOPMENT PROGRAMME FOR THE SOUTHERN REGIONS OF GEORGIA

FINAL REPORT

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MAP OF GEORGIA

Exchange rates as of 20 May 2014:

1 CHF = 2.0 GEL = 6.1 DKK = 1.1 USD

ABBREVIATIONS

CHF	Swiss Franc
DKK	Danish Kroner
EBRD	European Bank for Reconstruction & Development
EFSE	European Fund for Southeast Europe
EU	European Union
EUR	Euro
FIAB	Fund for Investment in Agribusinesses
GDP	Gross Domestic Product
GEL	Lari (the Georgian currency)
GEOSTAT	National Statistics Office of Georgia
ha	Hectare
IFC	International Finance Corporation
KK	Region of Kvemo Kartli
KfW	Kreditanstalt für Widerafbau
M&E	Monitoring and Evaluation
M4P	Make Markets Work for the Poor
MoA	Ministry of Agriculture
MRDI	Ministry for Regional Development and Infrastructure
MSME	Micro, small and medium-sized enterprises
MT	Metric Tons
NGO	Non-Government Organisation
PIC	Project Implementation Consultants
RAS	Rural Advisory Service LLC
RED	Rural Economic Development for Southern Regions of Georgia
RT	Review Team
SEAF	Small Enterprise Assistance Fund
SCO	South Caucasus Office (of SDC)
SDC	Swiss Agency for Development & Cooperation
SELF	Secured lending facility
SJ	Region of Samtskhe-Javakheti
SME	Small and Medium Sized Enterprise
TA	Technical Assistance
UNDP	United Nations Development Program
USAID	United States Agency for International Development
USD	US Dollar

EXECUTIVE SUMMARY

The Rural Economic Development for Southern Regions of Georgia Programme (RED) is now close to half way in its planned lifespan and has achieved significant results but also face substantial challenges. The two technical components on dairy and potato value chains are relatively advanced from a disbursement perspective and can demonstrate tangible outputs, whereas the third component on agribusiness finance is still having challenges both in terms of disbursements but, more importantly, also in terms of devising a robust and sustainable concept for pursuing the intended activities. However, all three components will need to adjust their approach, focus and partnering strategies. This mid-term review thus comes at a timely moment when adjustments can still be made to optimise project impact and enhance sustainability prospects.

Overall, the main forward looking recommendation is to increasingly change the role of the project from that of an implementer, institution builder and planner, towards that of a facilitator, capacity developer, connector and catalyser. This, with a view to make sure that the value chains are genuinely strengthened and based on sound commercial principles, and that the institutions supported are sustainable and managed professionally. This will demand that the project possess considerable change management capacity and embrace a redefined role where ownership and management of several activities is increasingly transferred to actors, organisations and institutions with a more permanent presence and incentive to continue the activities beyond the project lifespan. These actors can be private, public or a combination, the key issue being that the project will have to be realistic about its capacities, competencies and, above all, already now plan for a sustainable exit. There are promising building blocks in the two technical components on dairy and potato value chains, whereas the project will arguably need a more fundamental rethink of the agribusiness finance component. Below are the main findings, conclusions and recommendations relating to the three components.

Component A: Potato value chains: The project is focusing on strengthening the capacities of new service providers and collaboration with existing commercial farm service providers, primarily through a 'model farm approach'. 8 such model farms have been supported with consultancies, seeds and irrigation, exceeding USD 34,000 each. These are quite high investment costs, with limited replicability, and the review team (RT) would rather see these so-called 'model farms' as farm enterprises that may contribute to moving the value chains forward, rather than model farms, in the sense of others replicating the exact farming model. While the project states that productivity has increased substantially, the RT could not verify the integrity of the data, but would argue that investments are needed for making a more robust M&E system capable for credibly attributing such impacts. Furthermore, it is recommended that training interventions be made more demand driven and more adapted to the reality of the region's farmers (e.g. small and fragmented plots with few investable resources). More fundamentally, the RT recommends that the project accelerates efforts aimed at strengthening the linkages between service providers, producers and marketing companies, thus truly strengthening the critical value chains.

Component B: Diary and Livestock value chains: Again, the concept evolves around the 14 model farms, primarily dairies and dairy farmers, which have received substantial inputs in the form of TA and investments in equipment, amounting up to USD 115,000. As in the case of component A, the RT questions the replicability of the model both in terms of market de-

mand and in terms of finding actors capable of making such investments unsupported. Even more pronounced than in the case of the potato value chain, there is thus a need to view these dairies as *drivers* of value chains, rather than replicable models. Thus with the substantial grants now being disbursed there is a need to start focusing on generating sustainable systemic changes. Again, the RED team's way of intervening has to be that of a facilitator. This will also imply more focus on RED as broker between e.g. farmers and services providers and the RED should support the latter in developing training for farmers in relevant topics (e.g. silage and hay production). Finally, more *coordination efforts* with other initiatives and projects will be needed to improve the framework conditions for the actors in the dairy value chains in terms of e.g. property rights, infrastructure, water supply and electricity. Such effort should be developed together with projects being active in the related areas, as well as with the RED advisory committee.

Component C – Fund for Investment in Agribusiness: The fund for investments in agribusiness (FIAB) is registered as an NGO. A key objective is to provide matching grants for the dairy and potato value chains. The matching grants sub-component is somewhat misleadingly termed 'co-investments'. However, an additional sub-component has been developed, in the form of a revolving secured lending facility (SELF), providing secured bank lending to project beneficiaries. While not being termed so, it has many of the same attributes as a credit guarantee. Initially, it was designed to provide bank deposits as secondary collateral for individual loans, with banks taking first loss in the debtors' collateral. However, the design of SELF has changed with the facility now allowing the deposit to serve as *primary* collateral vis-à-vis the banks and up to 100% coverage. Only one loan has been 'secured' (i.e. guaranteed 100% by the project) until now, but promotion efforts are ongoing. It is the RT's opinion that the objectives of ensuring needed seed supplies has compromised basic financial sound practices and principles, such as not providing a 100% donor guarantee, obviously limiting the banks' incentive to undertake proper credit screening and risk assessment, which are some of the key purposes of having banks involved in the first place. The clients may also have less incentive to repay, as experience worldwide demonstrate that borrowers tend to know that donors (as opposed to banks) may be less likely to persistently pursue debtors and will eventually close their operations. All this tends to increase moral hazard. Moreover, there are close to zero chances of the FIAB and its SELF mechanism being sustainable under the current business model. The RT expresses grave reservations about this approach and recommends three immediate remedial actions: 1) *Instant cessation* of the issuing of 100% guarantees and SELF taking primary collateral; 2) Refrain from proactively promoting new SELF guarantees until a sustainable business model is identified and; 3) Initiate negotiations with appropriate, professional and specialised financial institutions to manage the bulk of FIAB's remaining resources. Hitherto FIAB has not been managed according to well-known guidelines and principles for strengthening financial services and it will be important that the project partners with institutions that are able to manage the financial resources responsibly and sustainably. This will require substantial changes to the modus operandis.

1 INTRODUCTION AND BACKGROUND

The Rural Economic Development for Southern Regions of Georgia Programme (RED) is a joint Danish-Swiss project promoting inclusive and sustainable economic growth in the two regions of Samtskhe-Javakheti and Kvemo Kartli in the south of Georgia. It supports relevant market actors in the potato and dairy value chains enabling them to get access to investment funds and to adopt efficient production, storage and processing technologies, thereby reducing production costs, increasing capacities and eventually getting better access to profitable markets. All this shall result in higher incomes and improved living conditions.

Three immediate objectives are guiding project implementation: 1) Increased productivity and profitability of seed and ware potato producers in Kvemo Kartli and Samtskhe-Javakheti ; 2) Increased productivity and profitability of commercial dairies and milk producers in Kvemo Kartli and Samtskhe-Javakheti and 3) Increased private investment in the potato and dairy/livestock value chains in Kvemo Kartli and Samtskhe-Javakheti. As a corollary the project is structured around there corresponding component of A) Potato value chains B) Dairy and milk value chains and 3) Fund for Investments in Agri-business (FIAB).

The project started in November 2012 and is expected to end in October 2016, being funded by Denmark (DKK 50m) and Switzerland (CHF 3m) totalling around EUR 9.2m. Overall responsibility of project implementation has been delegated to the SDC represented by the Swiss Cooperation Office for South Caucasus (SCO) in Tbilisi.

A mid-term review took place between 30 of March to 7 April 2014 and the review team (RT) visited stakeholders in Tbilisi, Kvemo Kartli and Samtskhe-Javakheti.[1] The overall objective of the review was to assess progress in implementation, the implementation strategy and the organization and management of the project, and based on this to provide recommendations for possible adjustments/improvement, derived from the lessons learned during the initial phase of implementation. Considering the changed framework conditions since the design of the project, the review was expected to pay special attention to the FIAB. During the course of its work in Georgia, the RT met with major stakeholders of the RED project. The mission programme included a 4 days field trip to the two regions of Kvemo Kartli and Samtskhe-Javakheti targeted by the project during which the RT had the opportunity to engage with a number of beneficiaries and project staff. On the final day of the mission the RT had a debriefing session with SCO and key RED project staff.

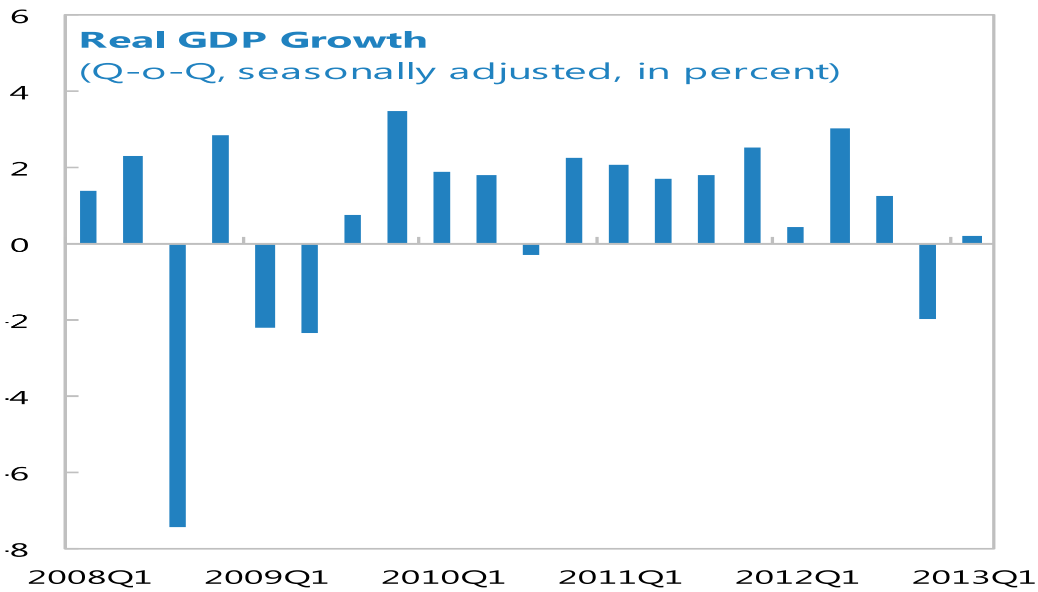
1 The review team comprised Jesper Ravn Hansen, team leader from Danida's technical advisory services, Urs Egger, value chain specialist, and Peter Frøslev Christensen, rural finance specialist. The views expressed in this report are the sole responsibility of the team and do not necessarily correspond with the views of the two donors (Denmark and Switzerland) nor the Government of Georgia. The team would like to thank especially the RED management team for its assistance in organising the numerous meetings and conversations with stakeholders.

2 POLICY AND SECTOR CONTEXT

2.1 Developments in National Environment and Policy Framework

Both the macro-economic context and the specific agricultural framework environment have changed significantly since the programme was designed in 2011-2012. This is partly due to the change of government in late 2012, partly due to a changing external environment.

Figure 1: GDP Growth (IMF 2013)



The macro-economic environment has deteriorated slightly in recent years. After growing at a 7% average annual rate in the years from 2001 to 2007, the economic crises and war caused a sharp contraction in the economy in 2008 and 2009, after which it staged a partial recovery. However it has slowed again since the 2012 due to election-induced political and policy uncertainty, government under-spending, and a weakening external environment (see figure 1).[2] Over the last two years, inflation has fallen steadily, while the real and nominal effective exchange rate have both strengthened. Despite decreasing slightly, from more than 16% in 2010 to 15% in 2012, unemployment remains high, especially in rural areas.

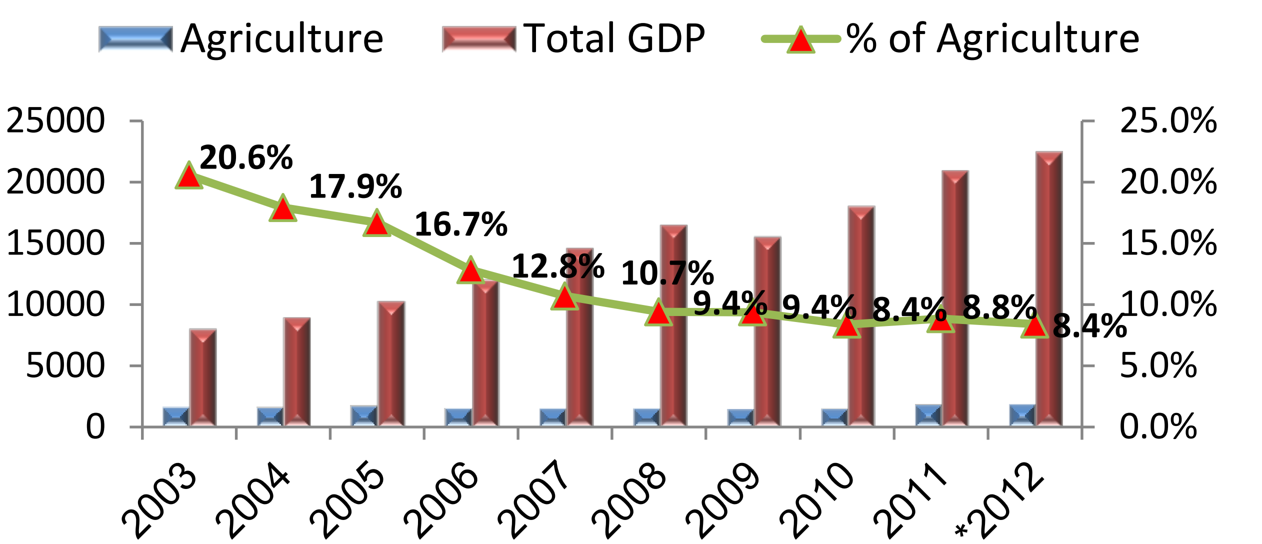
The 2012 parliamentary elections saw the peaceful handover of power to a new government committed to sustaining growth and making it more inclusive. The new government has made agriculture a core priority in its policy programme and launched several schemes that affect the RED. However, agricultural output has continued to decline as a share of GDP, while remaining broadly stable in absolute terms during the last decade, reflecting lack of investment and the impact of the 2006 Russian trade embargo, which has hit agricultural exports (including wine) particularly hard. As can be seen in figure 2 below agriculture constituted in 2012 8.4% of GDP, but it employed over half of the population, indicating low productivity which

[2] However the prospects are slightly better with the Asian Development Bank predicting that Georgia's economic growth will accelerate to 5.5% in 2014 and 6% in 2015, thanks to "greater political stability, better trade links, reforms to boost competitiveness, and improved investor sentiment' See ADB: Asian Development Outlook 2014.

in turn is partly a consequence of land fragmentation with the average farm in the having 1.6 ha divided into 2.4 parcels. Just over 1% of farms are over 10 ha.[3]

To increase inclusiveness, the new government aims to share the benefits of economic growth more widely, focusing on social protection, job creation, and agriculture. To support agriculture, the government has increased allocations in the budget and established an Agriculture Fund (privately funded, but from a foundation owned by the former Prime Minister). The government has also launched a private-equity co-investment Fund to stimulate private investment with a capital of USD 6bn, representing close to 40% of Georgia's GDP. While most is planned to be invested in infrastructure (e.g. a deep sea port), agribusiness will also benefit.

Figure 2: Agricultural GDP (MoA, 2013. 2012 provisional)



The government is improving irrigation infrastructure and trying to complete the land registry. The Agriculture Development Fund has distributed vouchers to small farmers to finance seed and fertilizer purchases. Though there have been reports of irregularities in the management of the voucher scheme, the result has been a doubling in the area of land under cultivation. In cooperation with commercial banks, the Agricultural Fund has developed interest-subsidy lending schemes for farmers and for investment in agro-processing. Agricultural interest subsidies are available for micro, small, medium and large-scale farmer and the agricultural portfolio of banks have more than doubled within one year but still at low level (now at around 3% of banks' lending portfolio).

2.2 Harmonization and Alignment

It is a key objective for both SDC and Danida to promote harmonisation and alignment to strengthen partner systems, reduce transaction cost of assistance and promoting development effectiveness. It is also a core part of the Partnership Agreement between Switzerland and

[3] See e.g. Lerman: 'Farm Fragmentation and Productivity: Evidence from Georgia'

Denmark governing the RED project.[4] However the RED is conceived as a conventional project with a project implementation unit and separate financial and management set-ups. Clearly, when working with the private sector (e.g. farms, agribusinesses and banks), channelling support through public systems may not be most optimal solution. Nevertheless, there are issues where the RT is of the opinion that more emphasis could have been on aligning interventions better with existing domestically owned institutions. One example is in the potato disease control and fight where the RED project itself has been very active in both disease diagnosis as well in curing and preventing new outbreaks. While it is obviously preferable to have the disease reduced, it is questionable whether the emphasis should have been on the project itself doing this, or more efforts should have been made to enable the National Food Agency (NFA under the Ministry of Agriculture) to improve its disease control and prevention capacities. The RT would tend to suggest the latter as the NFA is clearly mandated to undertake this task of disease control which is a permanent feature of Georgian agricultural, whereas the project will only be able to do this for two more seasons. Again the design of RED was a classical project set-up, but the current management could arguable be more proactive in changing its function from a direct implementer to more of a facilitator and value chain 'strengthener' which in turn would also improve sustainability prospects.

In terms of harmonising efforts with other actors, the RED project has some collaboration with the Market Alliances Against Poverty project, which is active in part of the same thematic and geographical areas as RED, but with a somewhat more micro-enterprise/farm focus. However, there are several beneficiaries that have received support from both projects and the risk of overlaps are clearly evident. More fundamentally the RT notes that the key local level coordination fora where both public, private and external development actors as supposed to liaise, the Advisory Committees in the two regions are only partially functional, potentially undermining coordination efforts (see also chapter 5).

2.3 SDC and DANIDA policies

Danida's overall development strategy is *The Right to a Better Life* which defines Danida's objective to combat poverty and promote human rights, democracy, sustainable development, peace and stability. Of the four key priorities in the strategy, 'green growth' is of particular relevance in this context, where Denmark commits to increase earnings and create more jobs, through *inter alia* innovative technological and financial solutions in the agriculture sector. The strategic framework for this area is entitled 'Growth and Employment 2011-2015' in which value chains are viewed as core ingredients for promoting the objectives of poverty reduction and income increases. In particular Danida states that it will seek to promote better linkage between primary agriculture, processing and manufacturing enterprises, service enterprises on both input and output sides, microcredit providers, banks and the public sector. Thus at objective and outcome level there is a high degree of consistency between the RED objectives and Danida's *thematic* strategies and priorities.

Geographically, Danish priorities and strategies are outlined in the *Strategy for the Danish Neighbourhood Programme* covering the period 2013-2017. The second of the two major objectives of

[4] In fact two of the three core objectives in the RED partnership agreement concerns harmonisation and alignment. See 'Partnership Agreement' 2011.

the strategy is: 'Sustainable and inclusive economic development, including private sector development aiming at promoting sustainable growth, skills development, job creation, energy efficiency and green technology.' In the neighbourhood strategy it is furthermore stated that especially micro, small and medium-sized enterprises (MSME) will constitute a key target group. Based on Danida's positive experiences with value chain approaches, it commits to continue support to MSMEs as parts of selected value chains with strong growth potential. In particular, MSMEs in agriculture and agribusiness will be supported due to the central importance of these sectors for the major part of the population, especially the rural poor. Thus there is also a robust alignment at objective level between RED and the neighbourhood strategy.

The goal of *Swiss development cooperation* is also that of reducing poverty. It is meant to foster economic self-reliance and state autonomy, to contribute to the improvement of production conditions, to help in finding solutions to environmental problems, and to provide better access to education and basic healthcare services.

SDC and the Swiss State Secretariat for Economic Affairs support Eastern Europe and the CIS in their transition to a market economy through know-how transfers and financial assistance. SDC has been active in the South Caucasus (Georgia, Armenia, Azerbaijan) since 1988, when it came to the aid of the numerous victims of the earthquake in northern Armenia. In the early 1990s, this cooperation stepped up its regional presence to help the victims of the territorial conflicts that erupted in the South Caucasus (Abkhazia, South Ossetia, Nagorno-Karabakh), forcing nearly 1.5 million people to leave their homes.

The largest of the 3 regional interventions domains in terms of funding is *Economic Development and Employment,* under which the RED project also falls. Building on the previous Swiss Cooperation Strategy South Caucasus 2008–2012, assistance from 2013 onwards will focus on market development for agricultural value chains with a stronger emphasis on enhancing vocational skills, improving the framework conditions for the financial and private sectors, and providing livelihood support to vulnerable population groups. A new domain on *Governance and Public Service*s has been defined which reflects the role of sub-national authorities in fostering regional development (incl. disaster management) and takes into account the transition agenda for delegating more competences to lower tiers of government, developing more democratic processes, and creating a more efficient and accountable state. Third, a new *Human Security and Protection* domain encompasses support to conflict transformation processes coupled with assistance to cover the basic humanitarian needs of vulnerable population groups which can be increased in case of conflict resurgence or a major natural disaster. Switzerland will focus its support on protection, confidence and peace building through mediation, facilitation and political dialogue.

2.4 The Rural Economic Development Project – RED

The project aims to strengthen the potato and dairy value chains through the introduction of modern technologies, business practices, marketing tools, public awareness/promotion and internationally-recognized quality standards. All this with the objective of enhancing the financial viability of the potato and dairy/livestock sectors, increase incomes and contribute to the economic development. The implementation of the project has been outsourced though a tendering procedure to the international Consortium of Project Implementing Consultants (PIC) consisting of NIRAS A/S (lead), CNFA and Mercy Corps, which was granted the implementation mandate in the spring 2012**.**

Based on the inception phase findings the project has been restructured into three components: A) Potato Value Chain; B) Dairy/Livestock Value Chain; and C) Fund for Investment in Agri-business. Further in the component C on investments in agribusiness an additional subcomponent was added, the secured lending facility (SELF), which was not envisaged in the original ProDoc. The interventions aim to strengthen the competitiveness of the selected value chains through managerial and technical advice supplemented with the improved access to capital for strategic investments under reasonable rates and terms. The program works with existing commercial service providers and enterprises to improve their capacity to deliver quality inputs, services and advice to farmers.

3 OVERALL PROGRESS AND MAIN ISSUES

The RED project has had some challenges in getting traction initially. In the potato value chain the project devoted quite considerable time to identify, control, fight and prevent plant diseases that were deemed critical.[5] Thus the planned value chain activities were delayed. In the dairy value chain progress has been better although the equipment purchases have also experienced some delays in part due to slow procurement and approval processes. However, component C is arguably the most challenged component both in terms of progression (with only limited disbursement) but, even more importantly, also in terms of approach adopted as will be argued below in the component specific reviews.

3.1 Component A – Potato Value Chain

Background and intervention strategy
This component aims to increase productivity and profitability of seed and ware potato producers by technical support on how to improve the husbandry and marketing of potatoes (both seed and ware potatoes). The approach is bottom-up: responding to real potentials and demand of the value chain actors; the main ones being commercial farmers and agribusinesses. The project aims specifically to strengthen the capacities of new service providers and collaboration with existing commercial farm service providers.

The RED team is implementing this basic strategy through the so called "model farm approach". Its basic premise is that farmers will be reluctant to innovation until they have seen concrete results on the field. Consequently, a real model farm has to show improved yields, lower production costs and better marketing results. In order to achieve these results 8 such model farms have received consultancies to use a rotation system on 4 ha each, with wheat, corn, onion, beet etc. according to the specific agro-climatic conditions at their locations. In addition to the consultancy, the model farmers also get financial support from RED on a grant basis in the first year as follows: Elite seed potatoes (imported) at the value of GEL

5 It is unclear to the RT if this focus was warranted both because the diseases were relatively well-known (to local stakeholders) and because it could be argued that RED should *facilitate* the mandated body for disease control (NFA) to address the challenge rather than doing it itself.

36,400 and an irrigation system at the value of GEL 20,000, combined totalling USD 34,000 per farm. All the running costs have to be covered by the farmers. In addition, they are obliged to offer visits to their plots for other farmers‘ training and provide information on their production for the next 3 years.

Key Achievements

Efficiency is best measured by yield and production costs. Both of these indicators are key factors in increasing private investment into the fresh potato supply chain. As stated above, the project initially and unplanned, focussed on disease management rather than planned production and post-harvest handling practices. RED has developed together with service providers and NFA a disease intervention program, which is now in place and could reduce the negative impact on the yields. Despite of these unexpected circumstances, the project nevertheless reports increased yields and production cost reductions. This is based on a baseline survey conducted by the project in which 130 people participated. Those who used the technical assistance and the early warning system of pest control benefited substantially compared to those who did not (21 versus 15 MT per ha). This is quite an achievement as the average for both regions is 10 to 11 MT per hectare, but arguably still within seasonal variations.[6] Production costs were reportedly reduced by GEL 133 /ha compared to a target of GEL 78. RED is calculating for its model farmers production costs per ha of GEL 10,000. However, the basis for attributing these achievements to the project activities (i.e. the M&E system) was not made available to the RT, and the integrity of the attribution claim is thus uncertain.

The seed potatoes are imported by Rural Advisory Services LLC (RAS), which is a private service and input supplier selling fertilizers, pesticides, seeds and related advisory services. RAS obtained a 100% loan guarantee from RED to pre-finance the seed potato import (see section 3.3) and has sold all of it on a contractual basis to farmers who get the seed against cash payments. Trainings visited during the mission showed the high competencies of the trainers (either from RAS or individually contracted by RED) and the interest of farmers. However it is challenging to gauge exactly how interested the farmers are and how demand driven the training is, as the project pays for the participants' attendance. Only when the results of year 2 are available will the project be able to document the combined impact of trainings, improved seeds and changed cultivation practices. However, it seems evident already now that farmers in the higher regions will try to multiply the elite seed for the next few years. Given the limited area sown with potatoes in Georgia (approximately 20 – 25,000 ha), the establishment of a domestic potato seed system would not be cost-effective. Hence, the decision of RED to support the import of elite seed potatoes is justified and will have to be repeated in the future, but respecting sound financial principles as detailed in the section on component C.

Key issues and challenges

A key challenge facing potato farmers is the lack of proper cold storage capacities and many farmers request support in this area. Nevertheless, such cold storages which allow to regulate temperature and humidity to guarantee good quality of seed and ware potatoes, should *not* be established at the level of individual farmers. Indications are that there are underutilised storage capacities in Tbilisi. Another key challenge is that of ensuring consistent brand and quality

[6] Based on the Georgian Statistical Office, GEOSTAT

recognition. Distributors could play a crucial role in developing the potato value chain in that respect as consumers prefer Georgian potatoes, but need a guarantee that varieties are not mixed varieties in bulk. Thus, a brand to be used in marketing could be developed by trading companies or retailors. Finally, there is a chips producing company being established in Tbilisi, demonstrating the potential for add value in this part of the chain. Processed potatoes could consequently be another area of support from the project, although there are only limited marketing channel for varieties used for chips production.

Recommendations
The RED's sequencing of interventions, i.e. first to improve potato production and then create consciousness around cost relevant factors, seems correct. Then 2014 season may further validate the relevance of this approach. However, the relatively high investment costs of USD 34,000 per model farm is problematic. One could have used considerably smaller plots as model farms. A 1 ha plot is closer to the reality of the majority of potato farmers. With the focus on one crop, it would have been better to talk about model *farmers* instead of model farms. Potatoes is only a part of the farming system. Operationally the training should hence become more relevant for the average farmer, as well as more demand driven, driving up quality. For training interventions it is hence recommended that:

- The content of the trainings should be adapted to the reality of small farmers. Trainings should not be offered with additional incentives unrelated to the subject (e.g. 'free' meals and transport), as the quality should be the main driver of participation.

Systemic changes in the potato value chain will arise if key actors are playing an active role in supplying branded and consistent quality produce to the major markets (mainly Tbilisi). On the input side this could be a service provider such as RAS. On the marketing side of potatoes, trading or packaging companies should be motivated to invest in the value chain. Such investments could be in grading, packaging and storing potatoes according to consumers' wishes. If these activities are taking place close to the potato farms, they may create jobs in remote areas. The RT is consequently recommending:

- The RED team should now focus its interventions on key actors in the potato value chain by bringing them in contact with the suppliers, with a view to improve consistency and quality of supplies. Tangible results should be achieved within 6 months.

The indicators given in the project reports (yields and production costs) should be put in a broader context. Yield and production costs may fluctuate from one year to another. Systemic changes have to be reflected in the indicator system (e.g. number of traders, collectors, service providers becoming active in the value chain). The RT is recommending:

- Review and adjust the M&E system with a view to be able to capture systemic changes in the value chains.

This will entail better attributing project activities to alleged outcomes, such as yields and costs. Obviously, care should be take to factor in seasonal variations, due to e.g. weather or wider macro-economic changes.

3.2 Component B – Dairy/Livestock Value Chain

Background and intervention strategy

This component intends to increase productivity and profitability of commercial dairies and milk producers by providing advice and guidance aimed at improving quantity and quality of raw milk and milk products. Dairy market development is more complex than supporting an agricultural value chain such as potatoes. The intervention strategy aims to work with farmers and enterprises engaged in commercial production, processing and marketing including strengthening the capacities of new service providers and better collaboration among existing commercial farm service providers.

The majority of dairy farmers in Georgia have small herds of 3-5 milking cows, which are grazing on predominately public owned pastures. Therefore, investments in improved soils and fodder production are rare. Grazing on public owned land by numerous farmers result in the spread of diseases, which are many in Georgia. This farming system is especially widespread in the RED-covered mountainous areas where privatised land only constitute 17% of total. Those farmers that do have registered land are having many small and fragmented plots, deflating their collateral value while inflating registration costs (each small plot needs its own registration procedure and associated costs).

The predominant Caucasus Brown Breed has a milk yield potential of roughly 4,000 kg p.a. According to project documents, this potential is substantially unrealised resulting in an average yield of only 1,300 kg. The major reason is lack of high quality fodder especially in winter and the natural calving rhythm with high milk production in summer. Artificial insemination is almost non-existing. The few semen portions available are all imported. No breeding policy exists. The few breeders trying to improve their herds genetically are working with Brown Swiss, which makes sense in the existing agro-climatic conditions.

The project design targets milk collection centres and cheese makers (up to 40 in total) that are supposed to be assisted in diversifying their produce, create local village cheese and other product brands and thereby ensuring their share of market in a situation where traditional cheeses might be made more and more by big dairies. Matching grants is supposed to help overcome the lack of investment resources. The introduction of pasteurization is a requirement for participation. Until now (April 2014) RED has supported 7 dairies, 6 dairy farmers (2 of them in combination with dairy processing) and 1 slaughterhouse.

The project design also targets farmers (up to 200) that would receive advice from project specialists. Especially the model farms would be getting large inputs of TA supported by investments. The individual farmers would also participate in common trainings and demonstrations. The service providers (veterinarians, veterinary shops, farm shops, farm service centres artificial insemination providers, feed stuff providers, fodder harvest service providers, machinery service providers etc.) will also be receiving TA and advice in hygiene, animal health and food safety to improve their competence to provide advisory services while selling their products and services. All of this is supported by co-financing investments where needed. The so supported model farms shall function as incentives for other farmers to replicate their experience.

Achievements
Results lag behind the plan, partly because it took more time than expected to establish the model farms due to the volume of construction work and the internal approval system. Each model dairy farm and plant selected obtained individually designed support to upgrade the facilities to comply with latest hygienic requirements. Beneficiaries have been required to make own contributions to the grants, mainly in the form of constructing premises for future training interventions. The beneficiaries will consequently establish a commercial training platform that will be critical to the future success of the program. Originally they were obliged to obtain commercial financing from banks for these investments, but this has subsequently been loosened. Most beneficiaries used the preferential loan program offered by MoA.

At the time of the review (April 2014), the dairies visited had finished, or were close to finishing, their part of the co-investments, in the form of construction of training facilities. The dairy equipment delivery will be completed in near future. RED's grant contribution goes up to GEL 200,000. The combined dairy farm and milk processing also receive hydrophonic containers (price GEL 25,000) for producing green fodder in wintertime. Again quite substantial grants at the individual dairy/farm level.

Key issues and challenges
The dairies visited are controlling the quality of the incoming milk but there is no payment system in place rewarding better quality (such as higher fat content). Therefore, farmers have few incentives for improving quality and unsurprisingly make few efforts to do so. Nevertheless they obtain prices close to world market levels (USD 0.45/l) but with seasonally differing prices (GEL 0.60/l in summer, GEL 0.80/l in winter). Since the available milk *quantities* are much more strongly fluctuating between summer and winter, the dairies do have problems to establish their own cheese brands, as that demands continuous supply. Only those of them having their own larger cow herds are able to guarantee a relatively constant flow of milk. These are consequently in a position to sell under their own brand (e.g. the dairy in Santa). Such larger dairy farms that are directly linked to or outright owning the processing capacities, do provide better qualities of fodder, especially in winter time, to ensure consistent quantitities and quality. How far these improved dairies will be able to collect more milk from independent, often small scale, cow farmers, will critically depend on training these farmers in cattle and fodder management, as well as providing appropriate incentives (incl. price incentives). Moreover, improvements in the fodder management is also conditional upon better defined and protected private ownership of pastures, as the current collectively owned practices discourage investments in the land.

Most dairies are experiencing robust demand for the products, particularly from customers in Tbilisi. The critical issue is that ensuring constant supply, especially in winter time. Whether they could develop other products such as butter, cream, other type of cheese is unclear since no market study for these products is available. There could be a potential, since consumers seem to prefer Georgian products.

The marketing of meat is supported by co-investing in one slaughterhouse in Aspindza. The self-sufficiency of Georgia in beef is relatively low. Hence, better fed cattle and specialised fattening units could offer opportunities for increased income in rural areas. The example of the slaughterhouse in Aspindza shows how such a key actor can open new marketing channels. The owner of the company is procuring animals through his network of active buying agents in the villages according to his demand, thus driving this part of the value chain.

Recommendations
The complexity of dairy and livestock development makes it necessary to focus interventions on specific challenges deemed of crucial importance. In this context the term "model farm" is somehow a misnomer. The 'model' established in the supported dairies can hardly be expected to be replicated in the area, as both demand and capital requirements would mitigate against this. Rather these dairies are key actors and drives in the value chain and they can play an important role in boosting consistent supply and quality in remote areas. Consequently, such dairies would be the natural provider of trainings to farmers delivering to them. Focus would then be on the requirements in terms of quality, quantity and seasonal consistency, rather than on replicating the model. RED would thus be contributing to the development in rural areas, but supporting key drivers (i.e. the dairies) in the chain. It is hence recommended to:

- Change focus to support the key drivers of the value chains and strengthen their ability to build more robust linkages with both suppliers and buyers. As a consequent, replace the term "model farms" by supporting dairies as "key actors in and drivers of the value chain" in training farmers as well as in marketing milk from remote areas. This focus should result in sustainable systemic change. As a corollary, the RED team's approach, with most of the hardware in place, should be that of a *facilitator* for value chain strengthening.

The second recommendation pertains to increasing milk yields. Improved breeds would obviously contribute to this outcome, but given the potential to optimise current production methods, this may not be cost-effective. Thus, the major constraint in the project areas is the insufficient fodder supply, which hinders realising the potential of the *existing* breed. Producing hay in areas with low milk density and selling in other regions could be a business model for service providers. The RT would recommend RED to focus on improving fodder quality:

- Develop together with service providers (e.g. RAS, other advisory services and privatized mechanization centres) trainings for farmers in silage and better hay production. When linking such service providers to farmers in the areas with key drivers, dairies should be in the focus of RED.

Making better use of pastures including the assignment of individual property rights hereof is a critical precondition for higher yields in fodder production. The recently started process of decentralization of political power should be used for supporting these institutional improvements.

- Work with other relevant actors in this area, to develop a strategy to improve the property rights, infrastructure such as roads to remote areas, water supply, electricity etc. according to the needs of key actors. Obvious partners could be the projects being active in the area of local governance, as well as with the RED advisory committees.

3.3 Component C – Fund for Investment in Agribusiness

Background and intervention strategy
FIAB is registered as an NGO with a matching grant facility, supporting the dairy and potato value chains with grants.[7] The matching grants are somewhat misleadingly termed co-investments, but it is RED that makes a grant subject to an investment by the grantee. However, an additional sub-component has been developed in the inception period, in the form of a revolving secured lending facility (SELF), providing secured bank lending to project beneficiaries. While not being termed so, it has many of the same attributes as a credit guarantee, but launching an outright credit guarantee scheme (which would probably have been the most appropriate instrument) is not attractive in the current fiscal regime, which treats guarantees as taxable income, rendering demand virtually non-existent. Clearly, the long-term and optimal solution to this challenge, is to enter into a policy dialog with relevant banking and taxation authorities to initiate reform promoting the development of a sustainable scheme that would allow banks to extend lending to clients that would otherwise not be able to obtain credits.[8] In the absence of the possibility to immediately launch an outright credit guarantee the RED programme has resorted to highly unconventional approaches.

The FIAB is intended to support the other two RED components by making access to finance easier with the grants also often being used as collateral or as further improving the banks assurance of the business case. More directly, the SELF has been created; initially designed to provide bank deposits as secondary collateral for individual loans, with banks taking first loss in the debtors' collateral. This also to incentivise banks to extend the reach in rural areas and to encourage them to adopt what programme management deems more realistic (i.e. higher) rural collateral asset valuations.

However, the context has changed substantially since the project was designed, not least as regards rural finance. The publicly subsidised preferential loan scheme for agriculture and agri-business introduced after the election of a new government in 2012, has offered substantial interest subsidies in some cases making real interest rates negative. Unsurprisingly, demand for credit has increased with banks' exposure to agriculture more than doubling within a year, albeit from a low starting point.

The design of SELF has also changed with the facility now allowing the deposit to serve as *primary* collateral vis-à-vis the banks and up to 100% coverage. In general, the conditions for SELF assistance will now be determined individually by RED, depending on negotiations with the client and the importance of the investments financed. These important changes have not been approved by the steering committee.

Key achievements
The FIAB has established itself as an NGO and is legally registered, allowing it to implement the planned activities. As concerns the grants (or co-investment funds), virtually all planned

7 FIAB's establishment as an NGO was also due to the ambition to have other donors and stakeholders contribute to the fund. However, this has not been forthcoming and given the current management and modalities of the FIAB, the RT doubts that such additional support will be forthcoming.

8 Ironically, the original project document had a strong emphasis on policy dialogue, but this has been reduced in later versions and in the actual implementation.

have either been disbursed already or has been committed, pending either SDC's approval or co-investments by the grantee or both. Beneficiaries have primarily been the 22 model farmers and dairies. Obviously, demand for grants has been substantial, but it would appear that the RED has made judicious use of the funding to target key actors in the value chains.

As for the SELF, demand for the product as originally intended has been somewhat weak, which may be the explanation as to why the criteria have been adjusted to become far more generous. Thus, there have been only one loan under the SELF mechanism and that has been under more concessional terms than originally envisaged. While the intention was that banks would assume primary collateral in the clients assets, this has, as described above, been changed to RED/SELF providing *its* deposits as primary collateral to the bank covering 100% of the loan, whereas SELF is now taking collateral in the client's assets. This has probably enabled the client, RAS, to obtain a larger loan than would otherwise have been possible and also lowered the interest rate to 7.5%, which is half of what RAS was previously charged by the bank for loans to seed imports. The loan facilitated by SELF has been of importance to the potato value chain in general and to potato farmers in particular. Through RAS, the potato farmers have access to higher quantities of imported elite potato seeds that, combined with the appropriate cultivation regime, will prove more resistant to diseases and increase yields. Imports of agricultural inputs such as seeds are not eligible to benefit from the government's interest rate subsidies. Up to USD 850,000 has been guaranteed in this loan, with RED taking collateral in RAS's assets (e.g. shops and seeds). RAS has also benefitted from the RED grants, in terms of irrigation equipment and free potato seeds. Further, RED is in discussions with one more major loan taker for a new SELF guaranteed loan. Finally, RED is actively promoting SELF towards small to medium scale farmers in two regions, encouraging them to apply for SELF assistance.

Key issues and challenges

The RED project has seen a changing context in terms of agricultural finance and has responded flexible, innovative and very unconventionally, introducing the securitisation of deposits that are collateral toward banks, which has not been tested in the Georgian market. Clearly, the only loan disbursed so far is probably going to have some impact in terms of improving yields, although the counterfactual scenario is difficult to assess (i.e. had the loan not been guaranteed, how much would RAS have imported and would competitors have stepped in). However, the objectives of ensuring needed seed supplies has seriously compromised basic financial sound practices and principles, such as not providing a 100% donor guarantee, obviously limiting the bank's incentive to undertake proper credit screening and risk assessment, which are some of the key purposes of having banks involved in the first place.[9] The client may also have less incentive to repay, as experience worldwide demonstrate that borrowers tend to know that donors (as opposed to banks) may be less likely to persistently pursue debtors and will eventually close their operations. All this tends to increase moral hazard.

[9] Indeed if the RED is providing 100% guarantees and also assume the role of credit and risk screening (which the annex D to the 2012-2013 annual report implies), then RED could in principle issue the loans itself thus earning the full interest rates. Leaving the challenges of obtaining a banking licences apart the review team would obviously warn against this, as the financial sector is best managed by professional specialised institutions (e.g. banks), rather than donor funded projects with multiple purposes, limited timespans and limited competencies.

Moreover, by assuming the responsibility for collecting the collateral and selling it, the RED project could find itself being in the position of having to ensure transfer of ownership of quite a diverse range of assets such as input supplies, shops, seeds, irrigation equipment, scattered land parcels in southern Georgia, vehicles and residential property. Monetising the assets can be complicated and challenging, as the markets for especially immovable property in these areas can be partly illiquid. It is also not evident that Danida or SDC would appreciate being owners of such assets.

While the lack of any firm 'model' of SELF provides significant flexibility in tailoring the guarantee product to the individual borrower's needs, it also increases the cost of negotiating, assessing and processing the applications, especially if the planned expansion to numerous small and medium-sized farmers continues. Moreover, the flexibility clearly also enables the project to violate key principles for financial sector support that both Danida and SDC have committed themselves to.[10]

Finally by assuming primary responsibility for repayments, the banks do not engage in rural assets valuation, nor in gaining exposure to monetize such assets in case of defaults, which were also key objectives of the scheme.

The high administrative cost also undermines sustainability prospects. Currently, the income of the SELF is the interest gained on deposits that are guaranteeing the loan, which is 3%. This is supposed to cover all administrative cost, inflation, repossessing and reselling costs and obviously any losses resulting from e.g. defaults. With only around CHF 1,8m for the SELF, the RT express concerns over whether this will be a sufficient volume to cover costs, even if the business model was viable and management had appropriate financial sector competencies. Also, given the untested and unconventional character of the SELF and its substantial risk exposure, it is unlikely to be able to attract additional funding from neither private nor public investors.

The idea floated that FIAB could convert bad debt into equity will also complicate the eventual exit similar to that of FIAB becoming owner of collateralised assets in case of defaults. With only 2½ years before project completion, it will be important not to enter into long-term obligations. Instead, the exit strategy should already now be clearly deliberated and planned as described in the recommendations below.

Recommendations
The SELF is now in the process of expanding the portfolio with one new major client being in negotiations and with promotion to numerous individual farmers. However, given the above mentions challenges the RT proposes that in the short term the following two recommendations be observed:

- New SELF guarantees should under no circumstances cover 100%, and preferably not exceed 50%.

While the RT agrees with the RED's assessment of the importance of getting potato seeds available, it should not compromise sound financial sector support practices. It is important

[10] E.g. in fora such as the Consultative Group to Assist the Poor (CGAP) and their principles for inclusive and sustainable finance.

that the institution specialised in assessing credit worthiness also has an incentive to do so and that the client know that the bank will pursue repayments / collateral in case of defaults or late payments. Also, RED should not be the one colleteralising the end-borrrowers assets, as this is best left to specialist institutions and expose Danida and SDC to major long-term risks. Thus the SELF model currently has major challenges and methodological uncertainties that necessitates the next recommendation:

- Refrain from proactively promoting new SELF guarantees until a sustainable and methodological sound model is identified or financial partner institutions are identified.

Currently there is no 'model' as such and with numerous farmers now expected to apply, the workload and administrative costs are likely to increase. It will be important to seriously consider how the financing aspect can be made sustainable and also consistent with sound financial practices. In the next six months RED should be able to present a more streamlined model for SELF that respects those principles.

In the medium term RED should be seriously considered to transfer the actual credit assessments, disbursement and collateralisation to institutions that are specialised in managing such technical details, and have a more permanent presence in Georgia, than a project such as RED has. Hence the third recommendation:

- Initiate, as a matter of urgency, negotiations with appropriate, professional and specialised financial institutions to manage the bulk of FIAB's remaining resources.

If and when agreed, negotiations should start within a month and be concluded within a year. The institutions could include KfW, SEAF, EFSE, IFC, EBRD or other financial institutions that can serve the target group and has the institutional set-up, competencies, volumes and human resources that can ensure higher sustainability prospects. The funding could then be used for e.g. credit lines for bank and/or MFIs, equity investment in larger companies or quasi–equity investment through e.g. SEAF. However this will not render RED assistance to ensure access to finance superfluous, but rather redefine it into a more appropriate role, as set out in the last recommendation:

- Increase efforts aimed at *facilitating* access to financial services from appropriate institutions rather than actually providing them.

RED should provide the rural value chain actors with facilitation services that can assist them in obtaining finance from MFIs, banks and equity investors. This could include assistance in filing an initial application, the development of bankable/investment worthy business plans, production of due diligence documentation such as debt verification, tax return data, tax obligation status, asset ownership verification and bank statements. With RED's robust knowledge of the beneficiaries' potentials and challenges, as well as the significant trust it has built in the areas, this constitute a solid platform for providing the needed guidance, advise and support that is necessary for successfully applying for financial services. The redirection of focus toward financial services facilitation should start as soon as agreed by the steering committee.

4 MANAGEMENT, TECHNICAL ASSISTANCE AND CROSS CUTTING ISSUES

4.1 Organisation and Management

Overall responsibility of project implementation has been delegated to the SDC represented by the SCO in Tbilisi. [11] The Steering Committee[12] is responsible for overseeing implementation including approval of annual work plans and progress reports. It was originally envisaged to have an Advisory Committee at the regional level[13]. Day-to-day management of the project, including the provision of technical assistance has been outsourced to a consultancy consortium led by NIRAS.

RED is primarily engaged with private sector stakeholders with the aim to support their investments in their enterprises with e.g. technical assistance, matching grants and access to credit. Consequently, it is important that the project is able to take decisions on the type of support they can provide within a relatively short period of time. If the project is unable to do that, there is a risk that intended beneficiaries might lose interest in participating in the project.

While it is beyond the scope of the present review to do a detailed assessment the administrative procedures of the project, the RT notes that the Project Implementation Consultants (PIC) view the current procedures for approving matching grants as not always being conducive for timely implementation. PIC is entrusted the day-to-day management of project but do require a "no objection" from SCO before they can make any commitments towards the individual projects that has been developed and negotiated with individual value chain actors. Delays in obtaining this "no objection" have, according to PIC, occurred and may partly explain some of the observed delays in project implementation. The RT do not see the need for the required "no objection" from SCO with respect to trivial activities that are already included and detailed in approved annual work plans. With the view to facilitate smooth project implementation, the RT recommends the following:

- The administrative procedures for the project be reviewed and adjusted, possible introducing thresholds above which SDC's no objection should be solicited.

The revision will of course need to be done with due respect to general SDC administrative rules and regulations. Finally it will also be important that the PIC obtains SDC approval when changing fundamental modalities of its products and services offered, e.g. if the SELF is no longer only providing secondary collateral or if banks are getting a 100% guarantee.

An *Advisory Committee* was originally planned to be established in each of the two regions i.e. Kvemo Kartli and Samtskhe-Javakheti. Biannual meetings were envisaged to be held. The overall role of these committees is to ensure compliance of RED interventions with regional priorities, coordination with and sharing of experiences with other relevant projects in the regions, and to provide guidance to the PIC on key interventions. The committee in Kvemo

[11] SCO has established an internal Project Coordination Team (PCT) to undertake monitoring of implementation including financial control and management of contracts).

[12] Consisting of the Ministry/Minister of Agriculture (Chair), Ministry of Regional Development and Infrastructure, Danish Ministry of Foreign Affairs (Office of the Neighborhood Programme) and SDC (SCO).

[13] With representatives of regional and local governments, NGOs, the private sector and relevant projects in the region(s). This committee has never met?

Kartli has never met. The understanding of the RT is that local political issues in Kvemo Kartli has been the main reason behind this. The committee in Samtskhe-Javakheti has held biannual meetings. In this context, the RT notes that it was originally envisaged that representatives of the regional authorities was to be members of the Steering Committee. With the view to have an efficient Steering Committee it was decided in the first Steering Committee meeting to exclude the regional authorities from the Steering Committee. Reports from the regional Advisory Committees would inform the Steering Committees about their position. To the knowledge of the RT no such reports have been prepared following the meetings in Samtskhe-Javakheti.

While the PIC may not find the Advisory Committees to very be useful as they already keep close contact with relevant stakeholders in the regions (regional authorities, representatives of local government in the targeted municipalities, the business community as well as other relevant projects), the *RT considers it important* that appropriate linkages to relevant regional and local authorities be maintained with the view to ensure that they learn from RED interventions. Furthermore, it is important that interventions complement and are coordinated with other similar project in the region, e.g. the SDC funded Alliances project with objectives similar to RED. Consequently the following recommendation is made:

- The regional Advisory Committee in Samtskhe-Javakheti be maintained and a similar committee to be established in Kvemo Kartli. Both committees should meet biannually and report their suggestions and advice with respect to the RED project to the Steering Committee for their consideration.

Monitoring and evaluation (M&E) is to a certain extend still under development and the RT has not been able to assess the integrity and robustness of the M&E results produced so far, in particular the assertion of RED's success in increasing yields and lowering production cost. However, it will be important to link the future revised M&E systems with the revised LogFrame (also currently being updated) as well as the indicators on the agreed recommendations of this review, including timeframes. If the steering committee adopts a more systemic approach (as recommended by this RT) to value chain development, the M&E system should also be adjusted accordingly to e.g. capture the linkages to the poor even though immediate focus/beneficiaries are middle sized/income farmers. The recommendation is thus consistent with the one made in section 3.1 that calls for a better M&E system.

Staffing and turnover. The RT has taken notice of the dedication, commitment and persistent effort by the project staff in securing successful outcomes of the RED programme. However, the RT also notices the relatively substantial turnover of staff with two component managers changing as well as change of deputy programme manager twice. While RED obviously should be allowed flexibility to adjust its human resources according to demand, it would appear that some consortia members are taking staff off the RED project in order to win bids for new assignments. This practice should be stopped and all consortia partner should refrain from reusing key staff to win new bids.

Coordinating projects being active in similar intervention areas is a general concern in international cooperation. RED has motivated the dairies supported to include training rooms in their buildings. This was done in expectation of vocational training activities of a UNDP implemented project. The vocational education training (VET) centers (colleges) might be making use of the rooms available in the RED supported dairies. The approach of the VET centers will define how useful such training facilities will be. Discussions among the two projects could clarify this use without mixing the separate outcomes. Also other SDC financed or co-financed projects planned in the Lesser Caucasus could be supportive to the RED interventions.

4.2 Expenditures and Budget

The guiding budget as adopted by the revised ProDoc and agreed with the Steering Committee is presented below in table 1:

RED Programme Budget	*Description*	*CHF*
Management	Incl. Gender, M&E, Logistics	1,668,721
Component A	Potatoes VC	1,487,887
Component B	Dairy/meat VC	1,937,777
Component C	Access to Finance (incl. Fund Mgmt.)	5,040,171
Total		**10,134,555**

This includes both the inception phase (estimated at CHF 536,600) and the implementation phase. The RT team has attempted to establish an overview of disbursed against the above table but the data received by the project is not directly comparable to the figures presented here (see Annex 3: Financial Table). However, based on conversations with project and SDC staff it would appear that the component A and B are disbursement wise progressing reasonably, as is the sub-component C on the accompanying grants to the two other components. The key challenge in terms of disbursement (and also technical soundness) is the SELF facility of CHF 1.8m which has only recently guaranteed a loan of USD 850,000 which is expected to be repaid shortly. Thus the limited disbursement in this sub-component, combined with the unsound financial principles pursued in the SELF set-up, calls for close attention being paid to make sure that it progress along lines that are following basic principles for good financial sector practices.

More generally, it will be important that more specific and informative disbursement tables and budget plans are made that can allow for a discussion of possible reallocations between components. The current information made available (e.g. Annex 3) is not a sufficient basis upon which to make informed choices in that regard.

4.3 Cross Cutting Issues

While no **Environmental** Impact Assessments (EIA) has been undertaken in conjunction with the support provided to the selected 'model farms', the RT notes that a number of the activities undertaken is likely to help overcome some of the potential environmental problems and contribute to an improved utilization of available resources and environmental sustainability. The improved soil and water management promoted under Component A (e.g. crop rotation, soil preparation, change from flood to sprinkler irrigation systems etc.), can be expected to contribute to improved soil quality and reduce erosion and use of water for production. Furthermore, it is the impression of the RT that effluent from the dairies supported under Component B is being treated and disposed of in a way that lives up to relevant national environmental legislation. However, in this context it is noted that any detailed assessment of how the dairies and slaughterhouses handle waste disposal has not been undertaken by the RT. With respect to possible hygienic hazards it is noted that the national legislation on food safety has been further developed over the last two years with the view to bring it in line with relevant EU rules and regulations. It is expected that local authorities in the future will perform a more rigorous control of whether dairies, slaughterhouses and other food processors live up to the new national legislation. If needed, the programme should consider supporting possible investments required by individual enterprises to fulfil the requirements of the national food safety and well as environmental legislation. Hence the following recommendation:

- The impact on the environment should be checked more regularly

Gender issues have not featured prominently in neither the design documentation, nor in the implementation. However, women are important actors in the dairy sector. They are involved on every level of the dairy value chain. Every intervention in the sector can be estimated from the gender perspective. Improved hygiene regulation, machinery systems, vaccination will be reflected on their everyday work load. The RED project will assure women's as well as the ethnic minority group representatives' participation in skills trainings. This is to empower and to equip them with skills that will enable them to be more in demand in the sector (potato or dairy) they are involved.

4.4 Risks and Assumptions

The ProDoc identified three major risks to the project. The first pertains to the risk of a slower than expected recovery of the Georgian economy, following the global financial crisis. Here, the recovery has indeed progressed slightly slower than the ProDoc envisaged, partly as a consequence of the political uncertainty arising from the parliamentary and presidential elections in 2012 and 2013. However, with markets now being more reassured of the new government's pro-market policies, investments and growth have picked up again.

The second major risk related to the possibility of a renewed outbreak of the conflict with Russia. The ProDoc argued that this risk was minimal and the new post 2012 government certainly has a less confrontational attitude towards Russia. In mid-April 2014 there was a round of talks between Russia and Georgia on the normalization of bilateral ties will be held in Prague. However, it is only a modest thaw in relations that has occurred under the current Georgian Dream government and, the risk remains that Russian political and economic pressure on Georgia will resume in 2014. Georgia is preparing to sign a free-trade and association agreement with the EU in June 2014, having initialed an agreement at a summit in Vilnius, the Lithuanian capital, in November 2013. Russia remains deeply suspicious of EU influence in the post-Soviet space, and relations between Russia and the EU have been polarized as a result of the deepening crisis in Crimea and eastern Ukraine, which the Russian Ministry of Foreign Affairs has blamed on Western interference. In the run-up to the Vilnius summit, Russia also began to erect barricades along the boundary of South Ossetia, in some cases moving the boundary south to expand the territory of the de facto state. The Georgian government and the EU condemned this "borderisation" policy. Further measures by Russia in this vein cannot be excluded, but outright war is still unlikely.

The final risk concerned the possibility of a deterioration of the relatively calm political situation. Here, the victory of Giorgi Margvelashvili, the candidate of the ruling Georgian Dream coalition, in the presidential election in October 2013 has brought to an end the period of disruptive cohabitation between the executive and legislature. This began when Georgian Dream defeated the United National Movement, the party of the then president, Mikheil Saakashvili, at the October 2012 parliamentary election. More political stability has also benefitted agriculture and several support programs are being rolled out.

At programmatic level the biggest risk is, in the RT's opinion, self-induced. The creation of SELF and the decision to allow highly risky and long-term commitments with FIAB having the responsibility for monetizing potentially highly illiquid collateral in various places in rural mountainous southern Georgia, is fundamentally flawed. Thus there is a risk that Danida and SDC may assume responsibilities for managing such bad loans and assets beyond the project period. Clearly the FIAB is not sustainable and have only very limited prospects of becoming so, implying that SDC and Danida will have to contemplate management in the post-project period. Perhaps more importantly are the risk of inducing a worsening credit culture in which banks have limited or no incentive to do proper credit screening and borrowers may, especially in the run-up to project closure, have limited incentive to re-pay.

The component specific risks are described in Annex 4: Risk and Assumptions.

5 PROCESS ACTION PLAN

Based on the findings, conclusions and recommendations in especially chapter 4, the following Process Action Plan has been made:

Activity[14]	*Deadline*	*Responsible*
Trainings should not be given with other incentives such as meals and transport allowances	Effect from 1 August 2014	RED
Training content of the trainings should be adapted to the reality of small farmers	1 October 2014	RED
Refocus interventions on key actors of the potato value chain by bringing them in contact with the suppliers	Results demonstrated on 1 January 2015	RED
Review and adjust the M&E system with a view to be able to capture systemic changes in the value chains	1 October 2014	RED, approval by steering committee
Replace the term "model farms" by supporting dairies as "key actors" in the value chain and adopt a facilitating role for the project	1 October 2014	RED, approval by steering committee
Develop together with service providers trainings for farmers in silage and better hay production	1 January 2015	RED
Engage with relevant partners to develop a strategy to improve the property rights, infrastructure such as roads to remote areas, water supply, electricity etc. according to the needs of key actors	1 January 2015	RED, SCO and other projects, RED Advisory Committees

14 Only those recommendations which are considered time bound are included in the Process Action Plan

New SELF guarantees should under no circumstances cover 100%, and preferably not exceed 50%.	1 July	RED, to be approved as a matter urgency by steering committee
Refrain from proactively promoting new SELF guarantees until a sustainable model is identified	Immediately	RED
Initiate, negotiations with financial institutions to manage the bulk of FIAB's remaining resources	1 July	RED & SDC
Increase efforts aimed at *facilitating* access to financial services from appropriate institutions rather than actually providing them	1 July	RED
Administrative procedures for the project be reviewed and adjusted, possible introducing thresholds above which SDC's no objection should be solicited	1 August	SDC, RED and Steering Committee
The regional Advisory Committee in Samtskhe-Javakheti be maintained and a similar committee to be established in Kvemo Kartli	1 August	RED
The impact on the environment should be checked more consistently	1 August	RED

ANNEX 1: TERMS OF REFERENCE

Terms of Reference
For
The external review of the project
“Rural Economic Development in the Southern Regions of Georgia” (RED) (7F-07941.01)

I. BACKGROUND INFORMATION

RED project is a joint Danish-Swiss funded initiative aimed at contributing to inclusive and sustainable economic growth in the regions of Samtskhe-Javakheti and Kvemo Kartli of Georgia. It supports farmers and other actors of potato and dairy value chains to increase competitiveness, enhance production and related service capacities. The project entered the main face in November 2012 and will last till November 1.2016

The Danish partner is the Danish Ministry of Foreign Affairs (DMFA) responsible for Denmark’s bilateral project for EU’s neighboring countries. DMFA delegated the execution of its project contribution to the Swiss Agency for Development and Cooperation (SDC).

The operational management of the RED project is entrusted to SDC’s Cooperation Office for South Caucasus in Tbilisi (SCO). The execution of the project is overseen by the project Steering Committee composed of representatives of the Danish Neighborhood Project, SCO, the Ministry of Regional Development and Infrastructure of Georgia, and the Ministry of Agriculture of Georgia.

The implementation of the project has been outsourced though a tendering procedure to the international Consortium of Project Implementing Consultants (PIC) consisting of NIRAS A/S (lead), CNFA and Mercy Corps, which was granted the implementation mandate in the spring 2012.

The project started with the inception phase involving the analysis of the economic opportunities in the target regions and certain modifications to the original project structure. The key stakeholders and potential partners of the project had been mapped. Market weaknesses were identified concerning the supply of inputs and services as well as stakeholder production and marketing capacities. Restricted access to financial resources for capital investment in productive assets was found to be one of the major obstacles for the actors of targeted value chains.

Based on the inception phase findings the project has been restructured into three components: A) Potato Value Chain; B) Dairy/Livestock Value Chain; and C) Fund for Investment in Agri-business. Program interventions aim to strengthen the competitiveness of the selected value chains through managerial and technical advice supplemented with the improved access to capital for strategic investments under reasonable rates and terms. The program works with existing commercial service providers and enterprises to improve their capacity to deliver quality inputs, services and advice to farmers. In the framework of the program a number of VC actors will be capitalized, to create “model farms” and “model enterprises” (i.e. commercially viable self-standing units), which are meant for demonstrating replicable management and processing practices to relevant stakeholders and familiarize them with the new technologies, inputs, storage and marketing tools. “The Fund for Investment in Agribusiness" (FIAB) has been created to allow secured sending facility[15] (SELF) scheme for VC actors and facilitate commercial borrowing for strategic investments. Co-investments grants have been used to leverage commercial investments and support efficient production and meet requirements of the tightening food safety regulations.

The primary outcome expected in Component A is the increased productivity and profitability of seed and ware potato producers in Kvemo Kartli and Samtskhe-Javakheti. This has been done through the improved inputs and post-harvest handling. Because of disease outbreak in the first year, the interventions also focused on pest control and disease management rather than improvement of production and post-harvest handling practices. Despite this the effect of the interventions was as planned: increase in yields and reduction of the production costs.

Component B aimed to improve productivity and profitability of the with dairy value chain. The project identified the model dairies and processing plants. Each one selected got individual design to modernize the facilities for hygienic requirement changes. The project has allocated co-investment grants for these purposes. Beneficiaries were required to meet co-investment grants conditions. This included commercial financing from banks. The program was able to recruit beneficiaries who secured the financing of the matching investments needed to establish the commercial training platform that will be critical to the future success of the program.

Component C aimed to provide access to credit to Components A and B that will result in the increased private investment in the potato and dairy/livestock value chains in the project regions. Though it is only a support activity to the technical assistance portion of the program, it is the critical link necessary to achieve the project's primary objective. The co-investment grant program and the SELF products are offered through the component. Bank already approved the loan under the SELF in the amount of 8,5 hundred thousand USD, which will benefit approximately 370 farmers. 700 metric tons of elite potato seed is to be imported with the help of SELF, which will be multiplied in consecutive years.
Under the co-investment facility contributions by the project have to come over time, portion by portion and mostly will be used for purchasing the equipment. Contributions are scheduled in allotments over two years.

From 2013 on the RED project has faced changed framework conditions manifested in various support schemes available from new Government, which made the agriculture a top priorities of Country's development Policy. These include the direct subsidies for purchasing the agricultural inputs, co-investment grants and interest rate subsidies for agricultural enterprises and primary producers. Ministry of Agriculture also facilitated hire purchase scheme which allowed zero interest credit for agricultural input buyers. There is a fundamental difference compared with the situation when the program was designed. Government's Agricultural fund was put in place with similar objectives and schemes the SELF was designed for. These changes may particularly affect implementation of the project component C. The issue was discussed during the project steering committee meeting. It was proposed to revise the SELF and consider the options for its modification for more efficient use under the changed frameworks conditions.

II. OBJECTIVE OF THE REVIEW

In view of the progress of the project, the lessons learnt and the changed framework conditions, SCO is going to commission external midterm review of the project which is to serve the funding partners and the Government of Georgia as a basis for possible program adjustments. The review is expected to critically assess assumptions made prior to the project

15 SELF - scheme through which the project funds serve as a secondary collateral to reduce the interest rates for agricultural borrowers

launch and methodologies applied by the Project to identify success factors, shortcomings and potentials for improvement. It is also to assess the system of the project implementation and provide recommendations for improvements.

The specific objectives of the exercise

- Review the progress made by the project against the operational plan
- Check the intervention logic with a focus on sustainability;
- Review the management system of the project (staffing, planning and implementation mechanism/relevance of the approaches used)
- Review the Communication and coordination with the project stakeholders (Government, donors, other stakeholders)
- Review the result monitoring and measurement system of the project
- Based on the findings draw the recommendations for improvements, with the focus on restructuring the project component C

The consultants will be expected to assess the project progress through the prism of the following criteria:

Relevance – to measure the extent to which the project interventions are suited to the priorities and policies of the Georgian Government, DANIDA, SDC as well as to the needs of the beneficiaries and target groups. The following can be considered to be guiding questions in this regard:

- To what extent are the objectives of the program still valid?
- Are the activities and outputs of the program consistent with the overall goal and the attainment of its objectives?
- Are the activities and outputs of the program consistent with the intended impacts and effects?

Effectiveness **–** to measure the extent to which the RED project activities attains its objectives. In reviewing the effectiveness of a program or a project, it is useful to consider the following questions:

- To what extent were the objectives achieved / are likely to be achieved?
- What were the major factors influencing the achievement or non-achievement of the objectives?

Efficiency - to measure the extent to which the outputs produced (and to be produced) by the project are adequate to the efforts made and inputs for the project implementation. The following questions are to be considered:

- Are the activities cost-efficient?
- Are the objectives achieved on time?
- Is the program or project implemented in the most efficient way compared to alternatives?

Impact - to measure the positive and negative changes produced (to be produced) by the project interventions, directly or indirectly, intended or unintended. This has to involve the main impacts and effects resulting from the activities. The examination should be concerned with both intended and unintended results and must also include the positive and negative impact of external factors, such as changes in terms of trade and financial conditions. The following are to be a guiding question:

- What has happened as a result of the program or project?

- What real difference has the activity made to the beneficiaries?
- How many people have been affected?

Sustainability – to measure the extent to which the project brings the systemic changes and the benefits are likely to continue after RED project has been withdrawn. The following are the questions to consider:

- To what extent did the benefits of a program or project continue after donor funding ceased?
- What were the major factors which influenced the achievement or non-achievement of sustainability of the program or project?

III. SCOPE AND METHODS OF WORK

The assignment shall be undertaken by a team of consultants, which will include: a) Expert on value chains b) Expert on finance and c) expert on management. Consultants will need to be in Georgia at the same time to coordinate their activities efficiently. The assignment will require a presence in Georgia for 8-9 days.

The team will make use of information given in the project related documents including the annual operational plan and progress reports submitted by the consortium. Field visits will be organized to the project sites to meet with the stakeholders and beneficiaries (farmers, input and service providers, FIs, other relevant market players).

The report will be expected to provide comprehensive review of the project through the prism of the following thematic topics:

- Livestock and dairy and potato value chains
- Access to Finance
- General Management/administration
- Monitoring and Evaluation
- Gender and Governance

The main tasks of the exercise can be summarized as follows:

a) Desk Research (analysis of the provided information)
   Relevant documentation includes:
   - Project Document
   - Written proposal on redesigning the component C of the project
   - Annual Operational reports
   - Swiss Cooperation Strategy for 2013-2016
   - Other relevant materials related to the domains of the project (Government's Strategy, Programs)

c) A briefing at Swiss Cooperation Office (SCO) in Tbilisi with the Regional Director and responsible Project Officer at the beginning of the mission to Georgia
d) Field trip to the Kvemo Kartli and Samtskhe Javakheti Regions
e) A debriefing at Swiss Cooperation Office in Tbilisi

IV. DELIVERABLES / REPORTING

The Review team is expected to produce the following deliverables:

1) Mission preparation note based on the key background documents
2) Debriefing note highlighting the key finding and conclusions of the field mission
3) Draft review report along with recommendations to be submitted electronically within 15 working days after the field mission

4) Final review report with recommendations to be written in English, Arial 11, standard margins, not more than 25 pages of main text plus annexes
5) Short photo protocol to be annexed to the review report.

V. TIMEFRAME

The assignment is expected to commence on 17 March 2014 in accordance with the following tentative schedule:

- 17 – 28 March: Study of background material, drafting of Mission Preparation Note, and participation in a video meeting with staff from SCO in Tbilisi (5 working days)
- 30 March: Travelling to Tbilisi (1 working day)
- 31 March – 7 April: Field work in Georgia and preparation, presentation and discussion of a Debriefing Note (8 working days)
- 8 April: Travelling back to Copenhagen (1 working day)
- April: Preparation of Draft Review Report to be submitted to SCO no later than 30 April (5 days)
- Mid-May: Finalization and submission of the Final Review Report based on comments to the draft report (1 day).

VI. THE TEAM

The team will be led by an adviser from the Technical Advisory Service (TAS), Danida (Ministry of Foreign Affairs of Denmark) and comprise two international experts:

a) Agricultural value chain development expert;

- Experience with external reviews in the area of rural market development
- Applied knowledge of agricultural value chains (meat and dairy and annual crops)

(b) Expert on finance

- Extensive knowledge of the financial sector
- Extensive knowledge on rural financial inclusion and agricultural VC finance schemes
- Experience with external reviews of the financial sector development projects

The Agricultural Value Chain Development Expert will be contracted by the Swiss Cooperation Office for the South Caucasus in Tbilisi and the Finance Expert will be contracted and remunerated by Danida in Copenhagen.

ANNEX 2: LIST OF PEOPLE MET & SCHEDULE

Institution	Title	Name
Ministry of Agriculture of Georgia	Minister	Shalva Pipa
Ministry of Regional Development and Infrastructure of Georgia	Minister	Davit Narmania
Ministry of Regional Development and Infrastructure of Georgia	Head of Self-Governance Development and Regional Policy Department	Giorgi Tsakadze
Agriculture Projects' Management Agency	Director	Giorgi Chkheidze
Agriculture Projects' Management Agency	Deputy Director	Archil Bukia
FAO	Chief Technical Advisor – Capacity Development of the Ministry of Agriculture of Georgia	Mark Le Seeleur
FAO	Deputy Team Leader – Capacity Development of the Ministry of Agriculture of Georgia	Lasha Dolidze
ProCredit Bank	Clients Relationship Manager – Head Office	Giorgi Tsaava
ProCredit Bank	Branch Manager – Central Branch	Giorgi Vadachkoria
KfW	Senior Project Coordinator – Business Area	Nino Shanidze
Carana Corporation	Component Leader – Restoring Efficiency to Agricultural Production (REAP)	Konstantine Kobakhidze
Carana Corporation	Access to Finance Specialist – Restoring Efficiency to Agricultural Production (REAP)	Paata Zakarashvili
CNFA	Deputy Chief of Party – Restoring Efficiency to Agricultural Production (REAP)	Louisa Namicheishvili
Swiss Cooperation Office for the South Caucasus	Regional Director South Caucasus	Rudolf Schoch
Swiss Cooperation Office for the South Caucasus	Senior National Program Officer	Beka Tagauri
Swiss Cooperation Office for the South Caucasus	National Programme Officer	Teimuraz Khomeriki

Rural Economic Development Programme	Component C leader/Fund Manager	George Tkeshelashvili
Rural Economic Development Programme	Team Leader	William R. "Rusty" Schultz
Rural Economic Development Programme	Deputy Team Leader	Nika Chimakadze
Rural Economic Development Programme	Dairy/Livestock Component Leader	Levan Kobakhidze
Rural Economic Development Programme	Dairy/Livestock Component International Expert	Matti Lampi
MercyCorps	Country Director	Irakli Kasrashvili
MercyCorps	Programme Director, Alliances SJ	Davidson Highfill
MercyCorps	Programme Director, Alliances KK	Helen Bradbury
Rural Advisory Service Ltd.	Director	Guram Jinchveladze

Program of the Red external Review Mission
March 30 - April 7, 2014

Sunday, March 30,	**action**		**Address**
16:25	Arrival, pick up from the airport	Mr. Jesper Ravn Hansen Mr. Peter F. Christensen Mr. Urs Egger	Tbilisi Int. Airport; Flight of the Turkish Airlines from Istanbul
18:00	Accommodation at the hotel **Holiday Inn**	Mr. Jesper Ravn Hansen Mr. Peter F. Christensen Mr. Urs Egger	Address: 1 Twentysix May Square, Tbilisi 0171, Georgia Phone:+995 322 30 00 99

Meetings with the agricultural sector Stakeholders

Monday, March 31,	**Meetings**	**Participants**	**Address**
09:00-10:15	Briefing at the Swiss Coof in the South Caucasus	SLF; TAGBE; TEMKH; Mr. Jesper Ravn Hansen Mr. Peter F. Christensen Mr. Urs Egger	Radiani str. 12 Phone: +995 599 13 19 60 teimuraz.khomeriki@eda.admin.ch
10:30 11:15	USAID/Restoring Efficiency to Agricultural Production (REAP)	Mr. Konstantine Kobakhidze TA Team Leader; Access to finance specialist Mr. Paata Zakarashvili	Kostava str. 41 (Mob: +995577 080007)
11:30 – 12:15	EU/ENPARD program	Mr. Goran Zivkov - Senior International Advisor	To be confirmed
12.30 – 13:00	Pro Credit Bank Georgia	Agricultural	To be confirmed
13:10 – 13:45	Lunch		TBD
14:00 – 14:45	Ministry of Agriculture	Minister Shalva Pipia	Marshal Gelovani Ave 6;
15:00 – 15:45	Rural and Agricultural Development Fund	Mr. Giorgi Managadze-Director	TBD
16:00 – 16:45	Agency of Management of the agricultural Projects	Mr. Giorgi Chkheidze - Director	Akhmeteli 10a; Tel: 995 577 992200

17:10 – 18:00	KfW – agricultural Finance Program	Mrs. Nino Shanidze – Senior Program Coordinator	Elene Akhvlediani Agmarti 4; Tel:+995322 55 0317
19.00	Restaurant Kopala at Rikhe		Restaurant Kopala at Rikhe

Visits to the Project sites

Tuesday, 1st April	**action**	**location**	**topic**
9:00	Departure from SCO	Tbilisi	
9:30 – 11:00	AGDA cooperative	Jorjiashvili	model dairy and dairy farm
11:30 – 12:15	Alliances KK	Marneuli	SDC funded M4P project office
12:30 – 13:30	Lunch	Marneuli	
13:45 – 14:30	DV plus Ltd	Ortasheni	potato demo plot
14:45 – 16:00	BMB Ltd	Ratevani	model dairy
16:30 – 17:30	Gantiadi 1 Ltd	Gantiadi	potato demo plot and storage
17:45 – 18:15	Bolnisi Sioni	Bolnisi	historical church
18:30	Arrival to hotel	Bolnisi	hotel German Mill
	Dinner		
Wednesday, 2st April	**action**	**location**	**topic**
8:00 – 9:00	Breakfast	Bolnisi	hotel German Mill
9:30 – 10:00	Farmer Gia Kordsadze	Kachagan	potato demo plot
11:30 – 13:00	Santa Ltd	Santa	model dairy farm and dairy
13:00 – 14:00	Lunch	Tsalka	
14:15 – 14:45	Farmer Jumber Bahuntaradze	Saktrioni	potato demo plot
16:00 – 17:00	Phoka monastery	Phoka	model dairy
18:00	Arrival to hotel	Akhalkalaki	Central hotel
	Dinner		
Thursday, 3rd April	**action**	**location**	**topic**
8:00 – 9:00	Breakfast	Akhalkalaki	Central hotel
9:30 – 10:30	Spasovka Ltd	Spasovka	model dairy
11:00 – 11:30	AAC Ltd	Khospio	potato demo plot, advisory
12:15 – 13:15	Meskheti product Ltd	Aspindza	model slaughterhouse feed lot
13:15 – 14:00	Lunch	Aspindza	
14:30 – 16:30	Vardzia	Vardzia	historical cave site
17:15 – 18:00	Alliances S-J	Akhaltsikhe	SDC funded M4P project office
18:00	Arrival to hotel	Akhaltsikhe	hotel Rabat
	Dinner		
Friday, 4th April	**action**	**location**	**topic**
8:00 – 9:00	Breakfast	Akhaltsikhe	hotel Rabat
9:00 – 9:30	Rabat castle sightseeing	Rabat	renovated castle area
10:00 – 11:00	Tsipora Samtskhe	Uraveli	model dairy
11:30 – 12:00	RAS Ltd	Akhaltsikhe	Rural advisory service provider
12:15 – 12:45	RAS Ltd	Tsnisi	potato demo plot
12:45 – 14:00	GBZ Ltd	Tsnisi	model dairy and dairy farm
14:30 – 15:30	Lunch	Borjomi	
15:30 – 16:00	Green monastery	Borjomi district	historical monastery
18:30	Arrival to Tbilisi		
18:45	Accommodation in the hotel	**Holiday Inn Tbilisi**	

Monday, 7th April		
09:00	Departure from the hotel **Holiday Inn Tbilisi**	Address: 1 Twentysix May Square, Tbilisi 0171, Georgia; Phone:+995 322 30 00 99
10:30	Debriefing at Swiss Coof; SLF; TAGBE; TEMKH; Mr. Jesper Ravn Hansen Mr. Peter F. Christensen Mr. Urs Egger	Radiani str. 12;
14:45	Departure for the Airport (Mr. Jesper Ravn Hansen Mr. Peter F. Christensen Mr. Urs Egger)	Tbilisi Int. Airport; Flight with Turkish Airlines Dep. at 17:15

ANNEX 3: FINANCIAL TABLE

RED Programme

Financial Table - customized format based on Danida form provided by Jesper Hansen, Review Team Leader, Apr 2014

The figures below include the budget and expenditures for the implementation phase only.

	RAM Table - RED	Total Grant as per Component Doc. (Total RED Programme Implementation Budget-11/1/12 - 10/31/16)	Total Disbursements as at 10/31/2013 AUDITED	Balance on grant as at 10/31/2013 AUDITED	Disbursement Budget (Nov 1 - Oct 31 each year)			Estimated Balance on grant [date]
					2013-14	2014-15	2015-16	
		A	B	C = A-B	D	E	F	G = C-D-E-F
					est as of 3/31/2014			
	Implementing Agency							
3.1	**Long-term experts**							
	Team leader	724,500	183,477	541,023	86,250			454,773
	Monitoring and Evaluation Specialist	168,000	47,455	120,545	19,773			100,772
3.2	**Travel expenses of resident expatriates and dependants**	17,352	2,892	14,460	0			14,460
3.3	**Expenses of foreign residence**	90,240	19,260	70,980	8,025			62,955
3.1	**Sub-total LT Experts**	**1,000,092**	**253,084**	**747,008**	**114,048**	**0**	**0**	**632,960**
3.4 / 3.5	**Short-term experts (Consultants)**							
3.4	**Short-term experts (Consultants)**							
	Gender Specialist	48,279	13,303	34,976	3,720			31,256
3.4	**Sub-Total ST Consultants**	**48,279**	**13,303**	**34,976**	**3,720**	**0**	**0**	**31,256**
3c	**Local support**							
3.6	Remuneration of national support staff (effective costs)	552,000	80,484	471,516	68,000			403,516
3.8	Purchase of equipment for Project Implementation Unit - PIU (effective costs)	11,350	7,145	4,205	1,500			2,705
3.9	Operating costs PIU (effective costs)	486,800	97,658	389,142	40,691			348,451
	Sub-Total Local Support Costs	**1,050,150**	**185,287**	**864,863**	**110,191**	**0**	**0**	**754,672**
	Total Implementing Agency:	**2,098,521**	**451,673**	**1,646,848**	**227,959**	**0**	**0**	**1,418,889**
	Component 1 (RED comp A)							
3.1	**Long-term experts**							
	Deputy Team Leader	110,000	19,563	90,438	8,151			82,287
	Potato Value Chain Specilaist	226,800	63,933	162,867	26,638			136,229
	Agronomist	105,000	19,886	85,114	8,285			76,829
	Potato Value Chain Specialist - Potato Monitoring	81,200	0	81,200	2,800			78,400
	PR Specialist/Event Planning	52,500	11,407	41,093	4,752			36,341
3.1	**Sub-total LT Experts**	**575,500**	**114,789**	**460,711**	**50,626**	**0**	**0**	**410,085**
3.4 / 3.5	**Short-term experts (Consultants)**							
3.4	**Short-term experts (Consultants)**							
	Potato and Marketing Specilaist	131,500	100,000	31,500	31,500			0
	Unallocated	160,000	51,000	109,000	66,000			43,000
								0
3.5	**Travel, accommodation and other**							0
	Potato and Marketing Specilaist	53,293	20,500	32,793	5,280			27,513
	Unallocated	57,580	20,415	37,165	10,890			26,275
	Insurance (comp A & B)	8,514	2,129	6,385	2,129			4,256
3.4 / 3.5	**Sub-Total ST Consultants**	**410,887**	**194,044**	**216,843**	**115,799**	**0**	**0**	**101,044**
3c	**Local support**							
3.6	Remuneration of national support staff (effective costs)	100,800	24,914	75,886	10,380			65,506
3.8	Project Vehicle	14,000	14,000	0	0			0
3.9	Operating costs PIU (effective costs)	0	0	0	0			0
	Sub-Total Local Support Costs	**114,800**	**38,914**	**75,886**	**10,380**	**0**	**0**	**65,506**
	Total Comp 1 (RED comp A):	**1,101,187**	**347,747**	**753,440**	**176,805**	**0**	**0**	**576,635**
	Component 2 (RED comp B)							
3.1	**Long-term experts**							
	Deputy Team Leader	110,000	19,563	90,438	8,151			82,287
	Dairy Value Chain Specilaist	226,800	64,064	162,736	26,693			136,043
	Dairy/Livestock Pr Specialsit	126,000	31,364	94,636	13,068			81,568
	Dairy/Livestock Pr Specialsit	105,000	26,136	78,864	10,890			67,974
	PR Specialist/Event Planning	52,500	11,407	41,093	4,752			36,341
3.1	**Sub-total LT Experts**	**620,300**	**152,533**	**467,767**	**63,554**	**0**	**0**	**404,213**
3.4 / 3.5	**Short-term experts (Consultants)**							
3.4	**Short-term experts (Consultants)**							
	Dairy and Food Safety Specialist	482,000	145,000	337,000	45,000			292,000
	Unallocated	160,000	44,301	115,699	15,000			100,699
				0				0
3.5	**Travel, accommodation and other**			0				0
	Dairy and Food Safety Specialist	121,683	23,925	97,758	7,425			90,333
	Unallocated	57,580	13,445	44,135	2,475			41,660
	Insurance (comp A & B)	8,514	2,129	6,385	2,129			4,256
3.4 / 3.5	**Sub-Total ST Consultants**	**829,777**	**228,800**	**600,977**	**72,029**	**0**	**0**	**528,948**
3c	**Local support**							
3.6	Remuneration of national support staff (effective costs)	100,800	24,914	75,886	10,280			65,606
3.8	Project Vehicle	14,000	14,000	0	0			0
3.9	Operating costs PIU (effective costs)	0	0	0	0			0
	Sub-Total Local Support Costs	**114,800**	**38,914**	**75,886**	**10,280**	**0**	**0**	**65,606**
	Total Comp 2 (RED comp B):	**1,564,877**	**420,247**	**1,144,629**	**145,863**	**0**	**0**	**998,766**
	Component 3 (RED Comp C)							
3.1	Long-term experts							
	Fund Manager	156,600	0	156,600	10,800			145,800
3.1	**Sub-total LT Experts**	**156,600**	**0**	**156,600**	**10,800**	**0**	**0**	**145,800**
3c	**Local support**							
3.6	Remuneration of national support staff (effective costs)	201,600	76,277	125,323	31,782			156,600
3.8	Project Vehicle	0	0	0	0			156,600
3.9	Operating costs PIU (effective costs)	0	0	0	0			156,600
	Sub-Total Local Support Costs	**201,600**	**76,277**	**125,323**	**31,782**	**0**	**0**	**469,800**
	Total Comp 3 (RED comp C):	**358,200**	**76,277**	**281,923**	**42,582**	**0**	**0**	**615,600**
	Programme Budget (RED Administrated funds)							
	Training for vaælue chain development	200,000	64,391	135,609	19,964			115,645
	Loan Programme	1,871,311	0	1,871,311	535,000			1,336,311
	Potato Value chain	842,090	0	842,090	535,000			307,090
	Dairy Livestock Value chain	1,029,221	0	1,029,221	0			1,029,221
	Co-Inveswtment	2,722,500	0	2,722,500	69,695			2,652,805
	Potato Value chain	964,042	0	964,042	36,684			927,358
	Dairy Livestock Value chain	1,808,458	0	1,808,458	33,011			1,775,447
	TV/Radio- Comp A	200,000	0	200,000	6,300			193,700
								0
	Unallocated funds (part of Admin Budget)	17,960		17,960	0			17,960
	Total Administrated Funds	**5,011,771**	**64,391**	**4,947,380**	**630,959**	**0**	**0**	**4,316,421**
	RED Totals:	**10,134,555**	**1,360,335**	**8,774,220**	**1,224,168**	**0**	**0**	**7,926,311**