



Investing in rural people

## Georgia

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### **Agriculture Modernization, Market Access and Resilience (AMMAR)**

#### **Supervision report**

#### Main report and appendices

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## Abbreviations and acronyms

AM	Aide-Mémoire
AMMAR	Agriculture Modernization, Market Access and Resilience project
APMA	Agriculture Projects Management Agency
AWPB	Annual Work Plan and Budget
CENN	Caucasus Environment NGO Network
CSA	Climate Smart Agriculture
CSAVC	Climate Smart Agricultural Value Chain
DA	Designated Account
DRR	Disaster Risk Reduction
EIT	Efficient Irrigation Technology
ENPARD	European Neighbourhood Programme for Agriculture and Rural Development
ERASIG	Enhancing Resilience Of Agriculture Sector In Georgia (GEF grant project)
EU	European Union
FY	Fiscal Year
GA	Georgia Amelioration company
GAP	Good agricultural practices
GEF	Global Environment Fund
GEL	Georgian Lari
GFA	Georgian Farmers' Association
GILMP	Georgia's Irrigation and Land Market Development Project
GoG	Government of Georgia
GMP	Good Manufacturing Practices
Ha	Hectare
HH	Household
IFAD	International Fund for Agriculture Development
IRD	International Relations Department
ISM	Implementation Support Mission
LR	Landscape Restoration
M&E	Monitoring and Evaluation
MFI	Micro Finance Institution
MoA	Ministry of Agriculture
MSP	Multi-Stakeholder Process
MTR	Mid Term Review
NGO	Non-Governmental Organization
PBAS	Performance-Based Allocation System
PDR	Project Design Report
PIM	Project Implementation Manual
RDA	Regional Development Agency
REI	Request for Expression of Interest
RIMS	Results and Impact Management System
SDR	Special Drawing Rights
SML	Sustainable Land Management
SOE	Statement Of Expenditures
SRM	Sustainable Resource Management
ToT	Training of Trainers
USAID	United States Agency for International Development
VAT	Value Added Tax

VC	Value Chain
WA	Withdrawal Application
WS	Watershed
WUA	Water Users Association
W1	Window 1 grant
W2	Window 2 grant

## **A. Introduction<sup>1</sup>**

1. The International Fund for Agriculture Development (IFAD) undertook the first supervision mission in July 2016 to review the physical and financial progress of the Agriculture Modernization, Market Access and Resilience Project (AMMAR)<sup>2</sup>. The project was approved in September 2014, with a loan amounting to US\$ 13.3 million. Counterpart funding amounts to US\$1.8 million. The financial package is complemented by grants - US\$ 5.3 million (Global Environment Facility - GEF) and US\$ 0.5 million (IFAD). It is expected that private farmers and agribusinesses will contribute an estimated US\$ 9.8 million. The project has been designed as a 4-year project, and came into force in May 2015.

2. The main purpose of the mission was to review the implementation progress of the various components and to assess the performance of implementation partners, as well as the financial management, procurement, monitoring, evaluation and knowledge management systems. The mission focused its attention on the coherence and overall coordination of project's interventions in the field of rural infrastructures, landscape restoration, climate smart agricultural extension services, agricultural investments (with the support of matching grants) and market access, to ensure that the project tackles critical constraints along the value chains, from primary production through processing, value addition and backward/forward market linkages. In particular, the mission assessed the gender and poverty focus of the project and the effectiveness of its targeting and gender mainstreaming strategies.

3. The mission held detailed meetings with AMMAR team implementing the project at the International Relations Department (MoA/IRD), and met with the representatives of the Ministry of Agriculture (MoA), the Agriculture Projects Management Agency (APMA), the Association of Microfinance Organizations, the Georgian Farmers Association (GFA), etc.

4. The mission also met target project beneficiaries for their feedback on identified challenges and investment needs at the different levels of their respective value chains (primary production, post-harvest handling, processing, marketing). To this effect, field visits were organized in Samegrelo, Shida-Kartli and Kakheti regions. The mission also interacted with the two major service providers (ELKANA and Caucasus Environment NGO Network - CENN) expected to provide technical assistance and other services under the programme.

5. This report summarises the mission's main findings and recommendations. The key issues and recommendations were discussed with AMMAR team during several debriefing sessions and formally presented to Mr Nodar Kereselidze, First Deputy Minister of Agriculture, at a wrap-up meeting on 21 July 2016. The issues agreed are documented in the relevant sections of the report. This Supervision Report will be followed by an IFAD management letter highlighting key mission findings and recommendations.

6. All mission members express their appreciation for hospitalities and courtesies extended by the Government of Georgia (GoG) in the conduct of the mission. Special thanks are given to AMMAR team for the assistance provided and their continued commitment to address the implementation challenges facing the project.

## **B. Overall assessment of project implementation**

7. The overall goal of the AMMAR project is to sustainably increase incomes and reduce poverty for women and men in rural Georgia. Its development objective is to stimulate private investments in climate-smart agricultural value chains to increase incomes and strengthen resilience of smallholder

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<sup>1</sup> Mission composition: The mission worked under the overall guidance of Ms. Dina Saleh, the Country Programme Manager and Mr. Vrej Jijyan, Programme Officer (NEN). The mission consisted of Ms Isabelle Lagaille, Team Leader and Rural Development Specialist; Mr Mawira Chitima, Rural Infrastructure Specialist (PTA); Mr Mohamed El Ghazaly, M&E Specialist; Mr Swandip Sinha, Rural Finance Specialist; Mr Bertrand Reyssat, Environmental Specialist (ECD); Ms Sara Lili, Finance/Procurement Specialist;

<sup>2</sup> This follows on two Implementation Support Missions that took place in February and April 2016.

farmers in selected project areas. The programme is expected to benefit around 10,000 households across the country with an initial focus on four regions<sup>3</sup> and seven value chains<sup>4</sup>.

8. The Supervision Mission's overall assessment of project performance is that it is **moderately satisfactory**. The implementation progress for AMMAR is lagging behind what has been planned for the AWPB for 2016. As of 30th June, 2016 the actual expenditures stand at 29% versus the planned budget for the first 2 quarters (approx. US\$ 205,000 against the planned US\$ 710,000).

9. The mission observed a lack of coordination within AMMAR team itself, combined with a clear need to work in a more cohesive manner between AMMAR team and its implementing partners. This is clearly reflected in the review of the status of actions agreed upon during the last implementation support mission (April 2016), whereby out of 12 actions, 3 were not performed and 2 partially performed. With regards to the approval of the grant manual and relevant financial procedures by APMA board, this suffered a 2 month-delay, but which was beyond the control of AMMAR team. To curb this trend and ensure optimum efficiency in project's implementation, the mission expects the VC Coordinator, who is also AMMAR Deputy Project Manager, to assume the lead technical role in the coordination process for all major interventions of the project, i.e. infrastructure development, land restoration, matching grant facility and training and extension, so as to ensure that the overall value chain development objectives are fulfilled.

10. Five sites have been identified in Shida-Kartli for irrigation rehabilitation, of which one is at tender evaluation stage and two will undergo detailed design in the forthcoming months. Another four sites have been identified in Samegrelo for road/bridge rehabilitation, while in the field of landscape restoration the project has identified one site in Shida-Kartli and two sites in Kakheti.

11. AMMAR's matching grants facility is now officially advertised on both APMA and GFA's websites. Three information meetings have been held in Shida-Kartli, Kakheti and Tbilisi and it is expected that the project will significantly increase its outreach in the forthcoming months.

12. The quality of the financial and administrative management is found **satisfactory**. The level of disbursement is currently extremely low and represents the major challenge on financial management, but it is merely a reflection of the delays in the implementation. With the exception of the advances to the Designated Accounts (DA), there has not been any other request from any of the accounts (loan, IFAD grant or GEF grant). The implementation of the total budget as at 30/06/2016 is at 5% of the planned amount: of the 2016 budget for US\$ 4.6 million (including expected beneficiaries' contribution and government funding), only US\$0.225 million has been spent.

13. The Monitoring and Evaluation (M&E) system for AMMAR has all the elements needed for an advanced M&E system. However, with the project in its early implementation stage it is yet to be seen whether the capacity of AMMAR team will allow for effective monitoring of the outcomes and impact of the different interventions.

14. **Likelihood of achieving development objectives. Rated as moderately satisfactory.** The development objectives for AMMAR are: i) 80% of supported households have real net household farm income increased by average of 20%, ii) Climate smart agricultural production practices are adopted by 50% of trained smallholder farmers, and iii) At least 4 Climate-Smart Agricultural Value Chains (CSAVC) are fully operational and maintain sustainability. At this early stage of implementation, it is not possible to assess the likelihood of achieving those objectives. However, it is expected that the mid-term evaluation (MTR), planned in 2017, would give a more reliable insight on whether these objectives will be achieved.

## C. Outputs and outcomes

15. In practice, achievement of the project's outcomes will be sought through the interrelation and complementarity of the processes, actions and investments to be executed under the established components and their respective subcomponents and lines of action, as follows:

Component 1: irrigation and agricultural value chain investment

- Subcomponent 1.1 – Irrigation and value chain infrastructure
- Subcomponent: 1.2 – Private investments in agricultural value chains

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<sup>3</sup> Shida-Kartli, Kakheti, Samegrelo and Adjara.

<sup>4</sup> Apples, peaches, persimmon, kiwi, bay leaf, vegetables and honey.



Component 2: climate-smart agricultural and value chain development

- Subcomponent 2.1 – Value chain development processes and support
- Subcomponent 2.2 – Climate-smart agricultural technology transfer

**Outcome 1: Rural population agricultural livelihoods is improved and their resilience to climate-change enhanced**

***Output 1.1 – Productive infrastructure are rehabilitated/constructed***

16. Demand-driven investments in infrastructure is planned for mainly in irrigation rehabilitation and road/bridge rehabilitation, as well as post-harvest and processing facilities in selected areas that have concentration of existing or potential primary production for crops of selected value chains. Infrastructure identification and selection was done through a multi-stakeholder process workshop in November 2015 for the prioritised regions of Shida Kartli, Samegrelo and Adjara.

17. In Shida Kartli, the infrastructure prioritised was improved irrigation systems in Gori municipality and storage and refrigeration facilities in both Gori and Kareli municipalities as a support to apple and vegetable value chains. A joint workshop was undertaken for Adjara and Samegrelo regions, and the infrastructure prioritised was mainly refrigeration and processing facilities in Kobuleti and Qeda municipalities (Adjara), and roads in Samegrelo region. A long list of potential projects was prepared through consultations with farmers and the respective municipalities. The longlist was reduced to a shortlist after removal of ineligible projects.

18. **Irrigation rehabilitation:** A total of 5,805 ha, with about 4,848 households (average 1.2ha/HH), have already been identified for rehabilitation in Shida Kartli region, Gori and Kareli municipalities (see table 1 below). The total amount for the investments is estimated to be GEL 10,595,000, with an average of US\$ 793 per ha. The project team used an objective ranking system to prioritise the irrigation schemes to be rehabilitated using the criteria indicated in the PIM and as was agreed in the previous mission in February 2016.

**Table 1 – List of irrigation schemes identified by AMMAR**

Municipality/ Village	Rehabilitation area (ha)	Number of HH	Av. Land holding (ha/HH)	Est. cost (GEL)	Est. cost (US\$)
<b>Gori</b>	<b>1,985</b>	<b>930</b>	<b>2.1</b>	<b>1,810,000</b>	<b>786,957</b>
Dzevera-shertuli (Lot III a)	1,985	930	2.1	1,810,000	786,957
<b>Kareli</b>	<b>3,820</b>	<b>3918</b>	<b>3.2</b>	<b>8,785,000</b>	<b>3,819,565</b>
Dzlevijvari/Alternatiuli	2,185	1920	1.1	5,500,000	2,391,304
Leteti	162	257	0.6	485,000	210,870
Skra-Kareli	263	596	0.4	350,000	152,174
Tashiskari	1,210	1145	1.0	2,450,000	1,065,217
<b>Grand Total</b>	<b>5,805</b>	<b>4,848</b>	<b>1.2</b>	<b>10,595,000</b>	<b>4,606,522</b>

19. The detailed design has already been conducted for Dzevera-Shertuli scheme in Gori; it received no objection from IFAD and is now at tender evaluation stage. As for the four sites identified in Kareli, the following recommendations have been agreed upon:

- AMMAR team proceeds to prepare detailed designs for Leteti and Skra-Kareli schemes. This will be accompanied by adequate detailed socio-economic baseline studies for the areas to be rehabilitated;
- AMMAR team undertakes feasibility studies for Dzlevijvari/Alternatiuli and Tashiskari before proceeding to detailed designs;

20. For subsequent schemes, full feasibility studies will be developed for the irrigation rehabilitation that is estimated to cost above US\$ 100,000. For irrigation rehabilitation estimated to cost less than US\$ 100,000, the feasibility studies can be combined with detailed designs;

21. **Feasibility studies.** The feasibility studies should, at the minimum, compute the return on investments while clearly outlining the following aspects: i) expected incremental income for farmers,

ii) expected incremental production for the target value chain crops, iii) expected marketing arrangements for the increased production, iv) required infrastructure and non-infrastructure investments for the required incremental crop production and v) operation and maintenance arrangements for the rehabilitated scheme. The feasibility study will also outline the required supporting infrastructure such as roads, storage facilities and institutional arrangements. Draft terms of reference have been developed that link irrigation infrastructure rehabilitation and access to markets, as well as identification of necessary support infrastructure and institutional arrangements. Any required processing facilities shall be subject to a separate feasibility assessment.

22. For the feasibility studies, it is further recommended that the project recruits a consulting company with (or that can mobilise) capacity to undertake agronomic, market access and financial and economic assessments. In addition to the engineers, the company will have a marketing specialist, agronomist, sociologist and agricultural economist as part of the team. The terms of reference for the feasibility studies have been developed and shared during the mission.

23. **Roads and bridges:** Four potential sites were identified for rehabilitation of roads and bridges in Samegrelo region. In Senaki municipality, 2 bridges and about 2500m of roads leading to 1400 trees and 4.5ha of persimmon (in about 6 villages with 1219 households) were identified. In Martvili Municipality, 3 bridges and 150m of road to be rehabilitated were identified. The four selected projects are estimated to cost a total of GEL 335,000, equivalent to US\$ 145,652 (see details in Table below).

**Table 2 – List of roads and bridges identified by AMMAR**

Municipality VC	Village	Numb. of HH	Action proposed	Est. cost (GEL)	Est. cost (US\$)
Senaki	Betlemi, Ushapati, Lenokie	366	- Dismantling of the damaged bridge and construction of new bridge which will connect the villages - Graveling of 800-1000m road	50,000	21,739
	Persimmon				
	Dzveli Senaki, Zeda Sorta, Zemo Kotianeti	853	- Dismantling of the damaged bridge and construction of new bridge which will connect the 3 villages - Graveling of 1500m village road	55,000	23,913
Martvili	Nagvazao	1350	- Rehabilitation of the damaged bridge that is the only connection for about 35 families	120,000	52,174
	Persimmon				
	Abedati	980	- Dismantling of damaged 2 bridges and construction of new bridges - Rehabilitation of 1 damaged bridge - Graveling of 150m village road - Construction of 2 culverts	110,000	47,826

24. It was agreed that AMMAR team proceeds to detailed design of all four projects, while at the same time strengthening their justification using a cost effectiveness approach for the assessment and prioritisation of roads and bridges to be financed by the project. Each road and bridge to be developed should indeed be justified with a clear rationale for its impact on the improved market access for prioritised crops. For example, the volume of persimmon and other crops that will access the market through the new bridge connecting the Betlemi (96 households) and Ushapati (270 households) villages in Senaki Municipality should be indicated. The impact of the bridges on the cost of transportation should also be indicated and used in the prioritisation of selection of roads.

25. **Value chain infrastructure (Storage and Processing facilities):** The project anticipates the possibility to invest in facilities that may largely be of a public good nature, such as testing laboratories and putting in place export market access protocols. This part of infrastructure development has not yet started. During the stakeholder workshops and the field visit by the mission, some farmers expressed the need for soil testing facilities in the regions, an indication that there is demand for such services.

26. AMMAR team should continue identifying possible infrastructure to be rehabilitated, to create a pipeline of alternative projects in case there are delays in the implementation of some of the projects. The pipeline projects should be at different stages of development, thus reducing pressure on design and construction companies. It is recommended that the simple checklist prepared by the mission be used by AMMAR staff for the identification of infrastructure, highlighting clearly among others the

technical and financial feasibility of the project and its expected impact on the target beneficiaries. Overall, this Output is rated as **moderately satisfactory**.

Agreed action	Responsibility	Agreed date
Use checklist for identification of infrastructure and land restoration sites (to be shared with CENN)	Engineers, VC Coordinator	Immediate & continuous
Finalise tender evaluation (seek IFAD No Objection) and Sign contract for construction of Dzevera-Skertuli	Project Manager, Procurement Officer	End of Aug. 2016
Recruit consultancy company to carry out feasibility studies for irrigation projects on a retainer basis.	Project Manager, Procurement Officer	Mid-Oct. 2016 (contract signed)
Prepare detailed design for Leteti and Skra-Kareli irrigation rehabilitation, accompanied by adequate detailed baseline socio-economic study	Engineers, VC Coordinator	Dec. 2016 (design ready)
Prepare feasibility study for Dzlevijvari/Alternatiuli and Tashiskari before proceeding to detailed designs	Engineers	Dec. 2016 (design ready)
Use a cost-effectiveness approach to assess the prioritization of roads/bridges to be rehabilitated	Engineers, VC Coordinator	Continuous
Prepare detailed design for all 4 sites identified in Martvili and Senaki, while at the same time providing further justification using above-mentioned cost-effectiveness approach	Engineers, VC Coordinator	December 2016 (design ready)

**Output 1.2 – Management and operation arrangements for the rehabilitated infrastructure are set-up**

27. The irrigation infrastructures to be rehabilitated include secondary and tertiary canals. In Georgia, the responsibility for headworks, main and secondary canals lies with the Georgia Amelioration (GA) Company. The responsibility for the tertiary canals was not clear, as field officers from the GA indicated that it is not part of their responsibility. The mission was not able to meet with the GA to discuss the operation and maintenance arrangements for the irrigation schemes.

28. The mission notes with concern the lack of clarity on the ownership and responsibility for the tertiary irrigation systems and the negative impact that this may have on the sustainability of the investments. As an intermediary measure, the GA will undertake full responsibility for the maintenance of rehabilitated tertiary irrigation systems. As a long-term measure, AMMAR should work closely with the World Bank financed-project, Georgia's Irrigation and Land Market Development Project (GILMP) for the development of Water Users Associations (WUA) to take over the responsibility of tertiary irrigation systems, where applicable. Farmers who benefit from rehabilitated irrigation infrastructure should commit to the maintenance of the tertiary infrastructure. This could be explored through the WUAs already established in these areas

29. The project is currently rehabilitating infrastructure that is considered of a public good nature. Roads and bridges are the responsibility of the municipalities and they will take care of operation, management and maintenance requirements. Hence, the selection of roads and bridges to be rehabilitated has largely been led by the municipalities. The set up for the management and operation arrangement for the rehabilitated infrastructure is rated as **moderately satisfactory**.

Agreed action	Responsibility	Agreed date
Obtain confirmation from GA on maintenance of rehabilitated irrigation network	Project Manager with support of Engineers	Sept. 2016
Explore best practices used by WUAs supported in the region by GILMP	Project Manager with support of Engineers	Continuous

**Output 1.3 – Landscape Restoration (LR) plans are developed and implemented where needed for rehabilitated irrigation schemes**

30. Landscape approach aims at screening the watershed to spatially coordinate erosion control and infiltration investment or practices to reduce risks upstream of the risk prone areas. These investments are usually coordinating multi-scale intervention to increase sustainability of erosion and risk control. This was a key feature of AMMAR GEF-financed components.

31. The mission noted that the landscape approach has been shifted by the service provider, CENN, towards a hotspot approach based on municipality demands to secure their co-financing. This is not a proper landscape approach but will nevertheless contribute to risks alleviation. To improve the quality of the proposals, the mission recommends to CENN: a) to ensure better connection to the

watershed perspective, b) to further explore bioengineering options as it is the added value expected from CENN, c) to build stronger economic rationale for protection investments and d) to deepen coordination with other AMMAR interventions. Thus, it is expected that CENN will improve the approach in the upcoming detailed design of the civil works. It is recommended that the checklist developed for infrastructure development be also shared with CENN and used for the selection of landscape restoration sites (with an additional focus on LR) as well as for quality check assessment of technical offers by AMMAR team.

32. Implementation of activities by CENN is delayed by 1 to 2 months jeopardizing capacity to implement all the planned land restoration investments foreseen in AWPB 2016. This is linked to delay partly in site identification and also weak landscape rationale of proposed investments. Four land restoration sites in four villages, out of a longlist of 40 projects have been identified. The list of projects was compiled from requests made by municipalities, and assessed by CENN (see table below).

**Table 3 – List of landscape restoration sites identified by AMMAR**

Region	Municipality VC	Village	Numb. of benef.	Problem	Action proposed
Shida Kartli	Gori Apple	Tirdznisi	50	The PataraLiakhvi river washed away 1 ha of land and threatens fruit gardens.	Build a river bank protecting structure
	Kareli Vegetables	Mokhisi - Kvenatkotsa	270	Floods from Cheratkheula river affect up to 300 ha of between the villages Mokhisi and Kvenatkotsa and in the settlement of IDPs.	A 7 km section of the riverbed from the village Gomi to the village Kvenatkotsahas to be cleaned.
Kakheti	Gurjaani Peach	Chumlaki	300	Flooding of 150-200ha	Cleaning of the river and gabions for about 200m
	Lagodekhi vegetables	Giorgeti	125	Flooding of 120ha	Cleaning of the river and gabions for about 400m

33. The mission noted that the unstable river banks at Tirdznisi and Giorgeti villages are much longer than is proposed for intervention. The Patara Liakhvi and Kabali rivers are unstable for over 1.5km in the selected sections. The proposed interventions may require significant infrastructure engineering for the river bank stabilisation and may induce costs higher than the budgeted amounts. Moreover, the mission and team decided that dredging operation is not eligible for AMMAR financing because of multiple risks (sustainability, legal, environmental). Further, cleaning riverbeds should avoid removing trees as it would increase flow speed and sediment movement.

34. The mission thus recommends that, due to the potential size of the interventions and dredging issues:

- CENN proceed to detailed engineering designs in Chumlaki and Giorgeti, while at the same time undertake a detailed assessment of the potential benefits to the prioritised value;
- CENN abandon Mokhisi project for large scale dredging issue and
- CENN assess costs for consistent protection in Tirdznisi as the mission noted that investment might be underestimated to have enough impact.

35. In general, the mission has recommended to do extensive use of bioengineering options to complement civil works and stabilize for instance the riverbanks. Maintenance of the bioengineering investment should be agreed with local beneficiaries prior to any investment works. The mission considers that the reduction of the number of current target sites from 4 to 3 can be accepted to secure impact if it appears that the Tirdznisi works are more expensive than initially planned in the AWPB (which has provisioned for US\$ 300,000 for 4 sites). The AMMAR project logframe has planned for 8 sites. Given budget allocation in project documents, information regarding the cost of CENN contract, information available regarding average cost per site (US\$ 75,000), this 8 site target still seems achievable.

36. Last, but not least, the mission is concerned by the fact that CENN have not provided their staff in accordance to the technical proposal upon which the contract was awarded. For instance, landscape restoration plans have not been prepared by the foreseen Engineers (Tchitchiko Janelidze,

Expert in Landscape Restoration, Sustainable Resource Management (SRM) and Disaster Risk Reduction (DRR) and Grigol Deisadze, Expert in Landscape Restoration), but rather by Ms Vika Galumova who is not supposed to be part of CENN team, and whose technical performance does not seem to be appropriate for this assignment. The mission wishes to emphasize the need for AMMAR team to make sure that all SPs adhere strictly to the terms of their contract. In the specific case of CENN, it was agreed that AMMAR team will request them to provide all key staff as per contract, and in accordance with the inception report submitted to MoA in June 2016. The performance of this Output is rated as **moderately satisfactory**.

Agreed action	Responsibility	Agreed date
Improve connection with Watershed (WS) issues in the upcoming restoration plans, to show added value of CENN	CENN supervised by GEF Coordinator and VC Coordinator	Aug. 2016
Improve overall approach through deeper coordination with other AMMAR interventions	CENN supervised by GEF Coordinator and VC Coordinator	Continuous
Request CENN to provide key technical staff (esp. landscape restoration engineers) as per contract	Project Manager	Immediate

## **Outcome 2: Inclusive climate smart VC are expanded providing improved market opportunities for smallholders**

### ***Output 2.1 – Climate smart value chain screening and prioritization are conducted***

37. The project has selected seven value chains through i) two stakeholders' workshops held in November 2015 (persimmon, peach, apple and kiwi) and ii) further identification of three value chains meant to ensure smallholder targeting and deliver quick wins (bay leaf, vegetables and honey). A general assessment of these value chains has been conducted by ELKANA, identifying the main bottlenecks and constraints affecting them. However, from the perspective of project implementation, more details would have helped such as identification of clusters with majority target group farmers, identification of specific agribusinesses and input suppliers which are present or have backward linkages in these clusters, and detailed mapping of these clusters to indicate the most advantageous locations for the AMMAR infrastructure interventions. ELKANA explained that the timeframe to implement the studies has been very short and that data was not always timely available.

38. It is recommended that given the limited implementation time remaining for the project, AMMAR team should proceed with the current data as is till the first round of window 1 (W1) and window 2 (W2) grant projects are selected and then implement the above-mentioned suggestions in the specific areas where the matching grant projects have greater concentration. Based on the findings of these studies stronger engagement should be pursued with the financial institutions and the agro-businesses that are more active in these locations.

39. From an environment perspective, through ELKANA, value chains (VC) have been targeted for Climate Smart Agriculture (CSA) and Efficient Irrigation Technologies (EIT) works, and some CSA and EIT options have been identified. Integrated Pest Management (IPM) and drying process are addressing growing constraints brought by climate and shall be then considered as CSA activities. The process of conducting climate smart value chain screening/prioritizing is rated as **moderately satisfactory**.

Agreed action	Responsibility	Agreed date
Expand capacity building follow-up of demo plots to increase impact	ELKANA supervised by GEF Coordinator and VC Coordinator	Immediate & continuous
Connect grant component and buyers needs to capacity building curricula such as post-harvest processes	ELKANA supervised by GEF Coordinator and VC Coordinator	Immediate & continuous
Ensure that the planning for next demo plot batches and training will be able to cover the whole production cycle	ELKANA	Winter 2016

### ***Output 2.2 – Commercial linkages between smallholders and agribusinesses are facilitated and strengthened***

40. Inclusive market development is at the core of the Project's intervention approach. Accordingly, the project staff has to work with primary and secondary actors –farmers, producers' groups, agribusinesses, key technical and other service providers– to tackle critical constraints along the

value chains, from primary production through processing, value addition and marketing. In this regard, the project must stimulate demand-driven increased private investment (by farmers, producers' groups, agribusinesses and service providers) in prioritized agricultural value chains that may offer attractive market opportunities and potential for competitive and profitable participation. Specifically, the project has to tackle actual and perceived risks to investment by all value chain actors. This will be achieved by providing packages of technical support alongside partial matching grants for private investments (farmers and agribusinesses – including cooperatives), and by facilitating commercial linkages between producers, buyers, processors and traders along selected value chains.

41. **Matching grants.** AMMAR's immediate rural financing needs are addressed through its matching grant windows for supporting relatively small private individual projects and larger SME interventions along the selected value chains. The project design and implementation manual clarifies that these matching grants should not compete with commercial loans from banks and Micro Finance Institutions (MFI) by supporting projects that otherwise can be easily financed fully through commercial loans. Thus, the grants are expected to finance innovations or early stage solutions to constraints and bottlenecks in the value chain that are adjudged as investable projects, but deemed too risky for full commercial financing from the onset. Also, the grants will only finance 40% and the beneficiary must finance 60% of the total project costs using personal funds or commercial borrowings.

42. APMA have been selected for implementing the grants. The information and mobilization of potential beneficiaries is to be made by APMA through MoA's Regional Centres, with the active support of ELKANA who have been specifically tasked to mobilize smallholder farmers potential eligible for W1 grants (primary production), and assist them in filling grant application forms.

43. During the course of the mission, the project team expressed the importance to further back APMA and ELKANA's work in this field, by hiring two part-time "Regional Coordinators" to be based in far-away regions of Samegrelo and Adjara. Not only will these coordinators be involved in grant mobilization, but they will also, from a wider perspective, assist the project team based in Tbilisi in a) mapping value chain actors in their specific regions with a particular emphasis on active producer groups/cooperative, buyers and processors, b) identifying potential areas of intervention in infrastructure rehabilitation and/or landscape restoration and c) monitor the activities of AMMAR's service providers (CENN and ELKANA), as an extended arm of GEF and VC Coordinators. As for Kakheti region, the mission recommends to explore potential collaboration with HEKS EPER<sup>5</sup>, who are quite active in the field of small-scale income generating interventions in rural areas. The cost of this additional support in 2016 in the three regions can be borne by the IFAD grant. In the fourth region of Shida-Kartli that is close to Tbilisi, AMMAR team will ensure direct monitoring and support.

Agreed action	Responsibility	Agreed date
Hire 2 part-time regional coordinators for Adjara and Samegrelo regions	Project Manager, VC Coordinator, Procurement specialist	Immediate & continuous
Explore opportunities to collaborate with HEKS EPER in Kakheti region	VC Coordinator	Immediate & continuous

44. **Involvement of commercial finance sector:** Although the importance of involving the commercial financial sector is recognized in the design, at present there are no clear responsibilities or allocated resources for fostering such collaboration by AMMAR team, leading to a gap in active engagement between the project and this sector. APMA itself does not have full banking and commercial financing expertise. However, the implementation of the matching grants is being mainly planned by APMA without active collaboration with financial institutions for undertaking promotions, screening of proposals, project appraisal and identification, systematic co-financing, follow-up, monitoring and replication strategies in each case. Although banks themselves may be willing to finance the 60% contribution, at this point they are passive actors. Smallholders expressed disappointment and feared they will not be able to access the grant as they did not have experience in linking with commercial banks for accessing subsidised loans. This can lead to low demand for the grants due to smallholders' failure to secure commercial loans to meet the 60% contribution, sub-

<sup>5</sup> <https://www.heks.ch/en/worldwide/europe/georgia/>

optimal project selection and poor replication of success stories due to gap in active involvement of commercial financial institutions.

45. The mission recommends that AMMAR team starts engaging Banks and MFIs by sensitizing them about the project objectives and explaining how the success stories from the matching grants can open new business opportunities for the commercial financial institutions in the rural space. Banks and MFIs can be actively involved in identification, mobilization and co-financing of the matching grant projects. They should also be encouraged to develop tailored financial products to support the replication of the grants and demonstration success stories, especially by AMMAR target group smallholder farmers. APMA should try to involve the 13 commercial banks partnering with its subsidy programme to participate pro-actively in a wider range of matching grants implementation activities as mentioned above. In addition, APMA should develop active collaboration with the Association of Microfinance Institutions of Georgia which can champion the new rural business opportunities created through the success stories of the AMMAR grant amongst member MFIs. Depending on the progress made in the areas of a) involvement of financial institutions in project identification b) securing co-financing arrangements with Banks and MFIs and c) interest generated amongst the financial community to witness and develop future business around the AMMAR success stories, the MTR may consider allocating resources for further strengthening these partnerships.

46. **Targeting the grants:** The loan ceiling for Georgian MFIs is GEL 50,000 and the average agricultural loan size of the members of the Georgian Microfinance Association was around US\$ 1,000 (GEL 2,000) at the beginning of year 2015. In comparison, the AMMAR W1 grant ceiling is US\$ 15,000 which translates approximately to project size of US\$ 38,000 (GEL 87,000) including beneficiary contribution and covers a wider range of investments. It is expected that the grants actually disbursed through W1 will be of much smaller size compared to the ceiling and will reach smallholder farmers, however, in the absence of packaged bank linkages it is relatively more difficult for smallholder farmers to mobilize the 60% cash contribution required to access the grant as many of them have not had previous experience of bank loans. This can lead to further exclusion of the smallholders from the grants.

47. The mission recommends that since at this stage the focus is on identifying early innovators who can implement innovative projects successfully they need not necessarily belong to the poorest layers. However, the grant selection committee should be sensitized about the targeting issues and encouraged to select beneficiaries cautiously with preference for candidates from the bottom economic layers. At Mid Term Review, based on the assessment of the type of grant applications received and supported in the first year, the targeting issue should be re-examined and fine-tuned.

48. The Grant Manual received no objection from IFAD in April 2016. However, the mission noted a number of discrepancies from the approved version such as inclusion of tractors, restrictions to cooperatives and acreage, restricted purchase of seedlings, widening up of potential exceptions, as well, the supervisory role of the AMMAR team is not explicit. The details of these anomalies will be communicated separately to the AMMAR team. Meanwhile, the mission expresses its serious concerns with the deviations that were effected after the IFAD No Objection has been provided. The AMMAR team have been advised on the importance of complying with the conditions of the No Objection otherwise, non-conforming expenditures will be deemed ineligible.

Agreed action	Responsibility	Agreed date
Submit a full translation of the Georgian version of the Grant Manual (including procedures), to be reviewed by IFAD.	Project Manager	Immediate
Any grant application involving investments in tractors to be submitted to IFAD for no objection prior to any grant approval	Project Manager	Continuous

49. **Grant appraisal process needs fine tuning:** Another area of attention is the standard simplified application form for all W1 grants which applies to all applications up to the US\$ 15,000 ceiling. While a simplified application form for relatively small grants can be justified to some extent, deeper analysis is required for larger investments to indicate the recipients' business character, competency and capacity to implement as well as to understand the feasibility, targeting, risks and compliance of these investments to the overall matching grants approach and guidelines. The mission recommends that though APMA can continue mobilisation of grant applications based on the current format, applications for larger and/or more complex projects should be subjected to further study and

analysis along the same lines as applicable for W2 grants, subject to further review at MTR. Overall, Output 2.2 is rated as **moderately unsatisfactory**.

Agreed action	Responsibility	Agreed date
Make sure that all stakeholders in the grant appraisal process pay particular attention to applications presented by the bottom economic layers	AMMAR team, with support from APMA	Immediate & continuous
Whenever SME projects are selected under W2, make sure that their smallholder suppliers are also given a chance to be supported through both W1 grant facility and ELKANA's extension services	VC Coordinator, with support from ELKANA, APMA	Immediate & continuous
Subject W1 grant applications for larger or more complex projects to further study and feasibility, capacity and risk analysis before final selection	APMA, in coordination with AMMAR team	Immediate & continuous
Support agribusiness associations and their members with exposure to the grant projects and demonstrations, to enable them witness how the bottlenecks/constraints in the value chains are addressed by AMMAR interventions.	VC coordinator, with support from APMA	Continuous

### ***Output 2.3 – Training programmes on CSA are designed and delivered to farmers and farmer groups***

50. Based on field studies, ELKANA has identified specific training packages for each VC: pruning, drip irrigation, organic fertilizers, bio pesticides, disease control, storage and drying, soil preparation and frost protection. Given the climate constraints and market drivers, the mission considers these proposals as very relevant but recommends considering complementary on-plot demonstration related to market access (packaging, calibration, etc.) reflecting aggregators' needs at the local level. The capacity building curricula should better consider compliance with market needs and link the overall small and large size grant activities in AMMAR. Regarding organic agriculture, ELKANA clarified that this will aim at reducing input cost, thus the project will not foresee certification process as the market for organic products in AMMAR's target zones has yet to surface.

51. Policy related works will answer climate mainstreaming needs in the national agricultural policy but timeframe for implementation is longer than expected (10 months). Training programmes on CSA is rated as **moderately satisfactory**.

### ***Output 2.4.- On-farm demonstration sites are set-up where efficient irrigation and CSA production systems are validated and promoted***

52. The demonstration plots aim at showing in real condition the added value of technical and managerial practices, and how to properly implement them. The demo plot is installed in the cropland of a volunteering farmer and is visited by trainees for practicing techniques, ask for advice from the lead farmer, and witness the impact by themselves. They need initial investment, access facilities and regular follow up to ensure that demonstrations' implementation are consistent with technical requirements beyond the training session. It is expected that these new techniques will generate demand for investment, which will be addressed by the grant component of AMMAR.

53. Implementation of activities by ELKANA is delayed by around 1 to 2 months which will limit demonstration opportunities (the set-up of the demo plot is on-going while the irrigation and harvesting season are very close). This delay is mainly linked to the late start-up of ELKANA's contract.

54. Based on field studies, ELKANA has identified specific training packages for each VC: pruning, drip irrigation, organic fertilizers, bio pesticides, disease control, storage and drying, soil preparation, frost protection, mulching. Given the climate constraints and market drivers, the mission considers these proposals as very relevant but recommend considering complementary on-plot demonstration related to market access (packaging, calibration, etc.) reflecting aggregators' needs at the local level.

55. Regarding zoning of demo plots, choice will not be made only upon technical expert recommendation but also upon wide consultation with AMMAR team, and taking into account proposed dimensions in the field of rural infrastructures, landscape restoration and grant financing opportunities to ensure consistency with the whole project environment (complementarity with other actions, anticipate connections with aggregators, access to grant packages, etc.).



56. The mission agreed on start-up of 4 demo plots this year: apple (Gori or Kareli municipalities in Shida-Kartli), kiwi (Kobuleti or Khelvachauri in Adjara), persimmon (Martvili or Senaki in Samegrelo) and peaches (Gurjaani in Kakheti). It has been agreed that these four first demo plots will proceed in two phases: the first phase in 2016 for installing irrigation material, pruning, and starting training and demo on post-harvest management when seasonality allows. The second phase of training and demo will be started in spring- summer 2017 and then cover the whole cropping cycle, from production to harvest.

57. Follow-up of the demo plots by the service provider is a very important point to check or also for adjusting improvement in the practices by farmers. The current approach aims to train 100 farmers per demo plots. ELKANA plans to deliver this in batches of 25 trainees each. Given other experience and the need to visit regularly the demo plot, the mission sees this as a very ambitious target. The mission considers that covering 2 cropping cycles in terms of technical follow-up will increase significantly the chances of success and adoption rate.

58. **Financial and marketing actors should be exposed to the demonstrations:** AMMAR plans to implement 10 on-farm demonstrations and train 1,000 farmers through ELKANA to showcase improved crop management practices and technological interventions for increasing income. The successful demonstrations accompanied by the farmers' training are expected to increase the demand for adopting these technologies and agricultural practices. However, at present mechanisms for ensuring the supply of appropriate financial products to support the adoption of these interventions are lacking. Similarly, there is a need to address market linkage issues around the demonstrations to assure that additional production from large-scale adoption of the interventions will not suffer from marketing problems. Gap in attention to either of these areas can affect the long-term sustainability of the programme.

59. The mission recommends that AMMAR team along with ELKANA should coordinate with financial institutions so that they are adequately exposed to the results of the demonstrations and the business opportunities unlocked by them. These financial institutions should be encouraged to develop financial products to support the adoption of these interventions especially by target group smallholder farmers. Similarly, the coordination with agribusinesses and buyers in general, but also during the demonstrations, is suggested so that they can witness the bottlenecks and the constraints being addressed by the demonstrations and propose mechanisms for linking with the wider community of adopters of the technology after the demonstrations. Finally, the scope of the demonstrations should extend beyond the 10 demonstration plots to the wider family of individual projects that are supported by the W1 matching grants. That way, awareness and training about the technologies implemented through the grants will spread to the wider community of farmers and will create demand for future adoption. A package of financial, technical and marketing services must be available immediately on completion of the demonstrations and the grants to incentivise adoption of these interventions by other smallholder farmers. The setup of the on-farm demonstration sites, and related activities, is rated as **moderately satisfactory**.

Agreed action	Responsibility	Agreed date
Support Banks and MFIs with data, exposure visits and logistics to develop their understanding of the value-chain interventions.	VC Specialist, with APMA	Continuous
Develop strong partnership with the Association of Microfinance Institutions of Georgia for sharing grant disbursement and management procedures and to develop mechanisms for their involvement in the demonstration and grants.	VC Specialist, with APMA	Continuous
Based on data extracted from the first round of grant applications, identify the areas and value chains where these are most concentrated, followed by a rapid analysis of applicants, combined with the identification of the local agribusinesses and detailed mapping of these areas, so as to converge other project activities in these locations.	M&E Specialist, with support from VC Coordinator, ELKANA	Oct. 2016
Deploy an agribusiness consultant to assist with marketing and financial linkages (IFAD to provide ToRs)	Project Manager, with VC Coordinator	Oct. 2016

## D. Project implementation progress

60. **Project Management Performance.** The AMMAR Project is managed by AMMAR team at the External Relations Department of the Ministry of Agriculture. The MoA/IRD, who managed IFAD's previous Agriculture Support Project (closed in December 2015), is also assuming the

responsibility for the management of the World Bank's GILMP project. AMMAR team consists of 10 members, of which 3 are shared with GILMP (Project Manager, Financing Manager, Accountant). Though the team managing AMMAR has the capacity to put in place the arrangements for the oversight and implementation of different project activities, several weaknesses in different aspects of project management have been identified, as described below. For this reason, the overall rating of project management is considered to be **moderately satisfactory**.

61. The mission observed a lack of coordination within AMMAR team itself, and on top of this, there is a clear need to work in a more cohesive manner between AMMAR team and its implementing partners. This has been clearly reflected in the progress of actions agreed upon during the last implementation support mission (April 2016), whereas out of 12 actions, 3 were not performed and 2 partially. The approval of the grant manual and relevant financial procedures by APMA board has been delayed by 2 months due to clearance processes by APMA board, beyond the control of AMMAR. To curb this trend and ensure optimum efficiency in project's implementation, the mission expects the VC Coordinator, who is also AMMAR Deputy Project Manager, to assume the lead technical role in the coordination process for all major interventions of the project, i.e. infrastructure development, land restoration, matching grant facility and training and extension, so as to ensure that the overall value chain development objectives are fulfilled. The mission proposes three key actions to support this approach:

- a) The mission recommends that until the end of this year a monthly meeting is conducted between AMMAR team and CENN, APMA, and ELKANA to plan for the implementation arrangements and discuss integration across the two components. Starting from 2017 this meeting can be conducted on a quarterly basis.
- b) The mission would also like to highlight the importance of conducting field visits to monitor the implementation progress by project staff. The field visits should be conducted on a regular basis and with the scope of AMMAR project, they should account for one-third of the working effort.
- c) In direct relation with the above-mentioned, the mission recommends the AMMAR team to produce internally a short monthly summary of activities undertaken, underlining main achievements and challenges met during implementation of both components 1 and 2.

62. **Coherence between AWPB and Implementation. Rated as moderately unsatisfactory.** The total budget for 2016 is US\$ 2.6 million, and including beneficiaries and government contribution, it amounts to US\$ 4.6 million. The implementation progress is lagging behind. As of 30<sup>th</sup> June, 2016 the actual expenditures stand at 29% versus the planned budget for the first 2 quarters (approx. US\$ 205,000 against the planned US\$710,000). The expenditures for the IFAD loan and grant stand at 19% and 22% respectively for the same period (Q1 and Q2). The average implementation of physical outputs is very low with most of the activities being delayed, essentially due to i) late recruitment of Value Chain Coordinator within AMMAR team (February 2016), ii) late recruitment of the two major service providers (CENN and ELKANA, May 2016) and iii) late approval of the grant manual and overall APMA implementation arrangements (July 2016). However, now that these prerequisites are fulfilled, and the role of each and every one has been clearly defined under the above-mentioned coordination approach, it is expected that the project will considerably increase its pace of implementation during the second half of 2016.

63. The mission wishes to emphasize the fact that the preparation process for the AWPB needs to involve all implementing partners to prepare for the implementation arrangements for each year. Given the fact that AMMAR interventions for the first and second components are interrelated, the process should ensure that the integration is in place, the priority activities are set for each implementing partner, and AMMAR team monitors and coordinates these activities in a holistic manner to avoid parallel implementations prone to lower the overall impact of the project.

64. **Monitoring and Evaluation. Rated as moderately satisfactory.** The M&E system was developed in early 2015 and the M&E officer has been modifying the system as per the modifications in the indicators. The mission was impressed by the proactive manner in which the M&E Specialist handled the different aspects related to the M&E system.

65. The M&E system is mainly Excel based with different sheets designed for different project activities. The M&E officer has developed different Excel sheets for the trainings, VC facilitation events, and grants. On top of this, the mission recommends to prepare a consolidated database for the project beneficiaries that would allow for tracking each beneficiary and the activities s/he

participates in. The database should include detailed information about each beneficiary, and will help avoid double-counting. Given the fact that activities are delayed, it is still early to judge the capacity of the project to capture the project outcomes. However, it is foreseen that the current project staff will be able to measure the outcomes for the different project interventions.

66. The Results and Impact Management System (RIMS) report for 2015 was submitted to IFAD on 9<sup>th</sup> of March 2016. The report included the first level indicators with figures on only “people accessing advisory services” since activities in component 1 and 2 have started only in June 2016. The selected second level indicators were presented in the report, however reporting on these indicators will be included in the RIMS report for 2017. As per the new IFAD requirements the project needs to submit the RIMS report before 31<sup>st</sup> of January the following year.

67. The mission has noted that there is no geo-referencing conducted by the project for the selected sites for different infrastructure projects. The mission recommends that the project captures the GPS coordinates for the already identified sites and the future ones and integrate them under the M&E system.

68. A few activities falling under GEF support have seen their target updated during the first implementation support mission (March 2016). These agreed changes between AMMAR team and IFAD are summarized in the table in the technical annex for ease of future reference.

69. The baseline survey for AMMAR was conducted in 2015 and the draft report was submitted to IFAD in June 2015. However, during 2016 a baseline study was conducted for Samegrelo region and the draft report was submitted during the mission’s presence. Yet, the mission would like to urge the project that in addition to the above mentioned baseline, a baseline status for the different infrastructure sites is needed to provide figures for the key monitoring indicators that will be used to assess the outcome/impact of each intervention.

Agreed action	Responsibility	Agreed date
Conduct geo-referencing for all sites (IFAD to support with instructions)	Engineer, ELKANA, CENN	On going
Develop consolidated database for project beneficiaries	M&E specialist with support from AMMAR team	30 Sep. 2016
Conduct field visits on regular basis and monthly meeting with project implementing partners, as well as produce monthly progress briefing.	AMMAR team	Immediate & continuous

70. **Gender Focus. Rated as moderately unsatisfactory.** Visits by mission members observed a low participation of women in meetings for grants presentation and VC facilitation events. AMMAR through its service providers (APMA and ELKANA) should exert more effort to assure the inclusion of women in different project activities. Moreover, the percentage of women participating in each project activity should be clearly monitored under the M&E system to make sure that the targeted percentages will be met.

71. There is a clear need to develop a gender mainstreaming action plan that aims at making the project interventions inclusive for women. The action plan will be integrated with the targeting approach and should guide the implementing partners on the best approach to mobilize women for participation in different project activities.

72. **Poverty focus. Rated as moderately satisfactory.** AMMAR targeting includes focusing on the poor both geographically and among the different project interventions. Under the VC activities, bay leaf and honey value chains have been included since they are traditionally linked to smallholder farmers as well as poor. As for the matching grant facility, ELKANA has also been tasked to lead the mobilization of smallholder farmers and assist them to fill APMA’s application forms whenever requested, in order to ensure that these farmers operating on small areas (i.e. less than 1ha, usually not eligible to grants proposed by other programmes), are given a chance to benefit from AMMAR support.

73. **Effectiveness of targeting approach. Rated as moderately satisfactory.** AMMAR has been effective in the geographical targeting which follows ASP’s approach. Four regions were selected for first stage based on the crops and VCs (peach, apple and vegetables in Shida Kartli, kiwi, persimmon and bay leaf in Samegrelo and Adjara, and vegetables and peach in Kakheti, plus honey that may occur in all regions).

74. In terms of targeting for the 2 components, the demand-driven approach for AMMAR needs to assure the linkages between the infrastructure and land restoration interventions, the grants for both window 1 (primary production) and 2 (processing, storage), and the selected VCs. The mission observed that this linkage is not yet clear, although it should be the driver for the implementation arrangements, as emphasized in previous support and follow up missions.

75. The project needs also to revise its approach for self-targeting through assuring that the mobilization for the project intervention assures that smallholder farmers who possess less than 5 Ha of land are given the priority for interventions.

76. **Climate and environment focus. Rated as moderately satisfactory.** AMMAR project is benefiting from an additional GEF grant which aims to enable expansion of CSA and EIT at plot level, risk management at landscape level and climate mainstreaming at policy level. This makes a very comprehensive package to build climate resilience of AMMAR beneficiaries. Albeit GEF related activities have started as planned in the latest AWPB (March 2016), outputs expected have been generally delayed by 1 to 2 months which will challenge overall AWPB implementation this year.

77. The project concept placed much hope in windbreak to ensure better land management but take up seems very much uncertain as legal issues and low incentives (same incentive for windbreaks and for drip irrigation) will divert investments towards more profitable activities, but reducing at the same time its environmental benefits. Enhanced climate and environmental practices will mainly focus on more efficient and resilient production, which is already an excellent point, but the integrated vision initially foreseen looks very ambitious now. Landscape approach and vision has yet to be reinforced.

78. The policy support dimension is just starting but it could be a flagship product at the national level, and the time frame foreseen for its implementation (10 months) should be used as an opportunity to ensure quality.

79. As environment and climate related training will benefit to many farmers (in particular through the demo plot and landscape training), M&E and geo-referencing of activities is key to measure impact and success: this should be then closely monitored, in particular in the context of a 4-year project (MTR due in 2017).

Agreed action	Responsibility	Agreed date
Develop an action plan for gender and youth mainstreaming	AMMAR team with specific support from M&E specialist	30 Sep. 2016
Reinforce real-time monitoring of GEF resources by GEF project coordinator	GEF project coordinator	Permanent
Ensure that the LR feasibility study meets the quality standards (according to ToRs and checklist)	AMMAR team and CENN	August 2016

80. **Innovation and Learning. Rated as moderately satisfactory.** AMMAR interventions through matching grants are expected to tackle new innovations, however with the mobilization process still ongoing it is too early to judge whether the project interventions will be fully innovative in this regard. On the other hand, Innovation is expected to be supported through investments in developing climate-sensitive plans and introducing efficient irrigation technologies.

81. It appears that the willingness to levy municipality co-financing has warped the landscape approach into a risk hotspot approach. Albeit this will still address climate related constraints, effort should be made to ensure consistence with watershed set-up.

82. The M&E specialist will make sure that under the M&E system a learning route is in place that would allow for capturing lessons learnt, success stories, and case studies for different interventions. For example, under infrastructure a case study should be prepared for different types of infrastructure (irrigation, roads, bridges, etc.) with clear assessment on the impact of each specific infrastructure with relevant outcome/impact indicators.

83. **Partnerships.** AMMAR has entered into an agreement with APMA, the MoA's Agricultural Project Management Agency, to implement and manage the W1 and W2 grants designed to support investments in primary production as well as post-harvest, processing and marketing facilities. This agreement only came into force early July 2016, inducing serious delays in the whole mobilization process since the grants were viewed by AMMAR team as an essential entry point to trigger field activities and engage the various stakeholders with concrete investment proposals. However, the

mission notes with satisfaction that AMMAR team and APMA are now putting maximum efforts to make up for the lost time and boost grant applications in close cooperation with the projects partners, CENN and ELKANA. Two information meetings were held in Shida-Kartli and Kakheti regions during the time of the mission, and AMMAR has developed a simple recording form to track the mobilization process and capture key data on the nature of proposed investments. The mission recommends to pursue these efforts in order to maximize the project's outreach in all targeted value chains and regions. The regular monthly meetings to be held with AMMAR, APMA, CENN and ELKANA are expected to further strengthen these partnerships.

84. The mission is also pleased to note the positive response from the Georgian Farmers Association, who has agreed to help in mobilizing by using its wide network of 1,900 farmers countrywide by posting APMA's information related to AMMAR grants on its website and Facebook page. This has immediately triggered demands from potential beneficiaries, and the mission recommends to further explore partnership possibilities with GFA, not only in the field of farmers' mobilization, but also in terms of support to market access.

Agreed action	Responsibility	Agreed date
Conduct a 1-day training with AMMAR team, ELKANA mobilizers and CENN field staff to clarify eligibility criteria and support filling of application forms	APMA	25 July 2016
Organize grants information meetings in remaining 2 regions (Samegrelo and Adjara)	APMA, with support from VC Coordinator and ELKANA	Immediate
Make sure that project engages maximum number of processors linked to priority value chains	VC Coordinator, with support from VC Specialist	Continuous
Explore modalities of hiring GFA for field mobilization in Kakheti region and support to market access	VC Coordinator	Immediate

## E. Fiduciary aspects

85. The financial and administrative management of the project and the quality of the internal control system is **satisfactory**. The major challenge in the fiduciary aspects is represented by the low level of implementation of the budget and the consequent low level of disbursement.

### Financial management.

86. The structure of the financial unit foresees the recruitment of one financial manager, one accountant and one procurement officer, whose cost is shared at 50% with the GILMP project. All the positions have been covered by reconfirming the persons of the previous ASP project. While each of the staff is experienced and trained for the position and responsibilities that they cover, there is room for improvement in overall management aspects.

87. **Internal control system.** The mechanism in place for the financial internal control is healthy. Procedures of double control are in place and the identification of the roles and responsibilities is clear. Each expense is verified, certified, approved, paid and accounted by different persons in accordance with their level of responsibility and such process is clearly reflected in the voucher utilized for the approval of each expense.

88. **Budget preparation.** The financing plans by expenditure accounts of the three design documents (IFAD loan, Grant and GEF grant) were prepared at different moments in the design and have not been consolidated. In order to have a clear consolidated budget of the project for all sources of funding and for the overall period of the project, *the mission recommends that a consolidation of the financing plans is done, which upon IFAD's approval, will be considered the official provisions to be used for the implementation and the monitoring of the project and on which basis the AWPB should be prepared.* The MTR in 2017 will review and consolidate the financing plans of the project. The mission notes also that the project keeps two different systems of budgeting: the AWPB which is submitted to IFAD and the treasury budget which is submitted to the government and the two budget show different amounts planned. *The mission would recommend to the project to align the budgeting so that same amounts are shown in both budgets.*

89. **Budget monitoring.** The monitoring of the budget availability and financing is done internally on a regular basis. The process involves particularly the project manager, the financial manager, the GEF and VC project coordinators, and the M&E officer. The process should however be more formalized in order to involve also the other stakeholders of the project so to have meetings for

discussions on the physical and financial results of the project, and to proceed with analysis on successes and shortcomings. *The mission therefore recommends that a formal process for the monitoring of the results of the project (both physical and financial) is organized on a quarterly basis. The mission also recommends reinforcing real-time monitoring of GEF resources by GEF project coordinator.*

90. At the end of June 2016, the budget exercise shows very low performances. For 2016, the budget planned is at 79% compared to the appraisal provisions and the level of expenditures reaches the 5% of the total planned budget under all sources of funding (as at 30/06/16). With the exception of the payments made to CENN (for the landscape restoration plan), ELKANA (for the demonstration plots) and ACT Ltd (for the baseline survey) under the GEF funding, all other expenditures are related to salaries and operating costs.

91. For 2016 annual budget exercise, for the IFAD funding exclusively (loan, IFAD grant and GEF grant), only US\$ 0.205 million has been spent (as at 30/06/2016) out of the total budget amount of US\$ 2.6 million, which represents the 8% of the annual budget.

92. The forecast for the second semester of 2016 is of US\$ 1.215 million, which includes the disbursement of US\$ 700,000 for the grants and loans by APMA, and US\$ 154,000 for the design of the infrastructure works. At the end of 2016 the total spent budget would therefore reach US\$ 1.514 million, which represents the 25% of the planned amount (IFAD and government funds).

93. **Accounting system.** The system in use for accounting is COPPER 2, a customized software used for both IFAD and Government funds, but also for other donors. The access to the system is limited to the financial manager, the accountant and the deputy manager. The system allows separate accounting for different projects and source of financing and it is in line with IFAD requirements for accounting. However, the software needs upgrading to allow the preparation of the Withdrawal Applications (WA), the reconciliation of the DA and reporting of balances of the AWPB provisions, directly from the system. AMMAR team has currently requested the IT consultant a tailoring of the software in order to incorporate such improvements, which is currently undergoing and should be probably finalized the coming August.

94. No delay or backlog is encountered in the entering of expenses in the accounting system. The updating of the accounting is done on a daily basis and all accounts are up to date. All payments are done through the online Treasury system. There is no cash system in place and no cash management.

95. **Inventory.** Currently no asset has been purchased under the funding for AMMAR. The assets in use by the project have been purchased and inventoried by the MoA and therefore the project is not maintaining any asset inventory.

#### **Disbursement.**

96. **Loan, IFAD grant and GEF grant disbursement. Rated moderately unsatisfactory.** The level of disbursement is currently extremely low and represents the major challenge on financial management, but it is merely a reflection of the delays in the implementation. With the exception of the disbursement for the DA, there has not been any other request for disbursement submitted by the project under any of the facilities (loan, IFAD grant or GEF grant). The amount disbursed under the loan is of SDR 1,079,789 (amount disbursed for the DA), which represents the 12.54% of the allocated amount; the total disbursed under the IFAD grant is of US\$ 160,000 (amount disbursed for the DA), which represents the 32% of the allocated amount; and the total amount disbursed under the GEF grant is of US\$ 800,000 (amount disbursed for the DA), which represents the 15% of the allocated amount. Some WAs are currently under preparation and will probably be submitted in August. The estimated amount is of US\$ 140,809.60 under the loan, US\$ 29,378.03 under the grant and US\$ 131,249.96 for the GEF (amounts which might be slightly higher with the inclusion of July 2016 expenditures). By including these WAs and the amount of the commitments, the level of disbursement increases to SDR 1.3 million for the loan, which represent the 15% of the allocated amount, to US\$ 0.198 million for the grant, which represents the 39.74% of the allotted amount and US\$ 1.650 for the GEF, which represents the 31.15% of the allocation. In view of the considerable advance which has been provided to the project and in case no WAs are submitted to IFAD for a long period of time, *there will be a need to update IFAD on the financial progress through submission of quarterly financial reports.*

97. **Disbursement of categories.** With the exception of the GEF where there have been the payments of the advances to the service providers and therefore a utilisation of the category for consultancies, all other expenditures are operating costs and hence have been incurred only under the category for Salaries and Operating costs, which shows an execution of 52% for the loan, 87% for the grant and 8% for the GEF.

98. **Designated account.** The project has opened three different DAs, one for each IFAD funding (loan, grant and GEF), and all the three DAs are reconciled with IFAD records. Although the reconciliation and verification of the bank balances is done regularly, however there is no formal process for such exercise. Once the upgrading of the accounting software is finalized the reconciliation might be done directly by the system, however *the mission recommends that a reconciliation of each account is done on a monthly basis and the concerning documentation certified and approved is maintained in the appropriate bank documents.*

99. The situation of the DAs in US\$ as at 30/06/16 is as follows:

IFAD LOAN		IFAD GRANT		GEF GRANT	
Designated Account (A)	1,500,000.00	Designated Account (A)	160,000.00	Designated Account (A)	800,000.00
Designated account balance as at 30/06/16	1,361,129.40	Designated account balance as at 30/06/16	133,021.98	Designated account balance as at 30/06/16	668,750.04
Operating account balance as at 30/06/16	-	Operating account balance as at 30/06/16	-	Operating account balance as at 30/06/16	-
Cash balance as at 30/06/16	-	Cash balance as at 30/06/16	-	Cash balance as at 30/06/16	-
WA in preparation	-	WA in preparation	-	WA in preparation	-
WA not yet credited	-	WA not yet credited	-	WA not yet credited	-
Expenses not yet claimed under any WAs	138,870.60	Expenses not yet claimed under any WAs	26,978.02	Expenses not yet claimed under any WAs	131,249.96
Interests credited	-	Interests credited	-	Interests credited	-
Sub Total (B)	1,500,000.00	Sub Total (B)	160,000.00	Sub Total (B)	800,000.00
Discrepancy (A)-(B)*	-	Discrepancy (A)-(B)*	-	Discrepancy (A)-(B)*	-

100. **Preparation of WAs.** The WA is not extracted automatically from the accounting system but it's currently prepared separately in Excel by the Finance Manager. The WAs under preparation have been reviewed. AMMAR team is currently upgrading the software to incorporate also the automated function for the WA preparation. *The mission recommends the project to ensure that such upgrading is done by including in the system the new SOE formats.*

#### Counterpart funds. Rated moderately unsatisfactory.

101. The contribution of the government is mainly represented by the waiving and exemption of the VAT, taxes and custom duties. The amount of the contribution remains low but it is in line with the level of the performances in the implementation. At the end of June 2016 the total contribution is of US\$ 25,730, which represents the 5% of the amount planned in the AWPB.

102. The contribution of the PFIs and the beneficiaries has not yet started and therefore the current level shows a zero balance.

#### Compliance with financing covenants is rated satisfactory.

103. **Financial statements.** Due to postponing of the 2015 audit, the financial statement for the 2015 FY have not yet been prepared nor have they been submitted to IFAD.

104. **Statement of expenditures (SOE).** The mission has reviewed all expenditures under the loan, the grant and GEF for the period July 2015 – June 2016. Funds have been used for all eligible expenditures incurred by the project. The review is satisfactory: the project has utilized the funds for project expenditures, all vouchers, bills and invoices were properly attached to each payment and properly taken into account; expenses were covered by the annual budget provisions and vat and income tax have been accounted correctly under the funding of the government. However, the following remarks need attention and/or rectification by the project: (i) the salaries for the senior engineer and the engineer should be charged under component 1 (and not 3), as foreseen in the project appraisal; (ii) the salaries paid to the VC coordinator and specialists should be charged under component 2 (and not 3), in accordance to the project appraisal; (iii) a copy of the contract payment summary should always be attached to each payment; (iv) when required, a copy of the IFAD No Objection should be attached to the payment; (v) the indication of the code for the component in the voucher should always be accurate and correspond to the component description; (vi) pay particular attention to training expenditures to ensure that all expenses related to workshop and training are actually charged under the concerning component/category as indicated in the appraisal provisions. The mission also notes that some of the expenses that were budgeted under the IFAD grant have been accounted under the loan or the GEF grant. Such expenditures have been cleared by the

mission and can be taken into account as accounted by the project. *The mission recommends the project to rectify the accounting of the above expenditures. These adjustments will be submitted to IFAD for approval and incorporated in the revised AWPB for 2016.*

105. **AWPB 2015-2016.** Both AWPBs have been submitted and approved by IFAD in due course.

106. **Administrative and Financial Manual.** AMMAR team has not adopted a complete financial manual for AMMAR funding and for the financial management it is currently referring to the manual which has been developed for the WB funding. However, as established by the financing agreement, short sections about financial management, disbursement and procurement have been included in the Project Implementation Manual (PIM).

107. **Personnel.** With the exception of the driver and the administrative assistant, all other staff foreseen in the project have been recruited. All contracts have been reviewed and they are currently in force. Staff are recruited as consultants, and their contract amount includes the income tax and VAT portion; the fees are paid gross to the consultant and taxes are paid by the consultant to the government. As per contract terms all social contributions, medical coverage, insurances should be taken care by the consultant.

#### **Procurement.**

108. A procurement officer handles all procurement related tasks. The officer is trained and has the level of experience appropriate to the functions she covers. The evaluation of the bids however is fully done by the personnel of MoA, while the AMMAR staff participates to the bid opening and the evaluation processes as observer, with no rights to vote given their contractual status.

109. **Procurement performances.** The mission notes a **moderately satisfactory** planning of the procurement activities which has resulted in different adjustments of the timeline for procurement activities. Over the period 2015-2016, the procurement plan has been implemented at 20% of its provisions. Out of the 10 procedures planned, 2 have been fully completed, 3 are ongoing and 5 are yet to be started. Of the total amount involved in the procurement, only the 12% has been currently committed. Given the imminent increase in the volume of work and to improve the procurement performance, it is recommended to have a procurement officer on full-time basis assigned to AMMAR.

110. **Quality of dossiers and archiving system.** The management of the procedures and the dossiers is satisfactory. The quality of the reviewed files<sup>6</sup>, as well as the archiving system is overall appropriate. When required, all procurement activities have been prior-approved by IFAD and all documentation is available and well organized. However, for the procedure related to AMMAR/CS/2016/25 for the demonstration plots and CSA training, the documentation was found to be incomplete and additional clarifications and documentation were requested from the project. AMMAR team will be required to: (i) include bid opening records with the minutes of the bid opening; (ii) when required, attach the scoring of the bidders provided by each member of the evaluating committee; (iii) the evaluation report of the evaluating committee should be done in line with the IFAD procurement guidelines.

111. **Contract register and contract management.** The mission ascertains that the format in use for the contract register is in conformity with IFAD requirements and that the contracts signed by the project are properly recorded. The register is up to date. During the period July 2015 – June 2016, a total of 44 contracts have been signed of which 17 for the recruitment of project staff and 22 for operating costs (mainly for small purchases). The contractual terms and provisions are correctly applied: payments made are consistent with the physical and financial progress and meet the payment terms stipulated in the contracts.

#### **Audit.**

112. The project has decided to postpone the audit for the 2015 FY due to the low level of expenditures incurred. IFAD has also agreed that a joint audit for the 2015 and 2016 FYs will be submitted within June 2017. The appointment of the auditor has therefore not been done.

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<sup>6</sup> Procedures reviewed are: AMMAR/CS/2016/26 (for the preparation of the landscape restoration plan), AMMAR/C/2016/25 (for support training and demonstration plots), AMMAR/C/2016/27 (for the baseline survey), AMMAR/C/2015-15 (for the recruitment of the VC coordinator) and AMMAR/C/2015-17 (for the GEF project coordinator).



Agreed action	Responsibility	Agreed date
Consolidation of financing plans	AMMAR team/ IFAD	30 Sept. 2016
Align AWPB with state budget	AMMAR team	Permanent
Formal process for budget monitoring done on a quarterly basis	AMMAR team and project stakeholder	Permanent
Undertake budget adjustment between IFAD grant and GEF grant, and submit revised AWPB to IFAD	AMMAR team/ IFAD	Immediate
Submit quarterly financial report to IFAD	PM/ FM	Quarterly
Monthly reconciliation of DA	FM/ Accountant	Monthly
Ensure WA prepared with new SOE forms in the accounting software	FM/ Accountant	30 Sept. 2016
Rectify the accounting	FM/ Accountant	30 July 2016
When required, include bid opening records and scoring of bidders to bid documents. Ensure that the evaluation reports are in line with IFAD procurement guidelines	AMMAR team/Procurement officer	Permanent
To improve financial management and procurement performance, recruit a financial manager and procurement officer on full-time basis or to be possibly shared with the WB project	Project manager	Sept. 2016

## F. Sustainability

113. **Institutional Sustainability.** AMMAR's overall sustainability is dependent on two principal factors. First, the success of the demonstrations and the grants for creating a wider demand for these interventions amongst the smallholder community and second the easy availability of a package of marketing, financial and technical linkages that incentivises and converts this demand into actual adoption stories. The progress achieved in these two areas will also expand the user base of the project-supported infrastructure works which will directly contribute to the care, maintenance and sustainability of these structures. Rated as **moderately satisfactory**.

114. **Social sustainability (Empowerment).** In the above context, AMMAR's feeble market orientation and the gap in engagement with commercial and financial institutions (banks and MFIs) are serious challenges which need immediate attention that should start by implementing the recommendations of this mission. Additionally, how to strengthen the systems for enabling smallholders' continuous and easy access to sources of good quality technical and business development services in an affordable and timely manner should be probed and addressed by AMMAR and future missions based on the achievements of ELKANA, CENN, and APMA. Empowerment is rated as **moderately satisfactory**.

115. **Economic and financial sustainability.** In relation to the matching grant facility amounting to 40% of the total investment costs, although banks themselves may be willing to finance the 60% contribution, at this point they are passive actors. Some smallholders pointed out that they may not be able to raise their 60% contribution through their own resources, while at the same time they do not have enough experience in linking with commercial banks for accessing subsidised loans. Although it is still too early to predict the extent of such challenges for smallholders interested in AMMAR grants, it will be important to closely monitor the type and volumes of applications that have been turned down because of failure to raise 60% contribution, and to see whether this creates a real obstacle as the project implements its matching grant facility.

116. **Technical sustainability.** The sustainability of infrastructure developed under the project, will depend on a) good problem identification, b) good technical designs for the hard infrastructure, c) effective institutional arrangements for operation and maintenance, that is cost effective and involves the users. AMMAR mainly focusses on technical solutions, with inadequate analysis of the institutional arrangements for sustainability. The operation and maintenance arrangements for the irrigation schemes to be rehabilitated were not clear, thus posing a risk for the sustainability of the infrastructure. AMMAR will need to make clear arrangements with the farmers and the Amelioration Company for the rehabilitation of tertiary irrigation systems.

117. **Scaling-up and replication** The more producers the project can induce to adopt new production technologies, the more users will benefit from developed infrastructure, thus improving its cost effectiveness. The progress achieved in these two areas will also expand the user base of the project supported infrastructure works which will directly contribute to the care, maintenance and

sustainability of these structures. At this stage of project implementation the potential for scaling up is rated as **moderately satisfactory**.

118. **Environmental sustainability.** In the field of landscape restoration, dredging and reshaping river beds options have been assessed as too risky for sustainability, legal and environmental issues. It may be necessary to increase the bioengineering approach and phase out dredging. Thus softer options need now to be considered or targeting changed.

119. **Exit strategy.** The project has only entered into force in May 2015, and field implementation has just started to take place; it is thus too early to develop an exit strategy.

## **G. Impact**

120. **Impact on physical and financial assets, food security and incomes. Rated as moderately satisfactory.** Since the project is in its early stage of implementation, the mission cannot assess the impact of project interventions on this matter.

## **H. Conclusion**

1. The mission is aware that the value chain development approach embedded in AMMAR project is a rather new concept that has never been implemented by AMMAR team in previous IFAD projects, and is a novelty in the Georgian context. This has certainly contributed to the delays and lack of coordination observed in the first stages of the project. However, now that the project's grant facility is operational and the service providers are in place, and the role of each implementing partner is clearly defined under the above-mentioned coordination approach, it is expected that the project will considerably increase its pace of implementation during the second half of 2016. Similarly, it is expected that the existing gaps in the areas of market linkages and involvement of commercial financial suppliers will also be addressed by engaging these stakeholders in the demonstrations and grants implementation process. Likewise, better integration/linkage is expected between the infrastructure and the land restoration activities and the value chain improvement interventions through grants, demonstrations and training. The mission believes that strong supervision and strengthening capacity through technical assistance and a more proactive approach to project implementation is needed. If this support is forthcoming, the project is expected to meet most of the objectives identified for it at appraisal.

## Appendix 1: Summary of project status and ratings

### Basic Facts

Country	Georgia		Project ID	1100001760	Loan/DSF Grant No.	2000000778, 2000000827
Project	Agriculture Modernization, Market Access and Resilience (AMMAR)				Top-up Loan/DSF Grant	
Date of Update	1 <sup>st</sup> August 2016					
Supervising Inst.	IFAD/IFAD					
No. of Supervisions	1	No. of Implementation Support/Follow-up missions	2			
Last Supervision	n/a	Last Implementation Support/Follow-up mission	17 April 2016			

					USD million	Disb. rate %
Approval	01/09/2014			Total financing	31.3	8%
Agreement	17/02/2015	Effectiveness lag	9.0	IFAD Total	13.8	12%
Entry into force	28/05/2015	PAR value	-----	IFAD loan	13.3	11%
First disbursement	21/07/2015			GEF grant	5.3	15%
MTR	n/a	Last amendment		IFAD grant	0.5	32%
Original completion	30/06/2019	Last audit	n/a	Domestic Total	12.22	0.21%
Current completion	30/06/2019			Beneficiaries	9.8	0%
Original closing	31/12/2019			Government (National)	2.4	1%
Current closing	31/12/2019			External Cofinancing Total	0	
No. of extensions	0					

### Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	-	5	1. Quality of project management	-	4
2. Acceptable disbursement rate	-	3	2. Performance of M&E	-	4
3. Counterpart funds	-	4	3. Coherence between AWPB & implementation	-	3
4. Compliance with financing covenants	-	4	4. Gender focus	-	3
5. Compliance with procurement	-	4	5. Poverty focus	-	4
6. Quality and timeliness of audits	-	n/a	6. Effectiveness of targeting approach	-	4
			7. Innovation and learning	-	4
			8. Climate and environment focus	-	4
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Productive infrastructure rehabilitated/constructed	-	4	1. Institution building (organizations, etc.)	-	4
2. Management and operation arrangements for the rehabilitated	-	4	2. Empowerment	-	4

infrastructure set-up					
3. Landscape restoration (LR) plans developed and implemented where needed for rehabilitated irrigation schemes.	-	4	3. Quality of beneficiary participation	-	4
4. Climate smart value chain screening and prioritization conducted	-	4	4. Responsiveness of service providers	-	4
5. Strengthen commercial linkages facilitated between smallholders and agribusinesses	-	3	5. Exit strategy (readiness and quality)	-	4
6. Training programmes on CSA designed and delivered to farmers and farmer groups.	-	4	6. Potential for scaling up and replication	-	4
7. On-farm demonstration sites set-up where efficient irrigation and CSA production systems are validated and promoted.	-	4			

#### B.5 Justification of ratings

The financial and administrative management of the project is found satisfactory, but the level of expenditures reaches only 5% of the total planned budget under all sources of funding as at 30/06/16. This is mainly due to late recruitments of VC Coordinator and SPs, combined with late approval of the grant manual. For this reason, the coherence between AWPB and implementation is rated moderately unsatisfactory. Another operational area needing improvement is gender focus, where there is a clear need to develop a gender mainstreaming action plan that aims at making the project interventions more inclusive for women.

The M&E system has all the elements needed for an advanced M&E system. Poverty focus is rated moderately satisfactory; bay leaf and honey were added to original 4 priority VCs since they are traditionally linked to smallholder farmers as well as poor, and grants are open to farmers starting from 0.1ha. However, land titling requirements and obligation to raise 60% own contribution may not guarantee the eligibility of rural poor to AMMAR grants.

AMMAR has been effective in the geographical targeting which follows ASP's approach (4 regions selected with 7 priority value chains). However, the demand-driven approach needs to assure the linkages between the rehabilitated infrastructures, the land restoration interventions, the matching grant facility and the selected VCs.

The project is benefiting from an additional GEF grant which aims to enable expansion of Climate Smart Agriculture (CSA) and Efficient Irrigation Technologies (EIT) at plot level, risk management at landscape level and climate mainstreaming at policy level. This makes a very comprehensive package to build climate resilience of AMMAR beneficiaries. However, AMMAR needs to improve connection with watershed aspects, and further explore bio-engineering options.

In terms of innovation and learning, AMMAR interventions through matching grants are expected to tackle new innovations, but with the mobilization process still ongoing it is too early to judge whether the project interventions will be fully innovative in this regard.

### Overall Assessment and Risk Profile

Last	Current
C.1 Physical/financial assets	- 4
C.2 Food security	- 4
C.3 Quality of natural asset improvement and climate resilience	- 4
C.4 Overall <b>implementation progress</b> (Sections B1 and B2)	- 4

#### Rationale for implementation progress rating

Based on the achievements but also challenges noted above, the implementation progress of AMMAR project is rated moderately satisfactory. The mission observed a lack of coordination within the AMMAR team itself, combined with a clear need to work in a more cohesive manner between AMMAR team and its implementing partners. The mission is aware that the value chain development approach embedded in AMMAR project is a rather new concept that has never been implemented by AMMAR team in previous IFAD projects, and is a novelty in the Georgian context. This has certainly contributed to the delays and lack of coordination observed in the first stages of the project. However, now that the project's grant facility is operational and the service providers are in place, and the role of each implementing partner is clearly defined under the coordination approach that has been put in place during the course of this mission, it is expected that the project will considerably increase its pace of implementation during the second half of 2016.

C.5	Likelihood of achieving the development objectives (section B3 and B4)	- 4
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#### Rationale for development objectives rating

5 irrigation sites have been identified for infrastructure rehabilitation, but in only 1 region (Shida-Kartli): 1 is at tender evaluation stage, 2 will proceed to detailed design and another 2 will undergo feasibility studies. As for road works, 4 sites have been identified in only 1 region (Samegrelo), and will proceed to detailed design. 3 landscape restoration sites have been identified by the SP (CENN) in 2 regions (Shida-Kartli and Kakheti). Adjara region is still lagging behind with no site identified yet for either civil works or landscape restoration. VCs have been appropriately screened and prioritized, and the SP for demo plots and training (ELKANA) is now in place after 2-month delay, but the project still lacks a holistic approach to tackle critical constraints along the value chains, from primary production through processing, value addition and backward/forward market linkages. The official launching of the grant facility took place in July 2016, inducing serious delays in the whole mobilization process since the grants were viewed by AMMAR team as an essential entry point to trigger field activities and engage the various stakeholders with concrete investment proposals. Taking into account the fact that value chain development is a new approach, capacity building and lessons learning will be an ongoing process for both AMMAR team and their service providers/partners, but the mission has already noted an increased understanding of the necessary implementation process, and the strengthened coordination it implies.

C.6	<b>Risks</b> Short description of major risks for each section and their impact on achievement of development objectives and sustainability
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Fiduciary aspects	Considering the delays incurred at inception, and the fact that the project has only been designed for a period of 4 years, there is a possibility that a substantial part of the fund will remain undisbursed at the end of AMMAR if the implementation team does not put maximum efforts to make up for the lost time and boost project's interventions.
Project implementation progress	Overall coordination of project's interventions in the field of rural infrastructures, landscape restoration, climate smart agricultural extension services, agricultural investments (with the support of matching grants) and market access is key to ensure sound and timely delivery of results. AMMAR VC Coordinator must assume an increasing lead role in this coordination process.
Outputs and outcomes	Implementation of LR activities by CENN and demo plots and training by ELKANA is delayed by 1 to 2 months jeopardizing capacity to implement all the planned land restoration investments and extension services foreseen in AWPB 2016. The matching grant facility implemented by APMA has only entered into force in July 2016, and the project needs to maximize the mobilization process through extensive use of multiple SPs and partners to achieve tangible results in investments' support
Sustainability	The lack of clarity on the ownership and responsibility for the tertiary irrigation systems may have a negative impact on the sustainability of the investments. AMMAR's feeble market orientation and the gap in engagement with commercial and financial institutions (banks and MFIs) observed in this initial stage may also hamper the sustainability of project's interventions beyond completion.

### Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Lack of coordination within AMMAR team and between AMMAR team and SPs/partners	VC Coordinator takes a lead technical role and AMMAR team organizes monthly meetings with CENN, ELKANA and APMA	Immediate	
Feeble market orientation in both components; lack of holistic approach	Market access and commercial linkages are systematically included in feasibility analysis for infrastructure rehabilitation AMMAR hires an agri-business consultant	Immediate Oct. 2016	
Need to maximize potential grants' beneficiaries and closely monitor CENN & ELKANA's activities in all 4 regions	Hire 2 regional coordinators (Samegrelo and Adjara) Explore potential partnerships with Georgian Farmers Association and HEKS EPER Organization (Kakheti)	Immediate	
Landscape approach has been shifted by CENN towards a hotspot approach based on municipality demands to secure their co-financing	Improve connection with Watershed (WS) aspects in the upcoming restoration plans Further explore bioengineering options	Aug. 2016	
Lack of involvement of financial sector in AMMAR's activities	Support Banks and MFIs with data, exposure visits and logistics to develop their understanding of the value-chain interventions.	Continuous	
Imminent increase in work at procurement and financial management level	Recruit a financial manager and procurement officer on full-time basis or to be possibly shared with the WB project	Sept. 2016	
Low participation of women in meetings for grants presentation and VC facilitation events	Develop a gender mainstreaming action plan that aims at making the project interventions inclusive for women	Sept. 2016	

### Additional observations

The next multi-stakeholder workshop planned for End 2016 will take into account the issues and risks identified and use the platform to address these through better detailed action plans.



## Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs

Results	Indicators					Means of Verification			Assumptions
Hierarchy	Name	Baseline	YR1	Mid Term	End target	Source	Frequency	Responsibility	
<b>Goal:</b> Sustainably increase incomes and reduce poverty for women and men in rural Georgia	Households with improvement in assets ownership index (RIMS level 3 mandatory indicator)	0%	0%	-	10%	<ul style="list-style-type: none"> <li>Baseline survey &amp; Impact Assessment</li> <li>Project completion</li> </ul>	Baseline and completion	AMMAR TEAM	<ul style="list-style-type: none"> <li>Continued political stability (A)</li> <li>Marco-economic conditions remain stable or improve to promote investment(A)</li> <li>Global prices for agricultural commodities and food do not decline significantly (R)</li> <li>Fluctuating exchange rate (R)</li> </ul>
<b>Development Objective:</b> Stimulate private investment in climate smart agricultural value chains to increase incomes and strengthen resilience of smallholder farmers in selected project areas	% of supported households with real net household farm income increased by average of 20%.	0%	0%	-	80%	<ul style="list-style-type: none"> <li>Baseline survey &amp; Impact Assessment</li> <li>Project completion</li> </ul>	Baseline and completion	AMMAR TEAM	<ul style="list-style-type: none"> <li>Policies and programmes for agricultural development and rural finance allow to operate efficiently (A)</li> <li>Sufficient numbers of farmers are willing to be involved in value chain development activities (A)</li> </ul>
	% of trained smallholder farmers adopting Climate smart agricultural production practices	0%	0%	-	50%	<ul style="list-style-type: none"> <li>Baseline survey &amp; Impact Assessment</li> <li>Project completion</li> </ul>	Baseline and completion	AMMAR TEAM	
	Number of CSAVC fully operational and maintaining sustainability.	0	0	2	4	<ul style="list-style-type: none"> <li>Baseline survey &amp; Impact Assessment</li> <li>Project completion</li> </ul>	Baseline and completion	AMMAR TEAM	
<b>Component 1:</b> Irrigation and agriculture value chain investment <b>Outcome 1:</b> Rural population agricultural livelihoods improved and their resilience to climate-change enhanced	Number of farmers who have improved soil conditions and/or on farm water availability	0	0	-	2000	<ul style="list-style-type: none"> <li>MTR evaluation</li> <li>Project completion</li> </ul>	MTR and completion	AMMAR TEAM, M&E specialist	<ul style="list-style-type: none"> <li>Smallholders are willing to engage in value chain development activities (A)</li> <li>Farmers are willing to engage in efficient water/ land management techniques (A)</li> <li>Aging farming population (R)</li> <li>Climatic changes are in line with current predictions (A)</li> </ul>
	% of trained farmers applying new cropping patterns (of which 20% report increased diversification)	0%	0%	30%	50%	<ul style="list-style-type: none"> <li>MTR evaluation</li> <li>Project completion</li> </ul>	MTR and completion	AMMAR TEAM, M&E specialist	
Outputs 1.1 Productive infrastructure rehabilitated/constructed 1.2. Management and operation arrangements for	Number of hectares covered by the rehabilitated irrigation schemes.	0	0	1985	4750	Infrastructure completion/ status reports	Quarterly	Engineer	<ul style="list-style-type: none"> <li>Lack of funding to operate and maintain productive public rural infrastructures (R)</li> <li>Agricultural products are competitive (A)</li> </ul>
	Number of VC related infrastructure constructed	0	0	3	10	Infrastructure completion/ status reports	Quarterly	Engineer, VC coordinator	

Results	Indicators					Means of Verification			Assumptions
Hierarchy	Name	Baseline	YR1	Mid Term	End target	Source	Frequency	Responsibility	
the rehabilitated infrastructure set-up 1.3 Landscape restoration (LR) plans developed and implemented where needed for rehabilitated irrigation schemes.	Number of landscape restoration plans implemented	0		6	8	CENN reports	Quarterly	GEF coordinator	<ul style="list-style-type: none"> <li>Willingness of farmers to participate/ contribute to matching grants scheme (A)</li> <li>Difficulties in implementing the restoration plans (R).</li> </ul>
	Number of small grants made to farmers (at least 30% to women and young farmers)	0		75	220	ELKANA reports, APMA reports	Quarterly	GEF coordinator and VC coordinator	
	Number of grants made to agribusinesses and processors in target value chains	0		20	40	ELKANA reports, APMA reports	Quarterly	GEF coordinator and VC coordinator	
<b>Component 2: CSA and value chain development</b> <i>Outcome 2:</i> Inclusive climate smart VC are expanded providing improved market opportunities for smallholders	Value of private investment in inclusive VC for farmers and agribusinesses	0		-	\$ 9 m	<ul style="list-style-type: none"> <li>MTR evaluation</li> <li>Project completion</li> </ul>	MTR and completion	AMMAR TEAM, M&E specialist	<ul style="list-style-type: none"> <li>Market options foster profitable partnership between farmers and contractors (A)</li> <li>Different parties are willing to invest in VCs (A)</li> </ul>
	% of producers linked to existing or new value chains	0%		-	20%	<ul style="list-style-type: none"> <li>MTR evaluation</li> <li>Project completion</li> </ul>	MTR and completion	AMMAR TEAM, M&E specialist	
	% of matching grant beneficiaries who increase their income by an average of 8%	0%		-	50%	<ul style="list-style-type: none"> <li>MTR evaluation</li> <li>Project completion</li> </ul>	MTR and completion	AMMAR TEAM, M&E specialist	
Outputs 2.1. Climate smart value chain screening and prioritization conducted 2.2. Strengthen commercial linkages facilitated between smallholders and agribusinesses. 2.3. Training programmes on CSA designed and delivered to farmers and farmer groups. 2.4. On-farm demonstration sites set-up where efficient irrigation and CSA production systems are validated and promoted.	Number of marketing assessment and operational strategies developed for VCs	0		4	6	ELKANA reports	Quarterly	GEF coordinator and VC coordinator	<ul style="list-style-type: none"> <li>Lack of qualified service provider to act as intermediaries for the project (R)</li> <li>The quality of agriculture practices and output meet minimum GAP standards (A).</li> </ul>



## Appendix 3: Summary of key actions to be taken within agreed timeframes

Action Area	Action Agreed	Date	Whom
Project Implementation	Conduct geo-referencing for all sites (IFAD to support with instructions)	Ongoing	Engineer, ELKANA, CENN
	Develop consolidated database for project beneficiaries	30 Sep. 2016	M&E specialist with support from AMMAR team
	Conduct field visits on regular basis	Immediate & continuous	AMMAR team
	Develop an action plan for gender and youth mainstreaming	30 sep. 2016	AMMAR team with specific support from M&E specialist
	Reinforce real-time monitoring of GEF resources by GEF project coordinator	Permanent	GEF project coordinator
	Ensure that the LR feasibility study meets the quality standards (according to ToRs and checklist)	August 2016	AMMAR team and CENN
	Conduct a 1-day training with AMMAR team, ELKANA mobilizers and CENN field staff to clarify eligibility criteria and support filling of application forms	25 July 2016	APMA
	Organize grants information meetings in remaining 2 regions (Samegrelo and Adjara)	Immediate	APMA, with support from VC Coordinator and ELKANA
	Make sure that project engages maximum number of processors linked to priority value chains	Continuous	VC Coordinator, with support from VC Specialist
Output 1.1 - Productive infrastructure are rehabilitated/constructed	Explore modalities of hiring GFA for field mobilization in Kakheti region and support to market access	Immediate	VC Coordinator
	Use checklist for identification of infrastructure and land restoration sites (to be shared with CENN)	Immediate & continuous	Engineers, VC Coordinator
	Finalise tender evaluation (seek IFAD No Objection) and Sign contract for construction of Dzevera-Skertuli	End of Aug. 2016	Project Manager, Procurement Officer
	Recruit consultancy company to carry out feasibility studies for irrigation projects on a retainer basis.	Mid-Oct. 2016 (contract signed)	Project Manager, Procurement Officer
	Prepare detailed design for Leteti and Skra-Kareli irrigation rehabilitation, accompanied by adequate detailed baseline socio-economic study	Dec. 2016 (design ready)	Engineers, VC Coordinator
	Prepare feasibility study for Dzlevijvari/Alternatiuli and Tashiskari before proceeding to detailed designs	Dec. 2016 (design ready)	Engineers
	Use a cost-effectiveness approach to assess the prioritization of roads/bridges to be rehabilitated	Continuous	Engineers, VC Coordinator
	Prepare detailed design for all 4 sites identified in Martvili and Senaki, while at the same time providing further justification using above-mentioned cost-effectiveness approach	Dec. 2016 (design ready)	Engineers, VC Coordinator

Action Area	Action Agreed	Date	Whom
Output 1.2 - Management and operation arrangements for the rehabilitated infrastructure are set-up	Obtain confirmation from GA on maintenance of rehabilitated irrigation network	Sept. 2016	Project Manager with support of Engineers
	Explore best practices used by WUAs supported in the region by GILMP	Continuous	Project Manager with support of Engineers
Output 1.3 - Landscape Restoration (LR) plans are developed and implemented where needed for rehabilitated irrigation schemes	Improve connection with Watershed (WS) issues in the upcoming restoration plans, to show added value of CENN	Aug. 2016	CENN supervised by GEF Coordinator and VC Coordinator
	Improve overall approach through deeper coordination with other AMMAR interventions	Continuous	CENN supervised by GEF Coordinator and VC Coordinator
	Request CENN to provide key technical staff (esp. landscape restoration engineers) as per contract	Immediate	Project Manager
Output 2.1 – Climate smart value chain screening and prioritization are conducted	Expand capacity building follow-up of demo plots to increase impact	Immediate & continuous	ELKANA supervised by GEF Coordinator and VC Coordinator
	Connect grant component and buyers needs to capacity building curricula such as post-harvest processes	Immediate & continuous	ELKANA supervised by GEF Coordinator and VC Coordinator
	Connect grant component and buyers needs to capacity building curricula such as post-harvest processes	Winter 2016	ELKANA
Output 2.2 – Commercial linkages between smallholders and agribusinesses are facilitated and strengthened	Hire 2 part-time regional coordinators for Adjara and Samegrelo regions	Immediate & continuous	Project Manager, VC Coordinator, Procurement specialist
	Explore opportunities to collaborate with HEKS EPER in Kakheti region	Immediate & continuous	VC Coordinator
	Submit a full translation of the Georgian version of the Grant Manual (including procedures), to be reviewed by IFAD.	Immediate	Project Manager
	Any grant application involving investments in tractors to be submitted to IFAD for no objection prior to any grant approval	Continuous	Project Manager
	Make sure that all stakeholders in the grant appraisal process pay particular attention to applications presented by the bottom economic layers	Immediate & continuous	AMMAR team, with support from APMA
	Whenever SME projects are selected under W2, make sure that their smallholder suppliers are also given a chance to be supported through both W1 grant facility and ELKANA's extension services	Immediate & continuous	VC Coordinator, with support from ELKANA, APMA
	Subject W1 grant applications for larger or more complex projects to further study and feasibility, capacity and risk analysis before final selection	Immediate & continuous	APMA, in coordination with AMMAR team
	Support agribusiness associations and their members with exposure to the grant projects and demonstrations, to enable them witness how the bottlenecks/constraints in the value chains are addressed by AMMAR interventions	Continuous	VC coordinator, with support from APMA

Action Area	Action Agreed	Date	Whom
Output 2.4.- On-farm demonstration sites are set-up where efficient irrigation and CSA production systems are validated and promoted	Support Banks and MFIs with data, exposure visits and logistics to develop their understanding of the value-chain interventions.	Continuous	VC Specialist, with APMA
	Develop strong partnership with the Association of Microfinance Institutions of Georgia for sharing grant disbursement and management procedures and to develop mechanisms for their involvement in the demonstration and grants.	Continuous	VC Specialist, with APMA
	Based on data extracted from the first round of grant applications, identify the areas and value chains where these are most concentrated, followed by a rapid analysis of applicants, combined with the identification of the local agribusinesses and detailed mapping of these areas, so as to converge other project activities in these locations	Oct. 2016	M&E Specialist, with support from VC Coordinator, ELKANA
	Deploy an agribusiness consultant to assist with marketing and financial linkages (IFAD to provide ToRs)	Oct. 2016	Project Manager, with VC Coordinator
Fiduciary Aspects	Consolidation of financing plans	30 Sept. 2016	AMMAR team/ IFAD
	Align AWPB with state budget	Permanent	AMMAR team
	Formal process for budget monitoring done on a quarterly basis	Permanent	AMMAR team/ and project stakeholder
	Undertake budget adjustment between IFAD grant and GEF grant, and submit revised AWPB to IFAD	Immediate	AMMAR team/ IFAD
	Submit quarterly financial report to IFAD	Quarterly	PM/FM
	Monthly reconciliation of DA	Monthly	FM/Accountant
	Ensure WA prepared with new SOE forms in the accounting software	30 Sept. 2016	FM/Accountant
	Rectify the accounting	30 July 2016	FM/Accountant
	When required, include bid opening records and scoring of bidders to bid documents. Ensure that the evaluation reports are in line with IFAD procurement guidelines	Permanent	AMMAR team/ Procurement officer
	To improve financial management and procurement performance, recruit a financial manager and procurement officer on full-time basis or to be possibly shared with the WB project	Sept. 2016	Project Manager



## Appendix 4: Physical progress measured against AWP&B, including RIMS indicators

Component/ Sub-component or Output	Indicator	Period: 01.01.2015 to 30.06.2016				Cumulative Actual	Appraisal Target	%
		Unit	AWP&B	Actual	%			
Component 1 Irrigation and Agriculture Value Chain Investment								
1.1: Irrigation and value chain infrastructure								
	Land under irrigation rehabilitation works	ha	500	0	0	0	4750	0
	Landscape restoration plans	Number	8	0	0	0	0	0
	VC related infrastructure constructed	Number	6			0	0	0
	Other productive infrastructure constructed/rehabilitated	Number	2	0	0	0	10	0
	Land under improved management practices	ha	n.a	0	0	0	2000	0
1.2 Value Chain Investments								
	Small matching grants to farmers	Male	36	0	0	0	198	0
	Small matching grants to farmers	Female	4				22	
	Matching grants to agribusinesses	Number	10	0	0	0	40	0
Component 2. Climate smart agricultural and value chain development								
2.1 Value Chain development processes and support								
	People accessing advisory services facilitated by project (events participants)	Male	350	97	28	97	700	14
	People accessing advisory services facilitated by project	Female	150	10	7	10	300	3
	Number of national and international policy processes on climate issues to which the project-is contributing		1	0	0	1	0	0
2.2 Climate-smart agricultural technology transfer								
	People trained in crop production and technologies	Male	150	0	0	0	700	0
	People trained in crop production and technologies	Female	50	0	0	0	300	0
	Local service provider and regional MOA officers receiving TOT	Male	10				35	
	Local service provider and regional MOA officers receiving TOT	Female	5				15	
	VC facilitation events held	Number	n.a	2	0	0	25	0



## Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category

**Table 5A: Financial performance by financier**

<b>Table 5A Financial performance by financier as at 30/06/2016</b>			
<i>Financier</i>	<i>Appraisal (USD '000)</i>	<i>Disbursement (USD '000)</i>	<i>% disbursed</i>
IFAD Loan	13,300	139	1%
IFAD Grant	500	27	5%
GEF Grant	5,300	131	2%
Government	2,458	26	1%
Beneficiaries	9,761	-	0%
<b>Total</b>	<b>31,318</b>	<b>323</b>	<b>1%</b>

**Table 5B: Financial performance by financier by component (USD '000)**

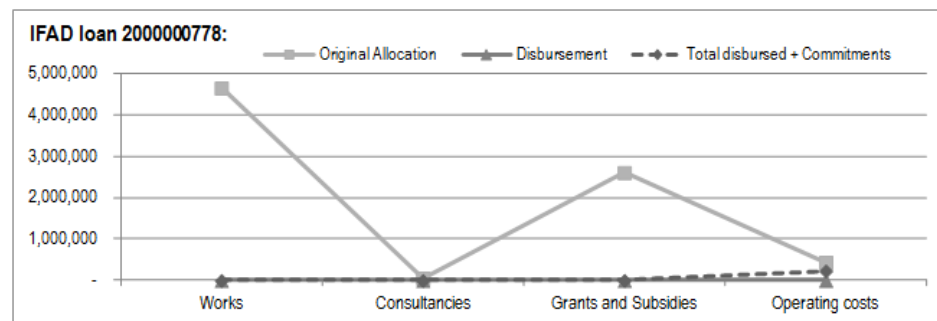
<b>Component</b>	<b>IFAD Loan</b>			<b>IFAD Grant</b>			<b>GEF</b>			<b>Government</b>			<b>Beneficiaries</b>			<b>Total</b>		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
1. Irrigation and agricul. value chain infrastructures	12,794	-	0%	-	-	0%	4,502	44	1%	2,359	8	0%	9,761	-	0%	29,416	52	0.0018
2. Climate smart agricul. and value chain dmpmt	-	-	0%	500	-	0%	548	50	9%	38	9	23%	-	-	0%	1,086	59	0.0539
3. Project Management	506	139	0.2746	-	27		250	38	15%	60	9	15%	-	-	0%	816	212	0.2604
<b>TOTAL</b>	<b>13,300</b>	<b>139</b>	<b>0.0104</b>	<b>500</b>	<b>27</b>	<b>0.054</b>	<b>5,300</b>	<b>131</b>	<b>2%</b>	<b>2,458</b>	<b>26</b>	<b>1%</b>	<b>9,761</b>	<b>-</b>	<b>0%</b>	<b>31,318</b>	<b>323</b>	<b>1%</b>

**Table 5C: IFAD loan disbursements (SDR, as at 30/06/2016)**

Category Description		Original Allocation	Revised Allocation	Disbursement	Balance	Disbursement in %	WA under review (*)	WA under preparation (*)	Commitments (*)	Total disbursed + Commitments	%
I	Works	4,645,000	NA	-	4,645,000.00	0.0%	-	-	-	-	0.0%
II	Consultancies	60,000	NA	-	60,000.00	0.0%	-	-	-	-	0.0%
III	Grants and Subsidies	2,605,000	NA	-	2,605,000.00	0.0%	-	-	-	-	0.0%
IV	Operating costs	440,000	NA	-	440,000.00	0.0%	-	101,017	129,347	230,364	52.4%
	Unallocated	860,000	NA	-	860,000.00	0%				-	0%
	Designated Account			1,079,789						1,079,789	
<b>TOTAL</b>		<b>8,610,000</b>	<b>-</b>	<b>1,079,789</b>	<b>8,610,000</b>	<b>12.54%</b>	<b>-</b>	<b>101,017</b>	<b>129,347</b>	<b>1,310,153</b>	<b>15.22%</b>

(\*) Covered into SDR using the rate of 1 USD = 0.7174 SDR

**Figure 1: IFAD loan disbursement, comparisons between original and revised allocations and actual disbursement**

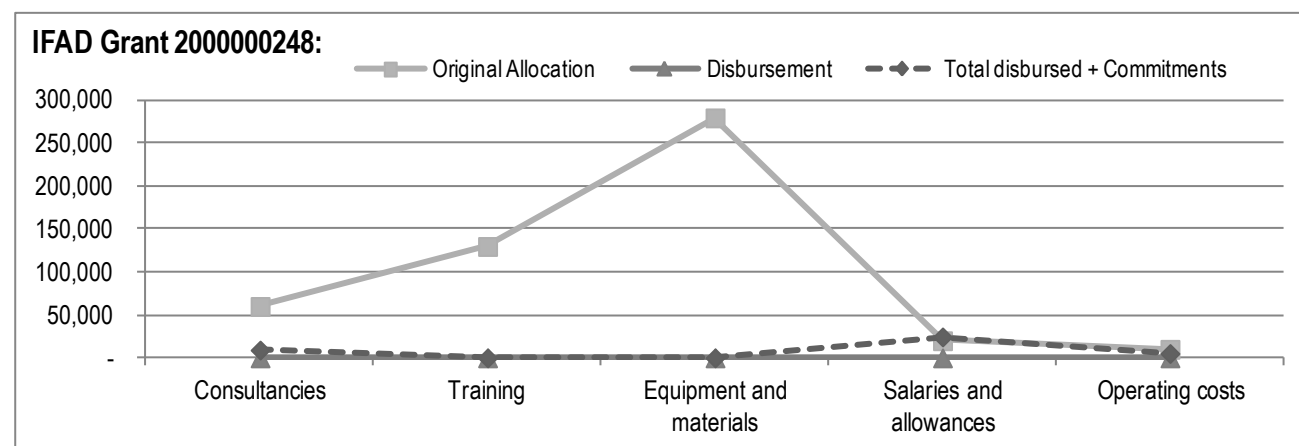




**Table 5D: IFAD grant disbursements (USD, as at 30/06/2016)**

IFAD grant disbursements (USD, as at 30/06/2016)										
Category	Description	Original Allocation	Revised Allocation	Disbursement	Balance	Disbursement in %	WA under review	WA under preparation	Commitments	Total disbursed + Commitments %
I	Consultancies	60,000	NA	-	60,000.00	0.0%	-	9,122		9,122 15.2%
II	Training	130,000	NA	-	130,000.00	0.0%	-	-		- 0.0%
III	Equipment and materials	280,000	NA	-	280,000.00	0.0%	-	-		- 0.0%
IV	Salaries and allowances	20,000	NA	-	20,000.00	0.0%	-	19,956	4,500	24,456 122.3%
V	Operating costs	10,000	NA	-	10,000.00	0.0%	-	300	4,800	5,100 51.0%
	Unallocated	-	NA	-	-					-
	Designated Account			160,000						160,000
<b>TOTAL</b>		<b>500,000</b>	<b>-</b>	<b>160,000</b>	<b>500,000</b>	<b>32.00%</b>	<b>-</b>	<b>29,378</b>	<b>9,300</b>	<b>198,678 39.74%</b>

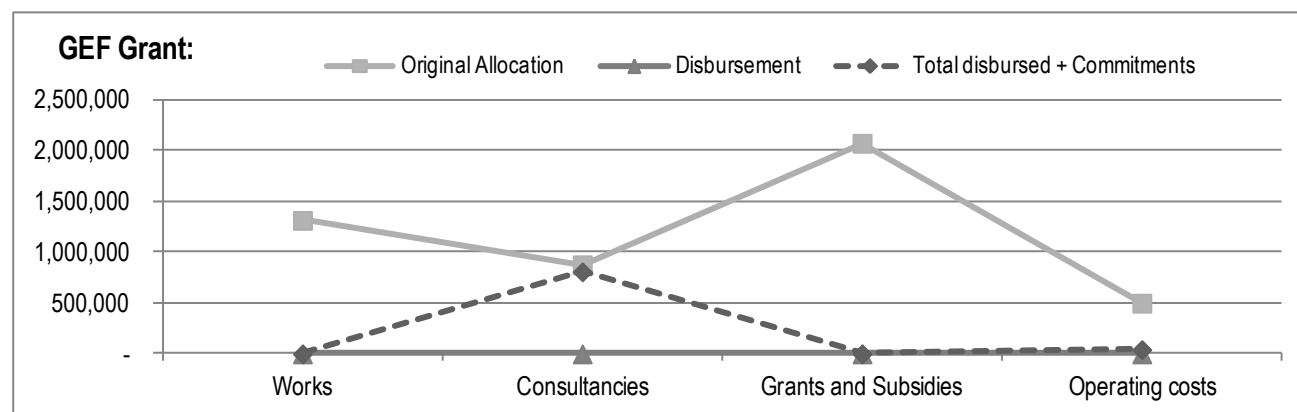
**Figure 2: IFAD grant disbursement, comparisons between original and revised allocations and actual disbursement**



**Table 5E: GEF grant disbursements (USD, as at 30/06/2016)**

Description	Original Allocation	Revised Allocation	Disbursement	Balance	Disbursement in %	WA under review	WA under preparation	Commitments	Total disbursed + Commitments	%
Works	1,316,000	NA	-	1,316,000.00	0.0%	-	-	-	-	0.0%
Consultancies	878,000	NA	-	878,000.00	0.0%	-	96,412	712,250	808,662	92.1%
Grants and Subsidies	2,076,000	NA	-	2,076,000.00	0.0%	-	-	-	-	0.0%
Operating costs	500,000	NA	-	500,000.00	0.0%	-	34,838	7,290	42,128	8.4%
Unallocated	530,000	NA	-	530,000.00	0%				-	0%
Designated Account			800,000						800,000	
<b>TOTAL</b>	<b>5,300,000</b>	<b>-</b>	<b>800,000</b>	<b>5,300,000</b>	<b>15.09%</b>	<b>-</b>	<b>131,249.93</b>	<b>719,540</b>	<b>1,650,790</b>	<b>31.15%</b>

**Figure 3: GEF grant disbursement, comparisons between original and revised allocations and actual disbursement**



## Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenants	Target/Action due date	Compliance Status/ Date	Remarks
<b>Loan Agreement</b>				
<b>Section B.6</b>	There shall be a project account in USD maintained at the State Treasury within the treasury single FX account held in the National Bank of Georgia from which payments shall be made to cover eligible expenditures under the project in both USD and GEL		Complied with	
<b>Section B.6</b>	Each of the entities selected to implement the activities related to grants under the Irrigation and agricultural VC investment component (component 1) of the project shall maintain a separate account to receive project funds, in a bank acceptable to the Fund or at the State treasury as appropriate		In process	MOA will open a sub-account in the treasury online system from where APMA will disburse. AMMAR is part of the committee for evaluating the grant application.
<b>Section B.7</b>	The Borrower shall provide counterpart financing to cover taxes and duties for the project, estimated at 1.8 million USD		Complied with	
<b>Section C.1</b>	The Lead project agency should be the Ministry of Agriculture		Complied with	
<b>Section E.3</b>	The following are designated as additional general conditions precedent to withdrawal: (i) the DA referred to in Section B.6 shall have been duly open; (ii) the project manager and the finance manager shall have been duly appointed; (iii) the PIM referred to under paragraph 7, section II of Schedule 1 hereto shall have been adopted by the Lead Project Agency		Complied with	
<b>Section E.4</b>	The following are designated as additional specific conditions precedent to withdrawal: (i) no withdrawal shall be made in respect of expenditures for smallholders and agribusiness grants under category III until: (a) the LPA shall have entered into a subsidiary agreement acceptable to the Fund with each of the entities selected to implement activities related to grants under component 1 of the project, covering among other things, budgeting, flow of funds, accounting, financial reporting, internal control and external audit arrangements		Not complied	APMA is the entity selected for the implementation of component 1 but since it is a sub-entity of the MOA, like AMMAR, they cannot sign an agreement between them. AMMAR is part of the committee for evaluating the grant application.
	(b) the investment guidelines to be prepared by the LPA and adopted by each of the entity selected to implement activities related to grants under component 1 shall have been approved by the Fund		Complied with	A manual for disbursement of grants was prepared, IFAD gave its clearance on March 2016 and it has been approved by MOA/APMA on July 2016
	(c) any of the entities referred to in section b.6 shall be maintaining a separate account to receive project resources at the state treasury or in a bank acceptable to the Fund, as appropriate, and shall have communicated to the Fund the names and titles of the persons authorised to operate such account		In process	MOA will open a sub-account in the treasury online system from where APMA will disburse. AMMAR is part of the committee for the evaluation of the grant applications

<b>Section E.5</b>	As an exception to section 7.05 (procurement) of the general conditions, the procurement of goods, works and services financed by the financing shall be carried out in accordance with the provisions of IFAD's project procurement guidelines		Complied with	
<b>Schedule 1, II, 8</b>	The LPA and the fund shall jointly carry out a review of the project implementation during the third year of the project implementation	3rd year of project	To be implemented	
<b>Schedule 3, 1</b>	The Borrower shall ensure that all goods, civil works and services procured are exempt from duties, excercise taxes, and VAT.		Complied with	The tax part of each payment is paid from the treasury state budget
<b>Schedule 3, 2</b>	The LPA shall insure project personnel against health and accident risks to the extent consistent with its customary practise in respect of its national civil service		Not implemented	Staff is recruited as a consultant of the MOA. All insurance covering should be taken care by the consultant
<b>Schedule 3, 7</b>	The borrower, through the LPA, shall appoint independent auditors acceptable to the Fund, under the TORs cleared by the Fund annually and in line with the IFAD guidelines for project audits		Not yet implemented	Due to the low level of expenses, the audit for 2015 FY has been postponed to 2017. The auditor has therefore not been appointed yet
<b>Schedule 3, 7</b>	An audited annual consolidated financial statement for the entire project, together with a management letter on audit observations on internal controls, shall be submitted to the Fund within 6 months of the end of the FY	30/06/2016	Not yet implemented	Due to the low level of expenses, the audit for 2015 FY has been postponed and will be conducted jointly with the 2016 FY audit. IFAD has given its approval
<b>Schedule 3, 8</b>	The Borrower shall ensure that the subsidiary agreement entered into by the LPA with each entity selected to implement activities related to component 1 shall specify that independent auditors are required to provide a specific opinion on the procedures employed by such entities, the adequacy of the documentation in support of the relevant fund transfers, and whether project resources have been used in accordance with the investment guidelines as approved by the Fund		Not yet implemented	

Section	Covenants	Target/Action due date	Compliance Status/ Date	Remarks
<b>GEF Agreement</b>				
<b>Section B.6</b>	There shall be a Designated Account in USD maintained by the State Treasury within the Treasury single FX account held in the National Bank of Georgia from which payments shall be made to cover Eligible Expenditures under the Project in both USD and in Georgian Lari (GEL).		Complied with	
<b>Section B.6</b>	Each of the entities selected to implement activities related to matching grants under Components 1 and 2 of the Project shall maintain a separate account to receive Project funds, in a bank acceptable to the Fund or at the State Treasury as appropriate		In process	MOA will open a sub-account in the treasury online system from where APMA will disburse. AMMAR is part of the committee for evaluating the grant application.
<b>Section C.1</b>	The Lead Project Agency shall be the Recipient's Ministry of Agriculture		Complied with	

<b>Section E.3</b>	The following are designated as additional general conditions precedent to withdrawal: (i) The Designated Account referred to in Section B.4 above shall have been duly opened; (ii) The Project Manager and the Finance Manager shall have been duly appointed; and (iii) The Project Implementation Manual (PIM) referred to under paragraph 7, Section II of Schedule 1 hereto shall have been adopted by the Lead Project Agency.		Complied with	
<b>Section E.4</b>	The following are designated as additional specific conditions precedent to withdrawal: (i) no withdrawals shall be made in respect of expenditures for matching grants under Category III Grants and Subsidies) of the allocation table set forth in paragraph 1 of Schedule 2 hereto until: (a) The Lead Project Agency shall have entered into a subsidiary agreement acceptable to the Fund with each of the entities selected to implement activities related to matching grants under Components 1 and 2 of the Project covering, among other things, budgeting, flow of funds, accounting, financial reporting, internal controls and external audit arrangements; (b) The Investment Guidelines to be prepared by the Lead Project Agency and adopted by each of the entities selected to implement activities related to matching grants under Components 1 and 2 of the Project shall have been approved by the Fund; (c) Any one of the entities referred to in Section B.4 above shall be maintaining a separate account to receive Project resources at the State Treasury or in a bank acceptable to the Fund, as appropriate, and shall have communicated to the Fund the names and titles of the persons authorised to operate such account.		Not complied	APMA is the entity selected for the implementation of component 1 but since it is a sub-entity of the MOA, like AMMAR, they cannot sign an agreement between them. AMMAR is part of the committee for evaluating the grant application.
			Complied with	A manual for disbursement of grants was prepared, IFAD gave its clearance on March 2016 and it has been approved by MOA/APMA on July 2016
			In process	MOA will open a sub-account in the treasury online system from where APMA will disburse. AMMAR is part of the committee for the evaluation of the grant applications
<b>Section E.5</b>	As an exception to section 7.05 (procurement) of the general conditions, the procurement of goods, works and services financed by the financing shall be carried out in accordance with the provisions of IFAD's project procurement guidelines		Complied with	
<b>Schedule 1, II, 8</b>	The Lead Project Agency and the Fund shall jointly carry out a review of the Project implementation during the third year of Project implementation	3rd year of project	To be implemented	
<b>Schedule 3, 1</b>	The Borrower shall ensure that all goods, civil works and services procured are exempt from duties, exercise taxes, and VAT.		Complied with	The tax part of each payment is paid from the treasury state budget
<b>Schedule 3, 2</b>	The LPA shall insure project personnel against health and accident risks to the extent consistent with its customary practise in respect of its national civil service		Not implemented	Staff is recruited as a consultant of the MOA. All insurance covering should be taken care by the consultant
<b>Schedule 3, 7</b>	The Recipient, through the Lead Project Agency, shall appoint independent auditors acceptable to the Fund, under terms of reference cleared by the Fund annually and in line with the IFAD Guidelines for Project Audits.		Not yet implemented	Due to the low level of expenses, the audit for 2015 FY has been postponed to 2017. The auditor has therefore not been appointed yet
<b>Schedule 3, 7</b>	An audited annual consolidated financial statement for the entire Project, together with a management letter on audit observations on internal controls, shall be submitted to the Fund within six (6) months of the end of the FY	30/06/2016	Not yet implemented	Due to the low level of expenses, the audit for 2015 FY has been postponed and will be conducted jointly with the 2016 FY audit. IFAD has given its approval

<b>Schedule 3, 8</b>	The Recipient shall ensure that the subsidiary agreement(s) entered into by the Lead Project Agency with each entity selected to implement activities related to grants under Components 1 and 2 of the Project shall specify that independent auditors are required to provide a specific opinion on the procedures employed by such entity, the adequacy of the documentation in support of relevant fund transfers, and whether Project resources have been used in accordance with the Investment Guidelines as approved by the Fund.	Not yet implemented
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## **Appendix 7: Knowledge management: Learning and Innovation**

AMMAR is still in its inception phase and it is thus too early to assess the project's performance in terms of learning and innovation.

However, the mission has highlighted the following:

### **Learning**

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The M&E specialist will make sure that under the M&E system a learning route is in place that would allow for capturing lessons learnt, success stories, and case studies for different interventions. For example, under infrastructure a case study should be prepared for different types of infrastructure (irrigation, roads, bridges, etc.) with clear assessment on the impact of each specific infrastructure with relevant outcome/impact indicators.

As for landscape restoration activities, it appears that the willingness to levy municipality co-financing has warped the landscape approach into a risk hotspot approach. Albeit this will still address climate related constraints, effort should be made to ensure consistence with watershed set-up.

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### **Innovation: Describe any interesting innovation noted during supervision**

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AMMAR interventions through matching grants are expected to tackle new innovations, however with the mobilization process still ongoing it is too early to judge whether the project interventions will be fully innovative in this regard. On the other hand, Innovation is expected to be supported through investments in developing climate-sensitive plans and introducing efficient irrigation technologies.

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## **Appendix 8: Technical Annex 1: Rehabilitation of Productive Infrastructure**

### **Introduction<sup>7</sup>**

The Government of Georgia, assisted by the International Fund for Agriculture Development, is financing and implementing the Agriculture Modernization, Market Access and Resilience Project (AMMAR). The project is valued at US\$20.9 million, which comprises of US\$13.3 million loan from IFAD, US\$0.5 million grant from IFAD, US\$ 5.3million grant from the Global Environment Facility (GEF), and US\$1.8 million from Government of Georgia (GoG). The project will leverage US\$9.8 million from private farmers and agribusinesses during the implementation period.

The project implementation period is expected to be 4-years, starting from May 2015. The project has just completed its first annual anniversary, and hence has had its first review joint review by both the government and IFAD.

The overall goal of the AMMAR project is to sustainably increase incomes and reduce poverty for women and men in rural Georgia. Its development objective is to stimulate private investments in climate-smart agricultural value chains to increase incomes and strengthen resilience of smallholder farmers in selected project areas.

AMMAR is a national project that is expected to benefit around 10,000 households, through its various activities. The initial geographic area is the four regions of Adjara, Kakheti, Samegrelo and Shida Kartli and, covering the seven value chains of Apples, bay leaf, honey, kiwi, peaches, persimmon and vegetables.

During the mission, discussions were held with the AMMAR team members, and intensely with the engineers, and met with the representatives of the Ministry of Agriculture (MoA), the Agriculture Projects Management Agency (APMA), the service providers (ELKANA and CENN) and field staff of the Amelioration Company and farmers. The mission visited proposed infrastructure sites in Samegrelo, Shida-Kartli and Kakheti regions, where discussions were held with municipality officials and farmers.

### **Project outputs and outcomes**

The project has three main components and 4 sub-components as follows:

Component 1: irrigation and agricultural value chain investment

- Subcomponent 1.1 – Irrigation and value chain infrastructure: For investment in demand driven irrigation rehabilitation to improve reliability of water supply on 4750ha and development of 10 other value chain infrastructure to enhance the production and marketing of target commodities in selected value chains.
- Subcomponent: 1.2 – Private investments in agricultural value chains: Investments aim to stimulate private sector investments by smallholder farmers and agribusiness entrepreneurs in improving production methods throughout the value chain and to stimulate increased diversification of farming systems for over 3,000 farmers.

Component 2: climate-smart agricultural and value chain development

- Subcomponent 2.1 – Value chain development processes and support
- Subcomponent 2.2 – Climate-smart agricultural technology transfer

Component 3: Project management

This report summarises the main implementation and technical issues for sub-component 1.1 and the main recommendations as discussed with the project implementers.

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<sup>7</sup> Report written by Mawira Chitima, Lead Technical Specialist (Water and Rural Infrastructure), Policy and Technical Advisory Division (PTA), IFAD



## Description of Sub-component 1.1: Irrigation and value chain infrastructure

The project is investing in demand-driven value chain infrastructure in targeted value chain cluster areas. Investments are expected to primarily include **rehabilitation of irrigation** (limited secondary and tertiary canals), **roads and bridges** and a **number of other value chain-related infrastructure requiring public investment (such as certified testing laboratories, wholesale storage facilities etc.)**. This subcomponent does not invest in cluster areas requiring investment in drainage. It is expected that 4,750ha of irrigation schemes will be rehabilitated and 10 other value chain related infrastructure will be constructed.

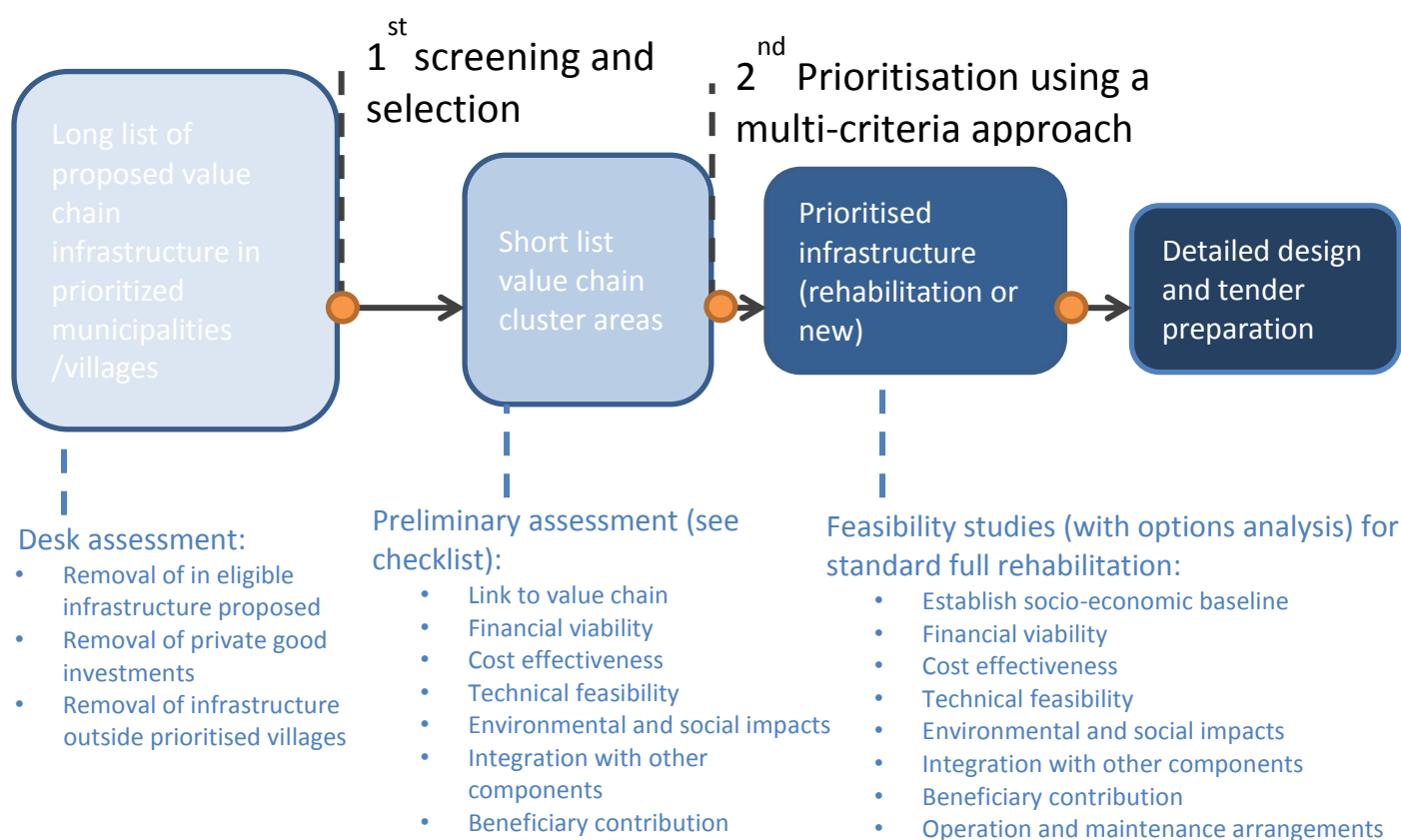
These infrastructure investments are expected to: (a) follow a landscape restoration (LR) approach to prevent climate risks; (b) involve on-farm efficient irrigation and soil and water conservation techniques for sustainable agriculture production; (c) primarily, be driven by a participatory approach involving smallholder farmers, agribusinesses and other VC actors; and (d) count with sound operation and maintenance (O&M) frameworks, as a mandatory pre-requisite before execution of infrastructure works. The project will promote the establishment and/ or strengthening of consistent water user O&M arrangements at local level.

As part of these investments, landscape restoration will be pursued to assess climate risks, including erosion, in each cluster area, identifying vulnerable sites and supporting ecological restoration measures to restore them. Towards the same objective the project will promote participation of the affected farming community in the restoration actions, to increase farmers' understanding, involvement and commitment to maintain the restored land; and will actively seek the involvement and strengthening of local farmers' organizations or informal groups. It is expected that 150 landscape restoration plans will be implemented.

## General physical infrastructure development process

The general process for infrastructure selection and prioritisation follows a four step process as shown in Figure 1 below:

Figure 1 – general process for infrastructure selection



**Step 1:** Desk review of the long list of proposed infrastructure from the multi-stakeholder platform, municipalities or Amelioration company or private and public sector value chain players to remove ineligible candidates. The ineligibility criteria include private goods infrastructure and infrastructure outside the target value chain.

**Step 2:** Preliminary assessment of the long list infrastructure proposed by the MSP, municipalities, government agencies and other stakeholder against a set of pre-qualification criteria. The prequalification criteria assess 8 eligibility criteria of: link to value chain; financial viability; cost effectiveness; technical feasibility; environmental and social impacts; close integration with other components; beneficiary contribution and arrangements for operation and maintenance. Annex 1 provides key guiding questions for each criteria.

**Step 3:** Feasibility studies to assess the technical and economic viability of the investment and to ensure sustainability. The scope of the studies will depend on the size of investment, but in all cases the feasibility studies should be done. The studies will also include an options analysis, to be able to select the most appropriate option for implementation.

**Step 4:** After the feasibility studies, the proposed investments are prioritised following a multiple criteria analysis (e.g. the AMMAR objective ranking system). Detailed engineering designs are prepared for prioritised investments. An example template for the terms of reference for irrigation infrastructure feasibility studies is included in Annex 2 of this technical report.

To control costs for the studies, the expected time inputs for proposed expects can be included in the procurement of a service provider to carry out the studies. Alternatively, the budgeted amount for the study can be disclosed during tender, depending on the procurement laws of the country.

Implementation of the four steps outlined above will vary with type of infrastructure and size of investment. The bigger the investment, the bigger the scope of the studies. In general, the studies will cost up to 15% of the investment in the physical infrastructure. The bigger the investment, the smaller the percentage of the cost of the studies.

### **Operation and maintenance**

The development of physical infrastructure should go hand in hand with the development of soft infrastructure that will be responsible for the proper operation and maintenance of the physical infrastructure. The soft infrastructure will include the agreements with public or private institutions for maintenance arrangements.

### **Comments on the AMMAR infrastructure development process**

The component is not a standalone component but identification of investments is led by the value chain analysis. The identification of infrastructure is determined by the requirements of improving the performance of selected value chains. In this case, all infrastructure investments have to demonstrate clear benefits to a wider group of actors in the prioritised value chains for each region as determined by multi-stakeholder platforms as implemented led by component 2.

The main tasks under this sub-component include a) identification and selection and b) feasibility assessment of potential infrastructure investments, c) detailed designs and d) construction works of selected investments; e) operation and maintenance arrangements.

## Identification and selection of infrastructure investments

Investments under this component are identified through a multi-stakeholder platform (MSP) approach for the identified value chains in the prioritised regions. The MSPs, facilitated by the value chain coordinator, are organised in each region and include all value actors from producers to buyers and processors. The key principle followed is that the identified infrastructure needs will help to improve the efficiency and effectiveness of transactions, hence increasing net benefits across the chain. The project facilitated MSP in Samegrelo and Adjara for Persimmon and Bay leaf value chains) and Shida Kartli (apples). MSPs are still to held in Kakheti region from which priority municipalities were identified.

**Irrigation rehabilitation:** In Shida Kartli, the irrigation schemes to be rehabilitated were identified through the MSP and with the Amelioration company. The project staff did a preliminary assessment of feasibility assessment and used the multi criteria objective ranking system (ORS) to prioritise schemes for rehabilitation. The ORS system was developed during the completed Agricultural Support Programme. (Box 1). The ORS was not prioritised according to potential benefit of the scheme to the selected value chain, and does not take into account availability and accessibility of markets and no socio-economic baseline was undertaken.

The main risk issue of irrigation rehabilitation that was not adequately analysed is the operation and maintenance arrangements. There seems to be a policy gap on the responsibility for the operation and maintenance of tertiary irrigation systems, since the disbandment of water user associations.

With investments as high as US\$2 million for some of the irrigation schemes

**Roads and bridges:** In Samegrelo, the municipalities submitted a long list of potential projects for AMMAR investments. The AMMAR team, evaluated the requests and prepared a shortlist of roads and bridges to be rehabilitated. The report for each identified road and bridge also identified the approximate number of persimmon trees in the villages served by the roads and estimated the cost of rehabilitation. The areas with persimmon and bay leaf in Samegrelo are spread out in the villages, with no clear clusters, hence the prioritisation of roads and bridges has been difficult. The municipality played a significant role in the prioritisation as they (not farmers) indicated willingness to contribute the to the development cost (5%).

The assessments did not include a clear value chain link by identifying the areas of production and main markets, current volumes of persimmon and bay leaf being traded, projected volumes if they will change, estimated benefits to come from the investments.

### Box 1: The Objective Ranking System as used during irrigation rehabilitation under the Agricultural Support Programme

Investments ranking were based on the Objective Ranking System (ORS). The ORS consists of the calculation, for pre-qualified project proposals, of a synthetic indicator including: (i) financial viability; (ii) number of beneficiaries per USD 10,000 spent; and (iii) size of equity contribution. The respective weights given to the three factors are 0.30, 0.50 and 0.20. The financial analysis should show a minimum IRR of 15%. Proposals showing a lower IRR were rejected.

All the screened and pre-qualified proposals being considered for investment were competitively ranked using this system. The highest score for each of the evaluation criteria was given a score of 1.00. The scores for evaluation criteria of the other proposals were then computed on a sliding scale as a proportion of the highest score. Proposals were therefore ranked according to their combined scores using the following formula:

$$\text{Ranking Value} = 0.3 \times (A) + 0.50 \times (B) + 0.20 \times (C)$$

**A** – Score for IRR

**B** – Score for number of beneficiaries holding less than 1 ha assisted per USD 10,000 spent

**C** – Score for equity contribution

The proposals were then ranked in descending order until all the available are allocated

**Table 4 – Assessments done by AMMAR for infrastructure development**

Items for assessment	Types of infrastructure investments		
	Irrigation rehabilitation	Roads and bridges	Land restoration
Link to value chain	No	partial	In some cases
Financial viability	Yes, but not adequate	No.	No.
Cost effectiveness	No.	No.	No.
Technical feasibility	Partial	Partial	Partial
Environmental and social impacts	No.	No.	No.
Integration with other project components	No.	No.	No,
Beneficiary contribution	Amelioration Company contribution	Municipality contribution	Municipality contribution
Operation and maintenance arrangements	None.	Municipality	Municipality

**Land restoration:** the land restoration investments were identified by municipalities and evaluated by a service provider, CENN. The investments have a bias towards river stabilisation and flood control infrastructure, and river dredging. The approach is not typically a land restoration approach. In some cases, the link to identified value chain, technical and financial viability, and environmental and social impacts were not adequately analysed.

**Table 5 – questions on land restoration covered**

Question on land restoration covered	Yes/no
• Involve trees and other woody plants in landscapes where appropriate	No.
• Restore functionality, ecosystem services, not “original” forest cover	Partial
• Employ a range of restoration strategies	No.
• Avoid strategies that lead to the conversion of natural ecosystems	No.
• Respect land tenure rights and agreements	Not clearly indicated
• Plan sustainable maintenance arrangements	Not clearly indicated

## AMMAR Progress to date

### Outcome 1: Rural population agricultural livelihoods is improved and their resilience to climate-change enhanced

#### Output 1.1 – Productive infrastructure are rehabilitated/constructed

Demand-driven investments in infrastructure is planned for mainly in irrigation rehabilitation and road/bridge rehabilitation, as well as post-harvest and processing facilities in selected areas that have concentration of existing or potential primary production for crops of selected value chains. Infrastructure identification and selection was done through a multi-stakeholder process workshop held for the prioritised regions of Shida Kartli, Samegrelo and Adjara.

In Shida Kartli, the infrastructure prioritised was improved irrigation systems in Gori municipality and storage and refrigeration facilities in both Gori and Kareli municipalities as a support to apple and vegetable value chains. A joint workshop was undertaken for Adjara and Samegrelo regions, and the infrastructure prioritised was mainly refrigeration and processing facilities in Kobuleti and Qeda municipalities (Adjara), and roads in Samegrelo region. A long list of potential projects was prepared through consultations with farmers and the respective municipalities. The longlist was reduced to a shortlist after removal of ineligible projects.

**Irrigation rehabilitation:** A total of 5,805ha, with about 4,848 households (average 1.2ha/hh), have already been identified for rehabilitation in Shida Kartli region, Gori and Kareli municipalities (see table 1 below). The total amount for the investments is estimated to be GEL 10,595,000, with an average of US\$793 per ha. The project team used an objective ranking system to prioritise the irrigation schemes to be rehabilitated using the criteria indicated in the PIM and as was agreed in the previous mission in February 2016.

**Table 1 – List of irrigation schemes identified by AMMAR**

Municipality/ Village	AMMAR rehabilitation area (ha)	AMMAR Number of HH	Av. Land holding (ha/HH)	Estimated Investment Cost (GEL)	Estimated Investment Cost (US\$)
<b>Gori</b>	<b>1,985</b>	<b>930</b>	<b>2.1</b>	<b>1,810,000</b>	<b>786,957</b>
Dzevera-shertuli (Lot III a)	1,985	930	2.1	1,810,000	786,957
<b>Kareli</b>	<b>3,820</b>	<b>3918</b>	<b>3.2</b>	<b>8,785,000</b>	<b>3,819,565</b>
Dzlevijvari/Alternatiuli	2,185	1920	1.1	5,500,000	2,391,304
Leteti	162	257	0.6	485,000	210,870
Skra-Kareli	263	596	0.4	350,000	152,174
Tashiskari	1,210	1145	1.0	2,450,000	1,065,217
<b>Grand Total</b>	<b>5,805</b>	<b>4,848</b>	<b>1.2</b>	<b>10,595,000</b>	<b>4,606,522</b>

#### Comments and recommendations

It is commendable that the project has prioritised key crops whose value chain is to be developed in each region, and villages. This crop and geographic targeting, makes it easier to select and develop infrastructure that is a bottleneck for the development of the value chains.

The mission recommends that the AMMAR TEAM proceeds to prepare detailed designs for the following schemes: Dzevera-sheruli, Leteti and Skra-Kareli. However, during the preparation of detailed designs, detailed socio-economic baseline studies for the areas to be rehabilitated will be prepared.

The mission recommends that the AMMAR TEAM undertakes feasibility studies for Dzlevijvari/Alternatiuli and Tashiskari before proceeding to detailed designs. The terms of reference for the feasibility studies can be developed from the template shared during the mission.

It is recommended that for subsequent schemes, full feasibility studies be developed for the irrigation rehabilitation that is estimated to cost above US\$100,000. It is further recommended that the project recruits an irrigation design company with (or that can mobilise) capacity to undertake agronomic, market access and financial and economic assessments. In addition to the engineers, the company

will have a marketing specialist, agronomist, sociologist and agricultural economist as part of the team. For irrigation rehabilitation estimated to cost less than US\$ 100,000, the feasibility studies can be combined with detailed designs.

**Roads and bridges:** Four potential sites were identified for rehabilitation of roads and bridges in Samegrelo region. In Senaki municipality, 2 bridges and about 2500m of roads leading to 1400 trees and 4.5ha of persimmon (in about 6 villages with 1219 households) were identified. In Martivili Municipality, 3 bridges and 150m of road to be rehabilitated were identified. The two selected projects are estimated to cost a total GEL 335,000.

It is recommended that a cost effectiveness approach is used for the assessment and prioritisation of roads and bridges to be financed by the project. Each road and bridge to be developed should be justified with a clear rationale for its impact on the improved market access for prioritised crops. For example, the volume of persimmon and other crops that will access the market through the new bridge connecting the Betlemi (96 households) and Ushapati (270 villages) villages in Senaki Municipality should be indicated. The impact of the bridges on the cost of transportation should also be indicated and used in the prioritisation of selection of roads.

**Value chain infrastructure (Storage and Processing facilities):** The project anticipates the possibility to invest in facilities that may largely be of a public good nature, such as testing laboratories and putting in place export market access protocols. This part of infrastructure development has not yet started. During the stakeholder workshops and the field visit by the mission, some farmers expressed the need for soil testing facilities in the regions, an indication that there is demand for such services.

**Feasibility studies.** The feasibility studies should, at the minimum, compute the return on investments while clearly outlining the following aspects: i) expected incremental income for farmers, ii) expected incremental production for the target value chain crops, iii) expected marketing arrangements for the increased production, iv) required infrastructure and non-infrastructure investments for the required incremental crop production and v) operation and maintenance arrangements for the rehabilitated scheme. The feasibility study will also outline the required supporting infrastructure such as roads, storage facilities and institutional arrangements. Draft terms of reference have been developed that link irrigation infrastructure rehabilitation and access to markets, as well as identification of necessary support infrastructure and institutional arrangements. Any required processing facilities shall be subject to a separate feasibility assessment.

The AMMAR TEAM should continue identifying possible infrastructure to be rehabilitated, to create a pipeline of alternative projects in case there are delays in the implementation of some of the projects. The pipeline projects should be at different stages of development, thus reducing pressure on design and construction companies. It is recommended that this simple checklist prepared by the mission be used by AMMAR staff for the identification of infrastructure, highlighting clearly among others the technical and financial feasibility of the project and its expected impact on the target beneficiaries.

Agreed action	Responsibility	Agreed date
Prepare checklists for identification of infrastructure and land restoration sites	IFAD	Immediate
Recruit consultancy company to carry out feasibility studies for irrigation projects on a retainer basis.	Project Manager, Procurement Officer	August 2016
Prepare detailed design for Dzevera-sheruli, Leteti and Skra-Kareli irrigation rehabilitation, but simultaneously prepare detailed baseline socio-economic study	Engineers, VC Coordinator	October 2016
Prepare feasibility study for Dzlevijvari/Alternatiuli and Tashiskari before proceeding to detailed designs	Engineers	October 2016
Use a cost-effectiveness approach to assess the prioritization of roads/bridges to be rehabilitated	Engineers, VC Coordinator	Continuous

### **Output 1.2 – Management and operation arrangements for the rehabilitated infrastructure are set-up**

The irrigation infrastructures to be rehabilitated include secondary and tertiary canals. In Georgia, the responsibility for headworks, main and secondary canals lie under the Georgia Amelioration (GA) Company. The responsibility for the tertiary canals was not clear, as field officers from the GA

indicated that it is not part of their responsibility. The mission was not able to meet with the GA to discuss the operation and maintenance arrangements for the irrigation schemes.

The mission notes with concern the lack of clarity on the ownership and responsibility for the tertiary irrigation systems and the negative impact that this may have on the sustainability of the investments. It is recommended that, as an intermediary measure, the GA undertakes to take full responsibility for the maintenance of rehabilitated tertiary irrigation systems. As a long-term measure, AMMAR should work closely with the World Bank financed-project, Georgia's Irrigation and Land Market development Project (GILMP) for the development of WUA to take over the responsibility of tertiary irrigation systems. Farmers who benefit from rehabilitated irrigation infrastructure should commit to the maintenance of the tertiary infrastructure. This could be explored through the WUAs already established in these areas

121. The project is currently rehabilitating infrastructure that is considered of a public good nature. Roads and bridges are the responsibility of the municipalities and they will take care of operation, management and maintenance requirements. Hence, the selection of roads and bridges to be rehabilitated has largely been led by the municipalities.

Agreed action	Responsibility	Agreed date
Negotiate with MoA for GA to be fully responsible for all works to be rehabilitated	Project Manager with support of Engineers	December 2016
Explore best practices used by WUAs supported in the region by GILMP	Project Manager with support of Engineers	Continuous

## Sustainability

The sustainability of infrastructure developed under the project, will depend on a) good problem identification, b) good technical designs for the hard infrastructure, c) effective institutional arrangements for operation and maintenance, that is cost effective and involves the users. AMMAR mainly focusses on technical solutions, with inadequate analysis of the institutional arrangements for sustainability.

The operation and maintenance arrangements for the irrigation schemes to be rehabilitated were not clear, thus posing a risk for the sustainability of the infrastructure. AMMAR will need to make clear arrangements with the farmers and the Amelioration Company for the rehabilitation of tertiary irrigation systems.

In the field of landscape restoration, dredging and reshaping river beds options have been assessed as too risky for sustainability, legal and environmental issues. Thus softer options need now to be considered or targeting changed.

The more producers the project can induce to adopt new production technologies, the more users will benefit from developed infrastructure, thus improving its cost effectiveness. The progress achieved in these two areas will also expand the user base of the project supported infrastructure works which will directly contribute to the care, maintenance and sustainability of these structures.

## Impact

The rehabilitation of irrigation schemes in Shida Kartli, and Georgia as a whole can have a significant impact on a number of value chains that depend on irrigation, especially for stone fruits (peaches, plums), apples and vegetables. The feasibility studies for the irrigation rehabilitation will carry out baseline studies to indicate, projected improvement in production for the various target crops, current income levels of farmers and improvement in income from the marketing of the commodity crops among other parameters.

## ANNEX 1: AMMAR – Proposed Infrastructure and Land restoration sub-project Pre-qualification trigger questions (*tick Yes where applicable*)

SN	Question	YES
<b>1</b> <b>Link to VC</b>	Is the sub-project (infrastructure or landscape restoration) directly linked to target value chain cluster? <ul style="list-style-type: none"> <li>Has it been endorsed by a multi stakeholder meeting including producers, off-takers and municipality?</li> <li>Does it result in improved access for the target value chain crops to pre-identified markets/off-takers?</li> <li>Does the investment generate public goods (public roads and bridges, irrigation water supply infrastructure), or</li> <li>Does it increase the adaptive capacity of value chain actors to climate change, or</li> <li>Does it decrease GHG emissions (e.g. change from using fossil fuels to renewable energy or higher energy efficiency)</li> </ul>	
<b>2</b> <b>Financial viability and cost effectiveness</b>	<ul style="list-style-type: none"> <li>Does it increase productivity or production of target value chain?</li> <li>Does it decrease transportation costs for target value chain?</li> <li>Does it provide an incremental income to farmers in target VC?</li> <li>Does it have expected inclusive distribution of benefits among farmers?</li> <li>Are the estimated cost of developing the infrastructure within budgeted costs?</li> <li>Is the sub-project financially viable or cost effective?</li> <li>Does the suggested intervention induce lower costs compared to alternative solutions (GEL/beneficiaries)?</li> </ul>	
<b>3</b> <b>Technical feasibility and Innovation</b>	Does this sub-project: <ul style="list-style-type: none"> <li>Have technically feasible solutions?</li> <li>Introduce new technologies for improved production techniques?</li> <li>propose bioengineering solution to increase lifespan</li> </ul>	
<b>4</b> <b>ESIA</b>	<ul style="list-style-type: none"> <li>Will the sub-project intervention be consistent with Georgia's applicable regulations on environmental and social impacts assessments?</li> <li>Is the investment protected against hazards in risk prone areas?</li> </ul>	
<b>5</b> <b>Integration with other components</b>	Is there an opportunity for an integrated approach to value chain development? <ul style="list-style-type: none"> <li>Is there an opportunity for demonstrating new technologies in the cluster?</li> <li>Is there an opportunity for linking the farmers in the VC cluster to financial institutions?</li> </ul>	
<b>6</b> <b>Beneficiary contribution</b>	Can beneficiary community contribute at least 5% of total investment costs? ( <i>Note: If infrastructure has more private benefits to a few farmers, the contribution should be higher</i> )	
<b>7</b> <b>Operation and maintenance</b>	Can sound and credible operation and maintenance arrangements be put in place for the infrastructure?	

### ADDITIONAL QUESTIONS SPECIFIC TO LANDSCAPE RESTORATION PROJECTS

SN	Question	YES
<b>8</b> <b>Land restoration guiding principles</b>	Does the sub-project on land restoration adhere to the following principles <sup>8</sup> : <ul style="list-style-type: none"> <li>Involve trees and other woody plants in landscapes where appropriate</li> <li>Restore functionality, ecosystem services, not "original" forest cover</li> <li>Employ a range of restoration strategies</li> <li>Avoid strategies that lead to the conversion of natural ecosystems</li> <li>Respect land tenure rights and agreements</li> <li>Plan sustainable maintenance arrangements</li> </ul>	

<sup>8</sup> Adapted from <http://www.wri.org/our-work/project/african-restoration-100/10-principles-landscape-approach>



## **ANNEX 2: Example of Terms of Reference for Irrigation Feasibility Studies**

### ***Agricultural Modernisation, Marketing Access and Resilience Project (AMMAR)*** ***Consultancy Services for the Preparation of Feasibility Studies for the Selection of Viable Irrigation Schemes for rehabilitation***

#### **A. Background**

The Government of Georgia has obtained financing from the International Fund for Agricultural Development (IFAD) towards financing the cost of the Agricultural Modernisation, Marketing Access and Resilience Project (AMMAR) in Georgia. The AMMAR is being implemented by AMMAR of the Ministry of Agriculture (MoA).

The irrigation projects for rehabilitation under AMMAR have to be suitable for the production of crops with a ready market in the selected value chains, in addition to being technically, socially and financially feasible. The procedures for the selection are based on a simple ranking formula that is described in the AMMAR - implementation manual.

In this context, AMMAR is currently seeking to contract a local consulting firm company, through a National Competitive Bidding procurement procedure, designated hereafter by The Consultant who will be responsible for undertaking feasibility studies for infrastructure support.

#### **B. Objective and Scope of the Consultancy**

The Feasibility Study has the following main objectives:

- 1) To provide an assessment of the economic, financial, technical, social and environmental viability of the rehabilitation of identified irrigation schemes. Including an assessment of current situation of marketing arrangements, crop production and the infrastructure and proposed options, if any, for improvement of each of area, as well as a cost benefits analysis,
- 2) To prepare a Feasibility Report with Annexes for each proposed irrigation scheme,
- 3) To conduct a Stakeholders Meeting to disclose project's objectives and approach and assess buyers and farmer's attitude and willingness to act as partners for the sustainability of the relationship,

#### **Crop Marketing arrangements**

The study will review the market opportunities for the selected commodity crops. This will include the possibility to enter into an offtake contractual relationship with identified buyers for selected commodity crops.

The analysis will consider the following:

- Total production volumes to be met by the farmers to satisfy demand from identified buyers in order to make the farmer-buyer relationship sustainable.
- In collaboration with the economist, determine the net annual benefits that smallholder farmers will earn from marketing the crops. Suggest ways that this earning can be optimised.
- After consultations with farmers and identified buyers provide key principles to be included in any possible offtake agreement or MoU.

The Study shall examine all proposed crop on the basis of their market suitability for smallholder production in terms of buyers' quantity and quality requirements and specifications (and the ability of producers to meet these), perishability, transport, storage, handling and other considerations.

The need for improved marketing infrastructure in the project area should be assessed with particular reference to the need for additional feeder roads and improved access, delivery points and stores, transport facilities, communications with grower groups and strengthening of administration and institutional arrangements for crop marketing.

## **Agriculture development**

The study shall:

- a. Investigate all possibilities of establishing an agricultural development model that ensures effective smallholder participation in a commercially viable irrigation scheme for the selected crops and food crops. A combination of data from a socio-economic survey, agro-climate conditions, soil suitability, and market access and farmers experience will provide some indication of the feasibility of smallholders to grow the required crops competitively.
- b. Propose an agricultural development model that specifies crops, their crop water requirements and field irrigation water demands, farm size and number of beneficiaries, agricultural support and agricultural credit.
- c. Analyse climatic data for the area and assess water requirements of crops to be irrigated in the project area. Crop water requirements shall be calculated using FAO's CROPWAT 8.0 software or other software as shall be approved.
- d. Carry out field investigations and establish existing land use practices and limitations of land resources in the identified schemes for the proposed commodity crops.

## **Irrigation Infrastructure Engineering**

The study will assess the water supply requirements for the acquisition and distribution of water to the farms in the selected irrigation systems.

The Study will determine the infrastructure requirements and prepare designs, bill of quantities and provide cost estimates of the selected infrastructure.

The water distribution method will be selected from options that are technically feasible, after considering operation and management requirements, with the aim of selecting the option with the least life cycle costs. An option for modernising irrigation systems, for enhanced water efficiency and improved crop production shall be included.

Using the hydrological, topographical and geotechnical data preliminary design options shall be prepared for the irrigation systems. Drawings shall be produced to show general arrangements of the major structures as well as quantities cost estimates for different major structures.

The study shall define the boundaries of irrigation fields suited for the selected value chain crops.

Field, irrigation and drainage layouts, at no more than 1:10000 will be produced for each irrigation command module taking into account the irrigation system and field size.

## **Environmental and Social Impact Assessment**

Potential impacts of the proposed project, distinguishing between significant positive and negative, direct and indirect, intermediate and long-term impacts. The study shall also identify those impacts that are likely to be unavoidable or irreversible. The study shall characterize the extent and quality of available data, highlighting significant information deficiencies and proposing extra work to be done to collect reliable data.

The environmental and social impact assessment shall be carried out in accordance with the laws of Georgia.

## **Social dimensions**

The study shall:

- a. Conduct an agro-socio-economic baseline sample survey, to include current cropping patterns, that is sufficiently representative and detailed to permit evaluation of project impact at a later stage.
- b. Analyse existing tenure arrangements and using the soils map, estimate the possible number of households owning/claiming land on irrigated land suitable for growing the identified crops.
- c. Investigate the impact of the project on women, the youth and the poorer segment of the project area communities.

### **Other Infrastructure requirements**

The study shall:

- a. Determine the nature of requirements for other infrastructure, (transport, storage) for the sustainable production and marketing of selected crops.
- b. Propose how provision of above should be arranged, with preliminary costing for all necessary items such as roads and associated works, and telephone transmission lines.
- c. Determine the funding requirement for this development and indicative sources for such funding.

### **Institutional Framework for the Agriculture and Irrigation Water Management**

The study shall provide preliminary advice on appropriate organizational arrangements to be put in place for agriculture, infrastructure and water management, the farmers' organisation, extension and training services to ensure that early and adequate training, on-going extension, and liaison take place on the part of all concerned.

The legal, regulatory and farmer choice options for legalization of groupings of smallholders for commercialised agriculture purposes and new entities for irrigation water management should be analysed.

### **Cost recovery and water pricing**

The study will examine the scope for cost recovery from beneficiaries through water charges for both the capital and recurrent costs. The study should include a review of the appropriate experiences and proposals being developed in Georgia.

### **Economic and Financial Analysis**

Prepare financial and economic budget analyses for all targeted outputs. Specific attention should be given to estimating the farmers' level of benefits, ability to pay for inputs for crop production and irrigation water fees.

The economic and financial analysis shall specifically include the following:

- Calculation of net project benefits arising from incremental agricultural production at both farm and project level after deduction of benefits foregone by participants.
- Estimate the capital and recurrent costs (O&M) of the basic infrastructure, the water distribution system, land development, related project infrastructure, environmental protection measures and project institutional arrangements.
- Develop a project cash flow and the calculation of an economic rate of return and net present value.
- Carry out a sensitivity analysis to changes in the basic project parameters and calculation of sensitivity indicators.
- Assessment of project risks which could affect the attainment of project objectives and have a bearing on sustainability.

The financial viability to each of the participating farmers will determine the success of the project. The study shall perform a financial analysis, which will examine the net annual income to the participating farmers.

The financial analysis should develop incremental costs and benefits, cash flows and calculate financial rates of return and net present values using the financial process. The study will also undertake sensitivity and risk analysis to changes in key parameters.

### **Cost and benefit estimates**

All the criteria and assumptions to be adopted for cost and benefit estimation should be mentioned and clearly explained. These will include estimates of crop yields, crop prices, inputs required, water fees payable, transport costs among others.

## Financing Plan

Options for the provision of farmer credit for the on-farm irrigation infrastructure development, agricultural development component and for day to day farming operations (working capital) shall be examined.

- The study will undertake an in-depth analysis of the potential for farmers to receive credit from commercial banks to finance on-farm irrigation and other infrastructure and for seasonal working capital.
- The study will undertake an in depth review of the options available for the financing of the operation and maintenance costs of the bulk infrastructure for water supply to field edge.

The Study shall submit an indicative financial plan showing sources of funds (donor, loan finance, private sector participation, payment by beneficiaries) for the feasibility study and each development option for each.

The study will be conducted under the overall direction of the Project Manager and under the direct supervision of the VC coordinator and Senior Engineer of AMMAR.

## C. Team Composition

A team of national experts would be required, assisted with support technical staff. It is envisaged that about 3 to 6 person-month per scheme of national experts and technical staff, depending on the size of each scheme, would be required for this assignment over a period of two months. The proposed team composition is presented below:

- Irrigation/Civil Engineer: Team Leader
- Economist/Agro-economist/Financial Analyst
- Hydrologist/Water Resources Expert
- Agricultural/Agronomist Specialist
- Agricultural marketing specialist
- Socio-economist

Specific ToRs for each team member are provided below.

**1- Irrigation/Civil Engineer – Team leader.** The mission will be headed by an irrigation/civil Engineer who will coordinate and lead the team and will have the overall responsibility for preparing the Feasibility Study Report and other annexed reports

He will be responsible for:

- A diagnosis of the current situation and detailed description of rehabilitation needs. He should describe the infrastructure current performance and condition of use including information about source of water, technical characteristics including length, discharge, cross section, intake and other structures etc. For this purpose, with the assistance of technicians, field rapid surveys and assessment of the extent and potential of the area downstream for irrigation using remotes sensing and ground trudging or other mapping tools are as necessary;
- Description of current operation and maintenance organisation of the scheme. Role of Amelioration company field staff, Municipalities and farmers. Identify major constraints and their consequences on water service delivery quality and reliability with rough estimates of water distribution efficiency;
- Review the estimate of the project command area which represents the area that the existing irrigation infrastructure including tertiary canal is able to irrigate if sufficient water is available at the head-works, Compare it to the average effective irrigated effective during the last five years. The Consultant will make a difference between the figures that are given by the Georgian Amelioration company Representative which are based on the number of contracts with farmers and the reality that can be appreciated through discussion with farmers on the delineation on existing maps at 1/20 000 or 1/25 000 scale;

- Description of proposed infrastructure's rehabilitation investment should be as detailed as possible. The description of the proposed investment shall include improvement proposals (alternative solutions if applicable); scope of works with a breakdown in relevant macro items (e.g. earthworks, pipe-works, civil works and hydro-mechanical equipment).
- Estimation of investment cost, expected duration of the construction works and of the construction season in the site. Maps, sketches and calculations shall be also reported as an annex to the feasibility study report

**2. Economist/Agro-economist.** The economist will be responsible for the economic evaluation of each proposed irrigation scheme which will include comparing the economic viability of schemes. In collaboration with the Team leader, he will assess all potential benefits and costs for each proposed irrigation scheme. He/she will also provide an overview of the general methodology and assumptions used, with an indication of the potential range of benefits and costs. With the assistance of the Agronomist and the Team Leader he will produce an economic evaluation of each proposed irrigation scheme on the basis of:

- *Anticipated Costs and Benefits.* Identification of the costs and benefits that would arise “with” the proposed investment and the situation as it would be “without” the investment. In this section therefore the costs and benefits of a proposed infrastructure investment must be clearly identified and valued, with the underlying assumptions. This includes estimates of the investment (capital) and recurrent (operation and maintenance) costs using inputs from all members of the team.
- *Financial Analyses.* Based on the identified and valued proposed investment costs and benefits and market opportunities assessment the financial analyses should be carried out and the Economic Internal Rate of Return (EIRR) determined. The calculation shall be carried out with a spreadsheet, following a standard format developed by AMMAR and available on demand. All the assumptions used for the calculations must be clearly reported in the spreadsheet.

### **3. Hydrologist/ Water Resources Management Specialist**

The Consultant will conduct a review of existing data and consultant's own assumptions and methodology assess the water supply availability for shortlisted schemes and how it fits into the water management of each river system. Specifically, the analysis will be based on the following aspects:

- *Water Supply Analysis:* The consultant will conduct on the basis of available data a simple water supply analysis, which includes historical flows and will on the basis of a list of current agricultural and other allocations which can also be used to compute channel conveyance losses. An analysis of surface water supply from various sources/catchments. Available hydrological data shall be collected and their quality assessed. This would lead to an assessment of the available water resources for each irrigation scheme. Reliable flows would be estimated month by month particularly during dry season (May to October) as well as frequencies of occurrence or inter-annual variability;

Review the water rights or priorities throughout the year of the various water sources which are supposed to be used for irrigation and establish whether those rights might hinder the water supply to the proposed irrigation schemes. Particularly water rights or priorities for domestic water supply or for hydropower;

- *Water Demand Analysis.* Undertake in collaboration with the Agronomist, a water demand assessment based on monthly and peak crop water requirements for the current cropping patterns (without project situation) and for an expected future cropping pattern (with project situation) that includes crop intensification and probable diversification.
- The Consultant will therefore provide an estimate of the total water requirement of the proposed cropping pattern and at the head-works in terms of volume and discharge based taking into account system's efficiency at on-farm and off-farm level, this before and after rehabilitation (water losses between the head-works and the field).
- In collaboration with the other team members, develop through two or three various scenarios of future cropping patterns determine the overall water balance of the system and define possible **potential irrigable** area that would be considered for rehabilitation.

#### **4. Agricultural Development Expert/Agronomist:**

In order to assess the economic and social feasibility of irrigated agriculture in the proposed project areas, The Consultant shall, with the support of field technicians/surveyors, carry out rapid surveys with focus groups. Based on these, The Consultant shall report:

- on the present agricultural situation in the total command area, including a preliminary overview of present land use, land tenure, farm characteristics, labour availability; agricultural practices, inputs and yields; sources of income, farm equipment, access to credit;
- on prospects for development with irrigation, including: farmers' interest in irrigation, willingness to pay operation and maintenance costs; intentions to grow high-value crops and adopt new technologies, taking advantage of irrigation; awareness of available technologies and of markets; plans for acquiring and financing on-farm irrigation equipment; and
- on the impact of irrigation on farm income, and on major constraints to such developments, as well as on the felt needs for support

Ground information for the analysis of existing farming systems shall be derived mainly from rapid surveys of proposed areas, while projections for future production will also be discussed in the course of farmers' interviews during those surveys, to verify their interest and elicit their opinions on constraints and possible ways to mitigate these. During the surveys, realistic crop budgets and farm models shall be developed and discussed with farmers to represent the present situation and future developments, as a basis for the financial and economic analysis at the scheme level. The number of crop and farm models should be limited, so as to keep the analysis relatively simple.

The specialist will perform the following tasks: (i) collect information on current cropping patterns in the command areas and make recommendations on the most suitable future development of it once water supply during peak season is guaranteed and calculate crop water requirements; (ii) provide an estimate of the total water required for irrigation based on the proposed cropping pattern and the irrigation system; (iii) assist the Hydrologist in the elaboration of scheme water balance, and (iv) assist the Economist in the production of crop models for use in the evaluation estimate crop budgets as an input to the financial and economic evaluation.

#### **5. Agricultural marketing specialist**

The Agricultural marketing specialist will be specifically tasked to assess issues and opportunities related to market access for irrigation beneficiaries. In close cooperation with the AMMAR Agri-business specialist and VC Coordinator, he will:

- Study the existing marketing arrangements followed by the small holder beneficiaries of the infrastructure project for which the feasibility study is undertaken. Identify current marketing strengths as well as challenges faced.
- Assess the volume and effect of the expected increase in production from AMMAR infrastructure investment on current marketing arrangement. Articulate the marketing challenges/risks as well as strengths and opportunities foreseen and the extent of their potential impact on farmers' returns and livelihoods.
- In discussion with target group farmers, agriculture offices, municipalities, buyers and other stakeholders identify the key interventions required for addressing the marketing challenges.

#### **6. Rural Sociologist**

The rural sociologist will take the lead in conducting the agro-socio-economic baseline sample survey. She/he will be responsible for the following:

- Develop survey methodology including sample size and survey instruments
- Conduct data analysis of collected data along with report writing
- Prepare a profile for each irrigation scheme including key indicators that can be used for measuring the impact of intervention after completion of the rehabilitation work

**7. Additional Expertise.** Depending on the specificities of each irrigation schemes additional expertise may be needed on other aspects such as hydro-mechanics, civil engineering, financial

analysis, etc. The Consultant will present in his technical and financial offers justifications for the inclusion of these experts and their terms of reference.

The team composition is indicative and the Consultant will propose for each scheme a combination of required experts, depending on the specificities and the scope of work, who will have the experience and capacity to fulfil the ToRs requirements.

#### **D. Stakeholder Meetings**

In line with the Project implementation concept and approach based on a consultation and participatory process that would ensure involvement and ownership of the stakeholders, The Consultant will organise, in consultation with AMMAR, a one day Stakeholders Meeting to inform buyers, local authorities and all the farmers in the area of the project's planned interventions and discuss issues related to crop production, water management, and marketing improvement. The outcomes of the workshop will serve as guiding principles for further investment in the project area.

In this deliverable, The Consultant will be required to: i) provide in collaboration with AMMAR major input in the selection of scoping meeting participants, ii) communicate with and provide invitations to the selected participants, iii) identify meeting venues and provide all services in the implementation of the meetings, and iv) facilitate the scoping meetings, gather and record the results of the meetings, and present these results in written form to AMMAR.

#### **E. Qualification Requirement**

Team leader shall have a university degree and 10 years' experience in agricultural development (experience with irrigation and water resources development is an added advantage), experience in several of the disciplines of the project, experience in coordinating and reporting on the work of others.

Professional staff shall have a university degree with at least five-year professional experience after graduating in the technical work specified below.

Specialists shall have the following experience

##### **Irrigation/civil Engineer – Team Leader**

- A university degree in Irrigation/Civil Engineering with at least ten years of work experience in design and construction of small scale public infrastructure (e.g. roads, bridges, irrigation/water supply schemes etc.) preferably for development projects/agencies/institutions.
- Experience in leading multidisciplinary teams for the development of water management and irrigation projects
- The Irrigation/civil engineer shall have experience in irrigation and hydraulic structures, including knowledge planning, designing and costing of irrigation and drainage projects. Knowledge of aspects related to irrigation requirements of various crops and cropping patterns is required,
- Good knowledge of construction norms and regulations in Georgia.
- Experience in carrying out engineering cost estimates based on current market prices.
- Demonstrated analytical and interpersonal skills, ability to think and act strategically, multi-task and meet deadlines.
- Computer literate
- Excellent report skills.

##### **Economist/Agro-economist Expert**

- A university degree in economics, marketing, business management of related field with at least 10 years of work experience in feasibility development investment researches/studies, preferably for development projects/agencies/institutions.
- Economists shall have experience in project evaluation of water resources and agriculture development projects. The Expert shall have experience in financial analysis of crop production and marketing and the analysis of short and medium term credit needs and availability
- Good knowledge of development issues in rural area of Georgia, especially related to business, marketing and agriculture development investment aspects.

- Experience in carrying out preparation of economic assessment reports and studies and making recommendations for development actions/interventions.
- Demonstrated analytical and interpersonal skills, ability to think and act strategically, multi-task and meet deadlines.
- Excellent knowledge of Microsoft Office package. .

#### **Agriculturist/Agronomist**

- A university degree in Agriculture with at least five years of work experience in farming systems development, crop production and crop yield response to water and farm economics for crops.
- The expert shall have experience in conducting field rapid rural appraisals and have particular experience and a good knowledge of farming conditions in the country and construction of small scale public. Work experience in irrigated agriculture, crop water requirement is necessary.
- Good knowledge of crop budget elaboration and norms and regulations in Georgia.
- Demonstrated analytical and interpersonal skills, ability to think and act strategically, multi-task and meet deadlines.
- Computer literate.

#### **Hydrologist/Water Resources Expert**

- A University degree in hydraulic and hydrology with at least 10 years of work experience in water resources management and hydraulic structures development.
- The Hydrologist shall have experience in water resources development planning and studies of rainfall, flows, floods, irrigation, crop water requirements and sediment.
- Technical expertise in water-use efficiency, with experience working in the agriculture water-use sector;
- Experience in carrying out comprehensive water resources analysis of a specific water mobilisation and distribution system including various water mobilisation structures and multiple users,
- Demonstrated analytical and interpersonal skills, ability to think and act strategically, multi-task and meet deadlines.
- Computer literate.

#### **Agricultural marketing specialist**

- Practical knowledge of the broad range of fruits and vegetables marketing functions and activities, such as assembling, processing, distribution, regulation, inspection, standardizing, storage, transportation and financing;
- At least 5-year experience in producer group development processes, private sector engagement and establishment of effective market linkages;
- Advanced degree in agricultural marketing, agricultural business or agricultural economics;
- Strong analytical skills with experience in presenting high quality reports.

#### **Rural Sociologist**

- A university degree in economics, agriculture, social sciences or closely related discipline
- At least 8 years of experience in undertaking baseline surveys
- Proven communication skills
- Excellent analytical, report writing
- Computer literate.

**Additional Required Expertise:** The additional Experts that The Consultant may consider are needed should have University Degree with a minimum of five-year experience.

**Technical Support Staff:** Technical support staff, survey assistants and other similar staff shall be competent at their jobs and have appropriate qualifications and experience.

#### **F. Source of information, duration of the assignment and deliverable**



**a) - Source of information.**

All the background documentation will be made available by AMMAR and GEORGIA AMELIORATION COMPANY field staff to the Consultant at the inception meeting with the project teams at the AMMAR.

In addition, while working at the field, the consultant will work in close collaboration and be supported by the AMMAR staff in arranging the necessary meetings and collection of the various information and data. AMMAR staff would join the Consultant's field visits as deemed necessary by the AMMAR Project Manager.

**b)- Duration of the assignment:**

The Consultant will mobilise team according to the proposal made in its Technical Proposal Report consisting of needed professionals including working at the field. The overall duration of the assignment is 60 days.

**c)- Reporting:**

The Consultant will report to the AMMAR Head. The consultant will submit reports (in hard and soft copies), including the spreadsheets for the calculation of the IERR and other supporting maps, preliminary drawings and annexes, according to the following timeframe.

- **R1. Draft Feasibility Study Reports** according to the outline described in the Appendix 1 attached to these Terms of Reference. This shall be a substantially complete draft of the final report which shall be submitted (5 copies for each scheme) to AMMAR 50 days after the Starting Date of the Services. This will be discussed with AMMAR. The Consultant within an agreed period of submission and amendments shall be agreed for incorporation in the final report.
- **R2. Stakeholders Meeting Outcome Report** A short summary report on workshop programme list of attendees, main findings and outcomes of discussions, Recommendations on aspects for further consideration
- **R3. Final Feasibility Study Reports** within maximum 60 days after contract signing; including any additional information and data requested by the AMMAR head based on the previously submitted draft study reports. It shall include:
- **R4. Ranking Results Report**. The Ranking Results Report will be submitted to the AMMAR Schemes Selection Committee for final selection. It shall include:
  - An Executive Summary of about four pages that summarizes the outcome of the ranking analysis, and the Consultant conclusions and recommendations
  - An Annex presenting the Executive Summaries of all the schemes
  - An Annex describing the methodology of ranking process and evaluation tables.

All submittals shall be in the English language. If required, the cost of translation would be at the Consultant's own expenses. All reports shall be written in clear unambiguous English. Conclusions shall be properly justified.

## **Ap. A - Suggested Outline/Table of Content for Irrigation Feasibility Study**

### **Executive Summary (2 pages)**

#### **1. INTRODUCTION (1 page)**

- Objectives of the study
- Methodology on how was conducted the study

#### **2. EVALUATION OVERVIEW OF EXISTING CONDITIONS (8-10 pages)**

- 2.1- Physical and socio-economic conditions of the irrigation scheme area
- 2.2- Present agricultural situation, including: present land use, land tenure, farm characteristics, labour availability; access to water, agricultural practices, inputs and yields; sources of income, farm equipment, access to credit
- 2.3- Diagnosis of irrigation network and level of deterioration status. Description of current problems/deficiencies with infrastructure supported by mapping and technical description of irrigation channels, headwork structures, or other proposed infrastructure, inventory of damage/deterioration, etc.
- 2.4- Evaluation of the performance of the system in terms of irrigated versus irrigable area, irrigation distribution reliability and efficiency, on-farm irrigation quality of service and agriculture cropping pattern and production
- 2.5- Assessment of current situation water supply and demand balance and estimate of potential irrigable area in comparison with the total command area.
- 2.6- Evaluation of the without project situation in terms of irrigated agriculture production system, crops yields, budget, and production
- 2.7- Current scheme operation and maintenance arrangement  
Major constraints and opportunities including farmers' perception, attitude of agriculture services, marketing, etc.

#### **3. ENGINEERING ANALYSIS OF PROPOSED REHABILITATION ACTIONS (4-6 Pages)**

- 3.1- Description and analysis of proposed infrastructure rehabilitation. General and technical description of rehabilitation works supported by Map/sketch/plan layout with distances/elevations of specific infrastructure
- 3.2- Water balance analysis on a "with project" situation for two or three scenarios of possible future cropping patterns.
- 3.3- Investment costs estimate
- 3.4- Operation and maintenance costs –Indicative budget

#### **4. PROJECT IMPACT AND BENEFITS (6-8 pages)**

- 4.1- Expected impact on water availability increase, potential irrigable are increase and cropping pattern diversification
- 4.2- Evaluation of with project situation benefits. Two possible scenarios of cropping pattern adoption
- 4.3- Cost/benefit analysis of proposed infrastructure (e.g. irrigation water and resulting farm income increases)
- 4.4- Economic rate of return (IERR)
- 4.5- Social and environmental impact

## 5. CONCLUSIONS (1page)

### Ap. B - Proposed Feasibility Study Bill of Quantities

For each Scheme .....

Position	Unit	Quantity	Unit Cost	Total
<b>I. <u>Remuneration</u></b>				
Irrigation civil Engineer / Team Leader	Days			
Hydrologist/WaterResources Expert	Days			
Economist	Days			
Agricultural Specialist / Agronomist	Days			
Agricultural Marketing Specialist	Days			
Rural Sociologist	Days			
Experts on Thematic Issues	Days			
Technician field surveyors	Days			
<b>II. <u>Other expenditures</u></b>				
Perdiem	Days			
Transport	LS			
Irrigation system mapping 1/25 000	Ha			
Communication	LS			
Stakeholders workshop	LS			
Reporting including translation into English	Unit			
<b>Total I +II</b>				
<b>VAT 18%</b>				

LS: Lump Sum

### Total Cost for the whole Assignment

Position	Unit	Quantity	Unit Cost	Total
Scheme .....	Unit	1		
Scheme .....	Unit	1		
Scheme .....	Unit	1		
Scheme .....	Unit	1		
General Report on Ranking Results	Lump sum			
<b>Total</b>				

### Ap. C - Other Annexes, Maps, Tables

## **Appendix 9: Technical Annex 2: Activities supported by the Global Environment Facility**

### **1 Context**

AMMAR project is co-financed by a GEF/SCCF grant, Enhancing Resilience of Agriculture Sector in Georgia (ERASIG), amounting to US\$ 5.3 million. ERASIG aims to strengthen environmental sustainability through capacity building and subsidized equipment for EIT and CSA, investments to control climate risk in the targeted value chains, and climate policy support.

Within AMMAR Team, ERASIG activities are managed by a GEF coordinator and a Value Chain Coordinator. M&E and budget management is pooled with other financing sources. Phasing is very conducive as GEF activities have more or less started at the same time as other activities.

Project's activities are covering many different value chains, in diverse microclimates and environmental contexts. ERASIG builds mainly on technical service providers for field level implementation.

### **2 Technical implementation status**

#### **2.1 Component 1: On-farm EIT, SLM and water conservation for sustainable agriculture production.**

##### **2.1.1 Matching grant component for farmers**

Grant activities have yet to start and are expected to benefit directly from trainings and demonstration plots to create a momentum and demand for these improved techniques. Interviews with potential beneficiaries and mission findings show 3 things:

- The matching grant rule is homogenous in the GEF and in the IFAD baseline loan (AMMAR project): 60% should be brought by the beneficiary to get a 40% grant. The grant manual also states that beneficiaries should disclose a land title in their grant application. These design features are then selecting average and above average farmers: they are the best placed to value project investments and scale up climate resilient technologies. Nevertheless, given that the land titling process, though free, is not taking off quickly for poor smallholders, there is high possibility that the project will not be able to support much the smallest farmers. This explains partly why it was decided during stakeholder workshop held in November 2015 to raise farmer grant cap at US\$ 15,000 (instead of US\$ 1,500, cf. Annex 1).
- The matching grant approach does not give extra incentive for highly environmental friendly activities, in particular windbreaks. Given that these activities are less profitable in the short term, and that return on initial investment is slow, one can expect that most grants will be channeled to EIT and CSA investment allowing for quicker payback: drip irrigation, organic fertilization technologies, etc. Therefore, ERASIG project objective to expand windbreaks on private land will probably be challenged;
- Windbreak success story supported by GIZ did not sustain.

These 3 features are not expected to affect the delivery of environmental outputs captured in CEO-endorsed GEF logframe but will change some of the initial targets, such as the number of GEF direct beneficiaries.

The mission has taken note that the increase of grant cap from US\$ 1,500 to 15,000 has led to reconsider the tentative number of beneficiaries from 1,000 to 220 during last implementation support mission. Grant implementation monitoring will allow for calculating the average size of delivered grants, then these targets can be later fine-tuned.

##### **2.1.2 Matching grant component for VC businesses**

These activities have yet to start and are expected to benefit indirectly from trainings and demonstration plots. VC Aggregators are for instance very supportive of farmer training to improve quality and post-harvest processing, and this will speed up payback for sizeable investments.

The mission has taken note that the tentative number of beneficiaries has been reevaluated from 30 to 40 large-scale grants for VCs during last implementation support mission. Grant implementation

monitoring will allow for calculating the average size of delivered grants, then these targets can be later fine-tuned.

### **2.1.3 Technical trainings and demonstration plots**

This activity is expected to start end July. It has been delayed by 1-2 months due to late contracting of the service provider, ELKANA. The supervision mission agreed on start-up of 4 demo plots this year: apple (Gori or Kareli municipalities in Shid-Kartli), kiwi (Kobuleti or Khelvachauri in Adjara), persimmon (Martvili or Senaki in Samegrelo) and peaches (Gurjaani in Kakheti). It has been agreed then that these first four demo plots will proceed in two steps: the first batch in 2016 for installing irrigation material, pruning, and starting training and demonstration when seasonality allows. The second batch of training and demo will be started in spring- summer 2017 and then can cover the whole cropping cycle.

Regarding zoning of demo plots, choice will not be made only upon technical expert recommendation but also upon wide consultation with AMMAR Team, and taking into account proposed dimensions in the field of rural infrastructures, landscape restoration and grant financing opportunities to ensure consistency with the whole project environment (complementarity with other actions, anticipate connections with aggregators, access to grant packages, etc.).

The demonstration plots aim at showing in real condition the added value of technical and managerial practices, in particular CSA and EIT, and how to properly implement them. The demo plot is installed in the cropland of a volunteering farmer and is visited by trainees for practicing techniques, see themselves the impact and ask for advice to the lead farmer. They need initial investment, access facilities and regular follow up to ensure that demonstration implementation is consistent with technical requirements beyond the training session. It is expected that these new techniques will generate demand for investment, which will be addressed by the grant component (see 2.1.1). The mission has taken note of the fact that the number of demo plots has been reduced from 30 to 10 during last implementation support mission in order to enable longer term demonstration and to ease coordination. Nevertheless, the trainee target per plot, 100 farmers, remains very ambitious. The project will only be able to train 1,000 farmers instead of 3,000 (CEO-endorsed), and then expected land under EIT and CSA practice will also need to be reevaluated to 1,000 ha (average crop area per farmer = 1ha) in the updated logframe.

Based on field studies, ELKANA has identified specific training packages for each VC: pruning, drip irrigation, organic fertilizers, bio pesticides, disease control, storage and drying, soil preparation, frost protection, mulching. Given the climate constraints and market drivers, the supervision mission considers these proposals as very relevant but recommends considering also complementary on-plot demonstrations related to market access (packaging, calibration, etc.) reflecting aggregators' needs at the local level, as captured during field visits. These new practices, alleviating climate drivers and VC bottlenecks at early stage, will support climate resilience of target VCs.

ELKANA will in particular support integrated pest management and organic farming techniques. The latter will be focused on alternatives to synthetic inputs in order to reduce production costs and dependency to the input market. This is an interesting and relevant approach which is in phase with current market demand and capacity: organic products are a micro-niche market at the moment and then there is little possibility to realistically launch these VCs during ERASIG implementation (e.g. certification issues, few aggregators potentially interested, etc.).

The mission also recommended to use these training sessions and demo plots to promote the grant facility to farmers. The set-up of curricula with local aggregators has also to be used by ELKANA as a promotion opportunity for large grant window. This need for improved coordination has been addressed by the supervision mission which as proposed closer interaction to ensure better complementary and effectiveness in delivering outputs.

Under these activities fall also training of trainers in EIT and CSA technologies. These training sessions are targeted to service providers and MoA regional staff. They will build capacity and improve their ability to support project implementation on the ground. These training sessions are expected to start in the fourth quarter (ELKANA).

### **2.1.4 Facilitation events on resilient value chains**

25 events are planned for the whole ERASIG. 2 of these have been delivered during the 2<sup>nd</sup> quarter. The mission noted that attendance was mainly farmers. It is important to ensure that these events will

attract more women and more local agribusiness stakeholders. 8 more events are expected to take place till the end of this year.

## 2.2 Landscape restoration works

Landscape approach aims at screening the watershed to spatially coordinate erosion control and infiltration investments or practices to reduce risk drivers upstream of the risk prone areas. These investments are usually coordinating multi-scale interventions to increase sustainability of erosion and risk control. This was a key feature of AMMAR / ERASIG.

The mission has taken note that one of the key targets for this activity has been refocused: 8 landscape restoration plans are expected to be implemented while the CEO-endorsed document was expecting “at least 150”. Given the costs of restoration and protection works, this is a realistic target which is furthermore still aligned with GEF initial logframe.

The mission noted that the landscape approach has been shifted by the service provider, CENN, towards a hotspot approach based on municipality demands to secure their co-financing and maintenance. This is not a proper landscape approach but will nevertheless contribute to risks alleviation, although to date upstream investments have yet to be considered. We are still at the identification stage and to improve the quality of the proposals, the mission has recommended to CENN, the specific service provider for these works: a) to ensure better connection to the watershed perspective justifying the need, b) to further explore bioengineering options as it is the added value expected from CENN, c) to build stronger economic rationale for protection investments and d) to deepen coordination with other AMMAR interventions. A checklist has been developed to ease design of infrastructures and ensure minimum standard requirement at the beginning. This checklist has a specific section related to landscape management investments. It can be also used as a simple checklist to check quality of technical offers submitted to MoA/IRD. Given the fact that CENN made a technical bidding mobilizing a watershed specialist and has extensive references in bio engineering, a substantial improvement in terms of landscape approach is expected for the detailed investment design studies.

To date, implementation of activities by CENN is delayed by 1 to 2 months jeopardizing capacity to implement all the planned land restoration investments foreseen in AWPB 2016. This is linked to delays partly in sites identification and also to the weak landscape rationale of proposed investments. Four land restoration sites in four villages, out of a long list of 40 projects identified, have been pre-selected. The list of projects was compiled from requests made by municipalities, and assessed by CENN experts (see table below).

**Table 3 – List of landscape restoration sites identified by AMMAR**

Region	Municipality VC	Village	Numb. of benef.	Problem	Action proposed
Shida Kartli	Gori Apple	Tirdznisi	50	The PataraLiakhvi river washed away 1 ha of land and threatens fruit gardens.	Build a river bank protecting structure
	Kareli Vegetables	Mokhisi - Kvenatkotsa	270	Floods from Cheratkheula river affect up to 300 ha of between the villages Mokhisi and Kvenatkotsa and in the settlement of IDPs.	A 7 km section of the riverbed from the village Gomi to the village Kvenatkotsahas to be cleaned.
Kakheti	Gurjaani Peach	Chumlaki	300	Flooding of 150-200ha	Cleaning of the river and gabions for about 200m
	Lagodekhi vegetables	Giorgeti	125	Flooding of 120ha	Cleaning of the river and gabions for about 400m

The mission noted that the unstable river banks at Tirdznisi and Giorgeti villages are much longer than is proposed for intervention. The Patara Liakhvi and Kabali rivers are unstable for over 1.5km in the selected sections. The proposed interventions may require significant infrastructure engineering for the river bank stabilisation and may induce costs higher than the budgeted amounts. Moreover, the mission and team decided that dredging operation should not be eligible to AMMAR/ERASIG financing because of multiple risks (sustainability, legal, environmental). Cleaning riverbeds should avoid removing trees as it would increase flow speed and sediment movement.

The mission thus recommends that, due to the potential size of the interventions and dredging issues:

- CENN proceeds to detailed engineering designs in Chumlaki and Giorgeti, while at the same time a detailed assessment of the potential benefits to the prioritised value chain is undertaken;
- CENN abandons Mokhisi project because of large scale dredging issue and
- CENN assesses costs for consistent protection in Tirdznisi as the mission noted that investment might be underestimated to have enough impact.

In general, the mission has recommended to do extensive use of bioengineering options to complement civil works and stabilize for instance the riverbanks. Maintenance of the bioengineering investment should be agreed with local beneficiaries prior to any investment works.

The mission has considered that reduction of the number of current target sites from 4 to 3 can be accepted to secure impact if it appears that the Tirdznisi works are more expensive than initially planned in the AWPB (which has provisioned for US\$ 300,000 for 4 sites). The mission recalls that GEF project logical framework does not provide with binding targets in terms of precise number or ha protected nor precise number of sites under land restoration/protection. Given budget allocation in project documents, information regarding the cost of CENN contract, information available regarding average cost (US\$ 75,000) for each site, this 8-sites target still seems achievable.

The mission also noted during field visit that windbreak settlement on public lands, i.e. the one targeted by this landscape component, is extremely challenging as it requires coordination with Ministry of finance for maintenance. Coordination needs between the 2 ministries and local municipality just to plant windbreaks pose serious feasibility questions.

### **2.3 Policy support works**

Following the AWPB, AMMAR Team is collaborating with the Ministry of Environment to set-up the first National Adaptation Plan for the Agricultural Sector. When the mission was in Georgia, tenders have already generated biddings and it is expected that the consultative and participatory process will span over 10 months. Even if the process has started on time, length of the process was underestimated in AWPB and then the outputs will not be available by the end of the year as initially planned.

Studies related to resilient VCs need further thinking. At the moment the approach is to mainstream climate constraints when addressing the bottlenecks of leading VCs. Resilience of the VC is then at the moment rather well addressed in curricula produced by ELKANA.

### **2.4 Conclusions**

Recommendations related to technical implementation are captured in the last section in accordance with the Aide Memoire. Main conclusions of technical implementation are given below:

- The number of beneficiaries of ERASIG will be much smaller than expected, nevertheless environmental benefits remain;
- The project approach i) does not facilitate smallholders access to project activities and ii) there are no strong incentives for windbreak planting, thus there is little chance that individual investments will improve consistently watershed management in private lands as initially expected in the PDR. MTR may propose more incentivizing environment if the focus on windbreak is maintained;
- Legal status of windbreaks on communal land is not conducive for large scale expansion. Then the environment is not enabling for better watershed management through windbreak planting;
- Service provider capacities in landscape approach/watershed management are very limited;
- Dredging and riverbed cleaning is too risky to be eligible to IFAD-supported investments;
- Many simple climate smart resilient options have been identified for demonstration plots and will contribute to resilience of target VCs;
- Policy works show promising potential in term of climate smart policy dialogue.

Then technical implementation, taking into consideration on-going processes, good integration of environment topics in activities, and early implementation stage of the project, is considered as **moderately satisfactory**.

### 3 Financial implementation status

As reported in the main document, even if GEF activities have the best disbursement, this is still modest and the trend and technical context lead to think that AWPB will partially achieve expected disbursement targets. Nevertheless, the number of on-going activities and the current limited delay (1 to 2 months) show that there is no specific problem to date in term of capacity to disburse ERASIG.

The mission noted three weaknesses that need to be improved:

- More clarity on multiple source funding contracts for better strategic use of funds. For instance, the contract for demonstration plots, which is a core component of ERASIG, is supplemented by IFAD grant resources. When the mission came, it was obvious that respective constraints in term of expenditure timing for the different funding source were not taken fully into consideration;
- Technical coordination should work closely and regularly with finance management team to ensure a precise follow-up of commitments and expenditures. This overall budget tracking is essential for technical planning: how much is committed, how much remains for different types of activities, impact of grant support on ERASIG allocation and disbursement, etc.;
- So far, there is no single harmonized budget: several Costab versions of AMMAR are available, which could challenge ERASIG- implementation in particular when fund consumption will be swifter.

This improvement in nearly real time budget monitoring for technical purposes is key not only to ensure efficient use of GEF resources, but also to plan for activities and adjustment of GEF logframe. For instance, IFAD grant was not considered in ERASIG project document. If the GEF grant is supporting now some ERASIG-led activities, we need to be clear if this will increase the expected outputs or if ERASIG should reallocate resources to other activities. The latter option will call for logframe adjustment. This question about logframe targets can be dealt with as soon as the whole Costab (AMMAR + IFAD grant + GEF grant) is consolidated.

Then financial implementation, taking in consideration on-going processes and early stage of the project, is considered as **moderately satisfactory**.

### 4 Project management of GEF activities

The mission considers that the MoA/IRD coordination of GEF activities is doing a reliable work in administrative management of activities. At the same time, as earlier mentioned in this report, the mission feels that the budget tracking and quality check of technical bidding/design need to be improved to ease implementation and planning. The mission and the team worked together on keeping track of the updated logframe as per version agreed upon in March 2016 and in accordance with latest ERASIG PIR. This consolidation and justification, which will probably be screened at MTR, is annexed to the present document. The mission and the team have also updated the GEF climate change tracking tool to simplify the monitoring tables, align them with endorsed logframes, prepare for MTR and ease technical and budgetary monitoring works. Tracking of outputs is just starting but this has been precisely made so far, including gender disaggregation. In this context M&E of GEF activities is considered as moderately satisfactory.

More generally the mission considers that interaction between the Ministry of Agriculture and Ministry of Environment to frame the National Adaptation Plan for the Agricultural Sector is an excellent example of cross-cutting collaboration and fully aligns with GEF and IFAD policy in terms of mainstreaming climate change into national policies.

Regarding the service providers, after 2-3 months of implementation the mission notices that:

- CENN works on landscape approach are below expectation and their added value against a regular civil engineering service provider has yet to be confirmed. So far their activity is then assessed as moderately unsatisfactory. Precise recommendations have been made to help them in improving their actions;



- ELKANA works is still just starting but their technical capacities appear pretty good in the documents produced so far and they have already identified many activities well aligned with ERASIG rationale. Then their start-up is assessed as satisfactory;

As for the management of GEF activities, taking in consideration on-going processes and early stage of the project, it is considered as **moderately satisfactory**.

## 5 Climate and environmental sustainability

In the field of landscape restoration, dredging and reshaping river beds options have been assessed as too risky for sustainability, legal and environmental issues. Thus softer options need now to be considered or targeting changed for the civil and command works.

The absence of Water Users Association (WUA) will not ease the maintenance of investments in targeted zone, in particular for the necessary maintenance works, for both grey and green infrastructures. Now, maintenance of civil works for risk control is supposed to be covered by municipality budget. For bio engineering this is more complex and will require commitment of beneficiaries before the beginning of any investment. Municipalities recall indeed that they cannot commit fund for maintenance on private land and that they are not legal owners of trees on public land.

## 6 Lessons learned

In AMMAR target VCs, many activities for improved profitability and quality are at the same time climate smart relevant: pruning, drip irrigation, organic farming, composting, IPM, etc. Then, given the project structure, it is possible that CSA could be supported in practice not only by GEF resources but also by PBAS resources. Then there is a mainstreaming/scaling-up expected.

Watershed approach or landscape approach is not widely technically mastered, future works and design need to better assess capacities and consider specific technical assistance to lead stronger landscape approaches.

Co-financing sought from municipality has led to focus on civil works needs in risk prone hotspots, without properly/explicitly taking into consideration the watershed scale. This strategic choice can be questioned because it has not improved the quality of the proposal and is a pretext to explain why landscape approach has been followed in a minimalistic way. GEF resources for public good works didn't necessarily need cofinancing.

Mid-term review will probably screen the grant allocation but the mission thinks that the current support to highly climate/environment friendly investments such as windbreaks, of which eligibility criteria through grants are aligned with other more conventional agricultural investments such as drip irrigation, is not very incentive. If alignment facilitates management (40% grants, 60% matching grant), one could have considered that highly climate/environment friendly investments could have deserved easier access modalities.

Finally, the project is supporting 3 out 4 priorities for agriculture adaptation as stated in the Georgian NDC (2015) by i) addressing improved irrigation efficiency, ii) supporting anti-erosive investments and iii) training farmers in climate smart practices Summary of recommendations (as captured in the Aide Memoire)

- Connect grant component and buyers needs to capacity building curricula such as post-harvest processes
- Ensure that the planning for next demo plot batches and trainings will be able to cover the whole production cycle
- Expand capacity building follow-up of demo plots to increase impact
- Support agribusiness associations and their members with exposure to the grant projects and demonstrations, to enable them witness how the bottlenecks/constraints in the value chains are addressed by AMMAR interventions.
- Ensure that the land restoration feasibility studies meet the quality standards (according to ToRs and checklist)
- Improve connection with Watershed issues in the upcoming restoration plans, to show added value of CENN
- Improve overall approach through deeper coordination with other AMMAR interventions
- Improve monitoring of GEF funds disbursement for technical planning and M&E purposes

- Undertake budget adjustment between IFAD grant and GEF grant, and submit revised AWPB to IFAD
- Increase bioengineering approach and phase out dredging

**Table 5 – Changes in GEF Log Frame (agreed March 2016)**

<b>CEO endorsed targets</b>	<b>New targets agreed March 2016</b>	<b>Reason for change</b>
At least 150 landscape restoration plans implemented	At least 8 landscape restoration plans implemented	Cost underestimated. Methodology and cofinancing mobilization has led to target on hotspots threatened by climate related events
At least 1000 small grants (made to farmers (at least 30% to women and young farmers)	At least 220 small grants (made to farmers (at least 30% to women and young farmers)	Initial size of unit grant has been increased to fit with beneficiary needs. The max. size for the grant has increased from US\$1500 to US\$15000
At least 30 grants made to agribusinesses and processors in target value chains	At least 40 grants made to agribusinesses and processors in target value chains	Average size of large grant has been re-evaluated increasing the expected number of grants
Marketing assessment and operational strategy developed for at least 6 VC	Marketing assessment and operational strategy developed for at least 6 VC	No change
25 VC facilitation events held with a total of over 1000 farmers, agribusinesses and input/service providers engaged	25 VC facilitation events held with a total of over 1000 farmers, agribusinesses and input/service providers engaged	No change
At least 3000 smallholder farmers trained in CSA technology options and practices	At least 1000 smallholder farmers trained in CSA technology options and practices	Team and ISM agreed that capacity does not allow to follow up 30 Demo plots. Thus demo plot number is reduced to 10, and the number of beneficiaries has been reduced from 3000 to 1000
50 staff of local service providers and regional MOA officers receive ToT/refresher training on CSA for target VC production	50 staff of local service providers and regional MOA officers receive ToT/refresher training on CSA for target VC production	No change

## **Appendix 10: Technical Annex 3: Rural Finance**

### **1. AMMAR Approach and Role of Rural Finance**

AMMAR is currently identifying investment opportunities along the selected value chains to promote innovations and address the bottlenecks along these chains. These investments will occur mainly through the Project's matching grants window and the demonstrations. Their success is expected to stimulate higher income for the target group farmers and thus meet the development objectives of the project. The project's immediate rural finance needs, in terms of early stage investment capital to support technical solutions along the selected value chains, will be met directly by the budget available in the matching grants windows. However, the disbursement of the grants alone is not sufficient in terms of the project's engagement in the rural finance space. There is also a need for developing AMMAR's linkages to sources of commercial finance (Banks and MFIs) due to the following reasons,

- First, the success of the matching grants accompanied by the technical training of farmers are expected to create high demand for these interventions in the farming community. At this stage it will be critical for interested farmers to have access to suitable financing products offered by Banks and MFIs in order to translate this demand into actual adoption.
- Second, given the innovative and riskier nature of the grants supported interventions many of the early adapters can turn out to be relatively better-off farmers. To ensure that IFAD target group smallholders can also adopt the successful interventions in large numbers they must have access to supporting financial services. Unfortunately, at present poor smallholder farmers are largely excluded from commercial financial services as their requirements are sometimes too small (less than GEL 20,000) for accessing commercial banks subsidy schemes and simultaneously their linkage to MFIs are limited by a variety of factors including high interest rates, outreach gap of MFIs, collateral issues and absence of suitable agricultural finance products in MFIs' portfolios. Therefore, without deliberate efforts by AMMAR to address the availability of commercial finance by smallholder farmers, their adoption of the project interventions can suffer.
- Third, the grants conditions require that 60 percent of the selected project costs must be financed by the recipient in cash. While relatively better-off farmers can potentially mobilise this contribution through subsidised credit from commercial banks, relatively smaller farmers requiring a few thousand dollars can find it difficult to raise this contribution. Thus, linkage of small farmers to MFIs is very important to ensure that they are not excluded from benefitting from the grants.

### **2. Current Status of Rural Finance Partnerships**

Although the importance of involving commercial financial institutions is recognised in the design, there is insufficient details regarding how this will be achieved. There are no specific human resource skills identified within the project structure for achieving such linkages and budgetary resources are not devoted for pursuing such engagements. The PIU does not have anyone with specialised banking and MFI background. By default, this is a responsibility of the value chain coordinator but in the absence of clearly defined guidelines, there is a lack of direction on developing such linkages.

Another bottleneck is the history of somewhat unsuccessful partnerships of past IFAD projects with the microfinance institutions. The AMMAR project management is of the general opinion that MFIs are not interested in partnering with government programs. The main issue that generates this sentiment is that of high interest rates charged by MFIs. The government implements a subsidy programme that enables farmers' access to agricultural loans through commercial banks at only 2% per annum. On the other hand, MFIs charge interest rates ranging between 25 - 35% per annum. There is tacit expectation that MFIs partnering in government programs must deliver their services at rates closer to the government subsidised rates, which is unsustainable for the MFIs. This issue has been majorly responsible for unsuccessful partnerships between government programs and MFIs in the past. Unfortunately, the Bank subsidy scheme is usually available for relatively larger loans with size above 20,000 GEL and thus benefitting relatively larger farmers. IFAD target group smallholder farmers'

financial requirements are generally much smaller and in the absence of partnering MFIs, their access to finance in order to adopt the successful AMMAR interventions is uncertain.

In the above context, it is noteworthy that MFIs attribute their higher interest rates to the high cost of funds ranging between 10 to 20%, high operations costs ranging between 10 to 15% and higher risk coverage margins for delivering unsecured loans in rural areas. The government subsidy programme for agricultural loans is currently not open to MFIs and is therefore unable to impact the cost of borrowing by the MFIs. Similarly, the lending methodology followed by MFIs in rural areas is currently based on stand-alone financing of individual businesses which increases the costs of appraisal, follow up and recovery on a case-by-case basis. Integrated value chain financing approach, which can significantly reduce their cost of rural operations is not a common practice amongst MFIs.

AMMAR has selected APMA as the partner institution for implementing the matching grants. While APMA has a rich past experience in administering subsidies for commercial projects, these have always been in partnership with commercial banks. The AMMAR grants will be the first opportunity for APMA to directly support commercial projects that are targeted at smallholder farmers. However, APMA has very limited engagements with MFIs and the deliberate involvement of MFIs is not a part of the current implementation approach.

In order to initiate a dialogue between AMMAR and the MFI community, the mission initiated discussions between AMMAR and the Georgian Microfinance Association (GMA) followed by discussions with a group of MFIs drawn from GMA members. The discussions revealed that several MFIs are currently involved in delivering rural agricultural loans. According to them the two main challenges faced by their client smallholder farmers are the lack of technical knowledge about modern farming practices and inadequate access to agricultural equipment to improve production. It is interesting that these are the very two areas that will be addressed by AMMAR through its demonstrations and the matching grants. The strong AMMAR focus on addressing the very challenges identified by the MFI community for improving their rural business opens the possibility of developing effective partnership between the AMMAR and MFIs.

### **3. Detailed Recommendations for Improving Linkages to Microfinance Institutions**

The immediate steps that are recommended to develop strong AMMAR relationship with the MFI community are detailed below. These are expected to serve as a guide for the project, particularly the value chain coordinator for focusing the engagement with the MFIs on the specific deliverables identified under each recommendation.

#### **a) Approach MFIs through the Georgian Microfinance Association as the focal point**

AMMAR should approach the Georgian Microfinance Association (GMA) as the focal point for driving its collaboration with the MFI community. This was agreed to in the meeting facilitated by the mission and needs follow-up. As the next steps,

- AMMAR should facilitate an introductory meeting between the GMA representatives and other project stakeholders including AMMAR management staff, APMA, ELKANA and CENN. The next implementing agency coordination meeting can serve this purpose. The purpose of the meeting will be as follows
  - Introduction of GMA to the key implementing partners
  - Promote GMA's understanding of the role of the different implementing partners in the project
  - Discuss mechanisms through which the microfinance community can support the ongoing efforts of the implementing partners and future replication of the success stories

Key deliverables at the end of the meeting should be:

- Agreement on the key areas of collaboration between AMMAR, its implementing partners and the MFI community
- Agree on mechanisms for direct interaction between the stakeholders and GMA
- Draft a quarterly plan of action for activities till the next stakeholder meeting

GMA should also be a part of subsequent coordination meetings of the implementing partners to review progress against the quarterly action plans.

**b) Invite the MFIs to start operations in the clusters where AMMAR activities are implemented**

AMMAR with support from APMA and GMA should encourage MFIs to start with regular microfinance operations in the clusters where the AMMAR demonstrations and grants projects are selected. To facilitate this process, the list of the selected demonstration sites and the grants projects should be shared with the GMA for dissemination amongst interested MFIs. With regards to the window 2 grants for SMEs, the MFIs should be encouraged to start operations in those clusters where the selected SMEs commit to develop backward linkages with smallholder farmers.

The objective of this step is to develop the presence of the MFIs in those clusters where the target group farmers are concentrated, and assist familiarisation and trust building between the MFIs and the target group farmers. This will potentially smoothen access to finance for smallholder farmers for adopting the project supported interventions. Secondly, the presence of the MFIs in those locations where the grants and demonstration are implemented will naturally result in their witnessing the success stories, evaluating their market potential and developing products for promoting their adoption.

The key deliverables from this recommendation are:

- At least 1-2 larger MFIs starting their normal operations in AMMAR villages identified in discussion between MFIs, AMMAR and its implementing partners.
- Designate the MFIs which start operations in the project villages as core MFI partners. Invite them for future coordination meetings to improve their understanding and participation in the project.

**c) Involve MFIs in mobilising potential grant applications**

Request GMA to identify the list of 5-6 MFIs which are ready to mobilise small grant applications for AMMAR. APMA should circulate the grant application guidelines amongst these MFIs through the GMA. It should be clear to the MFIs that grants applications mobilised by them should be for projects they are willing to support in the future but are currently hesitant to finance in full based due to risks and technical bottlenecks involved. In order to secure AMMAR grant support for these projects the MFIs should also supply a broad estimate of how many such projects they expect to finance over the next 3-5 years if demand is generated due to success of the grant.

The main deliverables from this recommendation are:

- Participation of 1-2 MFIs in grant application mobilisation
- Selection of 4-5 grant projects recommended by the MFIs with estimates of the number of such projects the MFIs expect to finance over 3-5 years based on success of the grant

**d) Promote MFIs exposure and learning from successful grants and demonstration**

AMMAR and the key implementation partners should facilitate the exposure of the MFIs to the demonstrations and successful matching grant projects. The message should be clear that the MFIs exposure is meant to develop their understanding of the technologies and value chains so that they could develop specific financial products to enable adoption of the project interventions by smallholder farmers.

The list of the activities and the implementation mechanism for such exposure should be developed in discussion with the GMA in the next meeting of the implementing partners. Some indicative activities are presented below to guide the process,

- **Track cash flows and profitability of the projects:** MFIs are interested in the cash-flow and profitability data emerging from the demonstrations and the matching grants projects. In the next implementation partners' coordination meeting they can be invited to develop the financial formats according to which they want the demonstrations and the matching grants projects to report on the income, expenses, profitability and cash flow performance. The mechanisms for

maintaining these records, i.e. by Elkana or the beneficiaries as relevant, should also be decided along with the reporting mechanism.

- **Provide logistic support for field visits:** AMMAR can provide logistical support for field visits by the members of the MFI community for interactive sessions with the grant/demonstration beneficiaries. This will enable them to develop a closer understanding of the benefits and adoption requirements. Similarly, their interaction with the small-holder community in the clusters where the grants are implemented will provide them with insights related to potential adoption opportunities and challenges.
- **Facilitate engagement with the buyers:** AMMAR can also promote interaction between the MFIs and buyers through field visits to the buyer facilities and joint workshops. This will enable the MFIs to understand the buyers' interest and potentially assist in the development of linkages for promoting greater adoption of the AMMAR technologies by the smallholder farmers.

The main deliverables from this recommendation are:

- Development of the list of activities to be implemented to facilitate MFIs exposure to the grants/demonstrations
- Implementation of these activities according to an action plan
- Development of specific financial products by 1-2 MFIs. This is not an immediate deliverable and can occur by mid-2017.

#### e) Encourage MFIs to co-finance the grant projects

The MFI community should receive the message about the opportunity to finance up to 60% of the costs of the small grants. APMA can play an important role in this process. Along with GMA it can identify the list of MFIs working in the particular areas where the grants projects are selected. The GMA can then invite these MFIs to co-finance these projects.

The main deliverables from this recommendation are

- Establishment of a mechanism for systematic sharing of the grants proposal with potential MFIs interested in co-financing
- 5-10 MFI co-investments generated through the above process

#### 4. Summary of agreed actions

Agreed Action	Responsibility	Timing	Deliverables
Approach MFIs through the Georgian Microfinance Association as the focal point.	Led by AMMAR VC Specialist in coordination with APMA	Immediate and continuous	<ul style="list-style-type: none"> <li>- Agreement on the key areas of collaboration between AMMAR, its implementing partners and the MFI community</li> <li>- Agreement on mechanisms for direct interaction between the stakeholders and GMA</li> <li>- Draft quarterly plan of action ready for activities till the next stakeholder meeting</li> </ul>
Promote MFIs exposure and learning from successful grants and demonstration	Led by AMMAR VC Specialist in coordination with APMA	Immediate and continuous	<ul style="list-style-type: none"> <li>- Development of the list of activities to be implemented to facilitate MFIs exposure to the grants/demonstrations</li> <li>- Start of implementation of these activities according to an action plan</li> <li>- Development of specific financial products by 1-2 MFIs. This is not an immediate deliverable and can occur by mid-2017.</li> </ul>

## 5. Summary of additional recommendations

Recommendation	Responsibility	Timing	Deliverables
Involve MFIs in mobilising potential grant applications	Led by AMMAR in coordination with APMA	Start immediately	<ul style="list-style-type: none"> <li>- Participation of 1-2 MFIs in grant application mobilisation</li> <li>- Selection of 4-5 grant projects recommended by the MFIs with estimates of the number of such projects the MFIs expect to finance over 3-5 years based on demand</li> </ul>
Encourage MFIs to co-finance the grant projects	Led by AMMAR in coordination with APMA	Start immediately	<ul style="list-style-type: none"> <li>- Establishment of a mechanism for systematic sharing of the grants proposal with potential MFIs interested in co-financing</li> <li>- 5-10 MFI co-investments generated through the above process</li> </ul>
Invite the MFIs to start operations in the clusters where AMMAR activities are implemented	Oversight by AMMAR and coordinated through APMA and GMA	Oct 16	<ul style="list-style-type: none"> <li>- At least 1-2 larger MFIs starting their normal operations in AMMAR villages identified in discussion between MFIs, AMMAR and its implementing partners.</li> <li>- Designate the MFIs which start operations in the project villages as core MFI partners. Invite them for future coordination meetings to improve their understanding and participation in the project.</li> </ul>

## Appendix 11: Technical Annex 4: Matching Grants

### Context

AMMAR's immediate rural financing needs are addressed through its matching grant windows for supporting relatively small private individual projects and larger SME interventions along the selected value chains. The grants are expected to finance innovations or early stage solutions to constraints and bottlenecks in the value chain that are adjudged as investable projects, but deemed too risky for full commercial financing from the onset. The grants will finance 40% and the beneficiary must finance 60% of the total project costs using personal funds or commercial borrowings.

AMMAR has entered into an agreement with APMA, the MoA's Agricultural Project Management Agency, to implement and manage these matching grants designed to support investments in primary production as well as post-harvest, processing and marketing facilities. The terms and conditions of the Grant Manual were extensively discussed with APMA and AMMAR team during the first IFAD implementation support mission undertaken in February 2016, and the Grant Manual received No Objection (NO) from IFAD in April 2016. However, the final approval of the grant manual and relevant financial procedures by APMA board, suffered a 2 month-delay, and the Grant agreement only came into force early July 2016.

The mission noted a number of discrepancies from the approved version (i.e. the document that was submitted for NO), such as inclusion of tractors, restrictions to cooperatives and acreage, restricted purchase of seedlings, widening up of potential exceptions, and the lack of explicating the supervisory role of the AMMAR team. These changes should not have been made without recourse to IFAD, so as to prevent the ineligibility of non-conforming expenditures.

The details of these anomalies is summarized in the revised document below, and the following actions were agreed upon:

Agreed action	Responsibility	Agreed date
Submit a full translation of the Georgian version of the Grant Manual (including procedures), to be reviewed by IFAD.	Project Manager	Immediate
Any grant application involving investments in tractors to be submitted to IFAD for no objection prior to any grant approval	Project Manager	Continuous



## **Co-Financing Programme for Agriculture Modernization, Market Access and Resilience (AMMAR)**

***Non-commercial legal entity – Agricultural Project Management Agency (APMA)***

### **IFAD-REVISED VERSION OF ENGLISH TRANSLATION**

#### **Article 1. General Provisions**

1. Co-financing Program (hereinafter the “Program”) for Agriculture Modernization, Market Access and Resilience Project was initiated by the Ministry of Agriculture of Georgia (hereinafter “MOA”) and the International Fund for Agricultural Development (hereinafter “IFAD”).
2. The program is being implemented by the Agricultural Projects Management Agency (hereinafter “APMA”).

#### **Article 2. Goals and Objectives of the Program**

1. The Program goal is to boost investments in climate-smart agricultural supply chains increasing incomes of smallholder farmers, farmers’ groups, and agribusinesses and improving the social-economic environment.
2. The Program objectives include the following:
  - a) improve social-economic environment and provide employment opportunities;
  - b) increase yields and improve the quality of agricultural products, facilitate the introduction of international standards in horticulture and apiculture;
  - c) renew the existing orchards to use them more effectively, ensuring the country’s self-reliance in agriculture, increasing export potential and enhance replacing of imports with local produce;
  - d) renew the existing agribusinesses, facilitate the introduction of international standards and advanced technologies, and develop the infrastructure required for efficient production.

#### **Article 3. Definitions**

The terms used herein shall have the following definitions:

- a) **Program beneficiary** – a natural person residing in Georgia and registered as a sole proprietor in compliance with the Law on Entrepreneurship of Georgia and an agricultural cooperative (hereinafter the “Primary Beneficiary”) with whom a co-financing agreement is concluded;
- b) commercial legal person registered in compliance with the Law on Entrepreneurship of Georgia, including agricultural cooperatives (hereinafter referred to as the “Secondary Beneficiary”), with whom a co-financing agreement is concluded.
- c) **Co-financing Application** – Application presented by the Primary Beneficiary (Annex No1) and the accompanying documents requesting the co-financing;
- d) **Business Plan for Co-financing** – Application presented by the Secondary Beneficiary (Annex No 2), the business plan and the accompanying documents requiring the co-financing;
- d) **Co-financing Committee** – a team comprising three representatives of APMA and one representative of MOA, which will make a decision on co-financing.

#### **Article 4. Program Requirements**

1. Primary and Secondary Beneficiaries are eligible to participate in the Program.

2. The Program envisages the co-financing of legal persons where the government directly or indirectly owns shares or stocks.

3. The Program is designed to support the production, processing and/or marketing of the following crops:

- a) persimmons
- b) peaches
- c) kiwi
- d) vegetables
- e) bay leaves
- f) honey

**g) blueberry.** => IFAD comment: blueberry has been envisaged as an additional priority value chain, but was not included in the document submitted for NO. On the other hand, the apple VC, which was mentioned in the original document submitted for NO, is absent from this list.

4. The target areas of the Program implementation include the following:

- a) Shida Kartli
- b) Kakheti
- c) Samegrelo
- d) Adjara.

**5. In some cases, exceptions can be made and co-financing provided for the crops not specified in Paragraph 3 and the regions not listed in Paragraph 4 above.** => IFAD comment: in document submitted for NO, these exceptions could only apply to women and youths; it is important to keep such restriction in this paragraph

6. Under the Program, co-financing is envisaged for the following spheres:

a) improved and efficient technologies in soil management and land reclamation as well as special agricultural crops;

a) climate-smart technologies, including organic and conservation agriculture;

b) introduction of heat and/or drought-tolerant, disease and pest-resistant, early ripening and high-yielding varieties.

b) installation of modern and effective irrigation systems;

c) procurement of agricultural machinery (**tractors**). => IFAD comment: in document submitted for NO, tractors are precisely excluded from eligible investments implements, and tools according to the specifications set by APMA;

d) installation /modernizing drying, juice extracting, quick-freezing and other equipment;

e) installation and/or renewing of storage facilities;

f) installation and/or renewing of wrapping facilities;

g) installation and/or renewing of greenhouses;

**h) planting and/or renewing nursery gardens, orchards and vegetable gardens;** => IFAD comment: the document submitted for NO also included the installation of new orchards/nurseries/vegetable fields

i) installation of hail netting (hail protection nets);

j) certification (ISO22000:2005, FSSC22000:2010/IFS, GLOBALGAP) by an international and/or local licensed/accredited registered certifying agency. 7. At least 30% of Program budget will be disbursed to female (no age limit) and under 30 years of age Beneficiaries.

## **Article 5. Sources of Financing of the Program**

The total budget of the program amounts to USD 6,527,000 (six million five hundred twenty-seven thousand).

## Article 6. Sources of Financing of APMA

1. for Primary Beneficiaries AMPA co-financing covers the following spheres: climate-smart primary production, harvest storage, landscape restoration, construction of greenhouses and irrigation schemes.
2. for Secondary Beneficiaries, AMPA co-financing covers processing of agricultural crops and the construction, expansion and re-equipment of related storage infrastructure as well as the procurement and renewal of equipment/machinery required for improving the product marketing.
3. APMA's co-financing under the Program amounts to 40% of the total costs of the project submitted by the Beneficiary, but no more than the amount specified in a) and b) subparagraphs of Paragraph 5 of Article 6.
4. The prerequisite for APMA's co-financing is the Beneficiary's cash contribution amounting to 60% of the total costs of the Project.
5. The co-financing amounts for various Beneficiaries are as follows:
  - i) for Primary Beneficiaries:
    - a) in case of natural persons and sole proprietors residing in Georgia - no more than USD 15000 (fifteen thousand) equivalent in national currency;
    - b) in case of agricultural cooperatives - no more than USD 150000 (one hundred fifty thousand) equivalent in national currency. In addition, the amount of co-financing for cooperatives is specified according to the number of cooperative members. If a cooperative has more than 10 members, the amount of co-financing shall not exceed USD 150,000 (one hundred fifty thousand) equivalent in national currency.
  - ii) for Secondary Beneficiaries:
    - a.) in case of commercial legal persons, including agricultural cooperatives, - no more than USD 75000 (seventy-five thousand) equivalent in national currency. In exceptional cases, the amount of co-financing for agricultural cooperatives can be USD 100,000 (one hundred thousand) equivalent in national currency.

## Article 7. Selection Criteria for Program Beneficiaries

### 1. for Primary Beneficiaries, the selection criteria are as follows:

- a) a natural person who is a citizen of Georgia and a sole proprietor owning or holding a long-term lease from the government for 0.1 -10ha agricultural land registered in the National Agency of Public Registry (NAPR). In case of leasing, the remaining lease period shall be no less than 10 years. The lease agreement shall be registered in NAPR;
- b) **an agricultural cooperative in which no less than 70% of the members contributed their agricultural land plots of 0.1-10ha to their cooperative. The total area of agricultural land belonging to a cooperative shall not exceed 150ha** => IFAD comment: in document submitted for NO, these restrictive conditions were not included. A cooperative may be a long-term leaseholder of state lands. In case of leasing, the remaining lease period shall be no less than 10 years. The lease agreement shall be registered in NAPR;
- c) if the co-financing is intended for the construction of an irrigation scheme, the beneficiary shall have an access to a renewable source of irrigation water **maximum 500m away from the outside perimeter of the plot** => IFAD comment: in document submitted for NO, this condition was not included; this could be restrictive unless it is interpreted that if the beneficiary invests in additional connection from own resources which goes beyond the 500m limit, in which case it could be acceptable. In case of a cooperative, the land plots owned/used by a cooperative shall be adjacent;
- d) **if the co-financing is intended for a vegetable garden, the saplings shall be purchased from a nursery garden selected under "Plant the Future" Program** => IFAD comment: in document submitted for NO, this condition was not included; this is a new and restrictive condition – the Grant Manual can suggest but not restrict to such condition. If this nursery garden cannot

provide the required varieties, the Beneficiary has the right to purchase the saplings from other suppliers through importing. In this case, the beneficiary shall furnish to APMA an invoice of such a purchase.

**2. for Secondary Beneficiaries the selection criteria are as follows:**

- a) at least two-year experience of agricultural product processing;
- b) ownership of a nonagricultural land plot and an enterprise on it, which shall be registered in the name of the Beneficiary in NARP.

**Article 8. Submittals by the Beneficiary for Co-financing**

1. A filled out applications form (Annex No1 for Primary Beneficiaries).

2. **a certificate issued by the relevant regional office of MOA confirming an access to a renewable source of irrigation water maximum 500m away from the outside perimeter of the plot.** => see above IFAD comment

3. A business plan for co-financing (Annex No2 for Secondary Beneficiaries).

4. In case of a legal person, a statement from the Registry of Commercial and Non-commercial Legal Persons

5. In case of a cooperative, a certificate issued by the Agricultural Cooperatives Development Agency.

6. A copy of an identification document (in case of a legal person an ID document of the director).

7. A certificate issued by the Legal Person of Public Law – Revenue Service confirming the absence of indebtedness.

8. Confirmation of the ownership of a land plot (a statement from the Public Registry and a cadastral map).

9. In case of leasing – a lease agreement.

10. Confirmation of the availability of co-financing funds – a statement from the bank about the deposit.

11. Confirmation of procurement.

12. The Beneficiary's bank details.

**Article 9. Approval and Disbursement of the Co-financing**

APMA shall establish the procedures of co-financing approval and disbursement.

**Article 10. Program Monitoring and Reporting**

**1. APMA and MOA shall jointly monitor the Program. APMA shall establish the monitoring procedures.**

**2. APMA shall prepare monthly progress reports and furnish them to MOA.**

**=> IFAD comment: in document submitted for NO, there was specific reference to AMMAR implementation team as key to jointly undertake the program monitoring and reporting**

## Annex 1

### Application Form

Application Submission Date	
Application Registration No	
Comment by APMA co-financing officer	

### 1. General Information

1.1. Name	
1.2. Sex	Female Male
1.3. Age	<30 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> > 30 <input type="checkbox"/> <input type="checkbox"/>
1.4. ID No	
1.5. Contact Tel	
1.6. Additional Tel	
1.7. Residential Address	
1.8. E-mail or zip code	
1.9. Applicant's Status	Legal Person Natural Person

*Note: Please specify the status across Paragraph 1.9. In case of a natural person, please omit the next paragraph and move to paragraph 3.*

### 2. Legal person

2.1. Name	
2.2. Registration No. (in case of a cooperative)	
2.3. Representative's name	
2.4. ID No	
2.4. Contact Tel	
2.5. Legal Address	
2.6. Actual Address	
2.7 Is the legal person presently engaged in commercial activities?	yes <input type="checkbox"/> no <input type="checkbox"/>
2.9. Turnover for the last 2 (two) years	
2.10Note (optional)	

### 3. Information on Land Plots

3.1. Region, municipality, address	
3.2. cadastre Code	
3.3. Ownership form	Owned Leased Number of years: <i>In case of leasing specify the number of the remaining years according to the lease agreement</i>
3.4. Land plot area, ha	
3.5. Is the plot fenced?	yes <input type="checkbox"/> no <input type="checkbox"/>
3.5. Crops	Peaches <input type="checkbox"/> Persimmons <input type="checkbox"/> Apples <input type="checkbox"/> Kiwi <input type="checkbox"/> Vegetables ( <i>specify the variety</i> ) Bay leaf <input type="checkbox"/> Honey <input type="checkbox"/>
3.6. Are you going to install an irrigation system?	yes <input type="checkbox"/> no <input type="checkbox"/>
3.7. If yes, please specify the water source and the distance to the plot.	River <input type="checkbox"/> Canal <input type="checkbox"/> Lake <input type="checkbox"/> Well <input type="checkbox"/> Borehole <input type="checkbox"/> Others Distance ( <i>meters</i> ) from the outside perimeter of the plot.
3.8. The average yields of the specified crops (kg)	Peaches <input type="checkbox"/> Persimmons <input type="checkbox"/> Apples <input type="checkbox"/> Kiwi <input type="checkbox"/> Vegetables ( <i>specify the variety</i> ) Bay leaf <input type="checkbox"/> Honey <input type="checkbox"/>

=> IFAD comment: compared to the document submitted for NO, this version does not include here information related to the number of employees (permanent and seasonal)

#### 4. The Feasibility of Co-financing Application/Business Plans

4.1. Purchase and/or installation of the irrigation system	yes no <input type="checkbox"/>	<input type="checkbox"/>
4.1.1 If yes, please specify	The type of an irrigation system Technical specifications Supplier Total cost of an irrigation scheme Total costs of installation and additional services	
4.2. Greenhouse	yes no <input type="checkbox"/>	<input type="checkbox"/>
4.2.1 If yes, please specify	The type of a greenhouse Technical specifications Supplier Total cost of a greenhouse Total costs of installation and additional services	
4.3. Purchase of agricultural machinery and/or equipment.	Rototiller <input type="checkbox"/> Sower <input type="checkbox"/> Uprooter soil driller <input type="checkbox"/> Planter <input type="checkbox"/> <b>Tractor =&gt; IFAD comment: as earlier mentioned, tractors were precisely excluded from eligible investments in document submitted for NO</b> <input type="checkbox"/> Others (Please specify)	
4.3.1 If yes, please specify	Product Technical Specifications Supplier Price Total costs of installation and additional services	
4.4. Saplings	yes no <input type="checkbox"/>	<input type="checkbox"/>
4.4.1 If yes, please specify	Variety Characteristics Supplier Price Total costs of additional services	
4.5. Certification	yes no <input type="checkbox"/>	<input type="checkbox"/>
4.5.1 If yes, please specify	Certifying agency Goal of certification Period required for certification Costs	
4.6 Honey	yes no <input type="checkbox"/>	<input type="checkbox"/>
4.6.1 If yes, please specify	Product Characteristics Supplier Price Total costs of additional services	

### 5. Financial Data of the Application and Supplier

Supplier	Unit	Unit cost (GEL)	Quantity/Number	Total cost
<b>Total</b>				

### 6. Sources of Financing

	Source	Amount (GEL)	% (to be estimated by APMA)
7.1.	Total costs		
7.2.	own funds		
7.2.1.	Loans from a bank or a micro-financing institution		
7.2.3.	Grant from other programs (if yes, please specify)		
7.3.	The amount of co-financing required by APMA		

**Note: APMA may request some additional documents and information from the Beneficiaries.**



## Annex 2

### Questionnaire

#### Application Form

Application Submission Date	
Application Registration No	
Comment by APMA co-financing officer	

#### 1. General Information

1.1. Name	
1.2. Sex	female male
1.3. Age	<30 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> > 30 <input type="checkbox"/> <input type="checkbox"/>
1.4. ID No	
1.5. Contact Tel	
1.6. Additional Tel	
1.7. Residential Address	
1.8. E-mail or zip code	
1.9. Applicant's Status	Legal person Natural person

**=> IFAD comment: here again, compared to document submitted for NO, this version lacks the number of employees (permanent and seasonal), as well as the type of legal entity (cooperative or company)**

#### 2. Business Plan

The preferred format of an efficient business plan should be as follows:

##### 2.1 Project Name

##### 2.2 Review and Justification

##### 2.3 Detailed description of a legal person, including an agricultural cooperative

**Management/administration => IFAD comment: here we should make sure that the following topics are included, as mentioned in document submitted for NO:**

- List of shareholders
- History and legal status
- List of key personnel and job description
- CV of key personnel

The assets and facilities required for production (*buildings, equipment, etc.*)

- raw materials (*source, price*)
- product (*description, quantities*)
- market price

##### 2.4 Challenges and opportunities

Key advantages and disadvantages

- Availability of raw materials
- Transport
- Existing means of production
- Main facilities
- Certification (e.g. ISO, HACCP, EU Food Standards, BRC, Organic, Fair Trade...)
- Competitive advantage
- Others

Additional value created by the business plan in terms of

- increased productivity
- increased profit
- provision of employment
- innovation
- impact on suppliers (*e.g. smallholder farmers*)
- others

Market analysis:

- annual turnover of the local market in GEL;
- brief analysis of local and export demands;
- target market segment and its description;
- key competitors;
- planned sales;
- sales geography
- are sales seasonal? If yes, describe;

**Description of sales process.** => IFAD comment: here we miss key info as per version submitted for NO, i.e.:

**Production and main tangible assets**

- Enterprise location (existent or planned), including the reasoning behind it;
- Detailed description of processing process;
- Detailed description of building assets
- Detailed description of existing and applied equipment;

**Raw materials**

- Detailed description of raw materials used in processing;
- Sources and description of raw material supplies;
- Comparative description of local and imported raw materials;
- Raw material price dynamics
- Detailed description of process of receiving raw materials and warehousing conditions;
- Warehousing conditions of finished goods;
- Warehousing infrastructure location and description;
- Any other details, related to raw materials and finished goods stocks;

## 2.5 Implementation Plan

- technical implementation
- sales plan

**Note: APMA may request other additional documents and information from beneficiaries.**

## Appendix 12: Technical Annex 5: Project Implementation Progress

**Project management performance.** The AMMAR Project is managed by AMMAR team at the External Relations Department of the Ministry of Agriculture. The MoA/IRD, who managed IFAD's previous Agriculture Support Project (closed in December 2015), is also assuming the responsibility for the management of the World Bank's GILMP project. AMMAR team consists of 10 members, of which 3 are shared with GILMP (Project Manager, Financing Manager, Accountant). Though the team managing AMMAR has the capacity to put in place the arrangements for the oversight and implementation of different project activities, several weaknesses in different aspects of project management have been identified, as described below. For this reason, the overall rating of project management is considered to be **Moderately Satisfactory**.

The mission observed a lack of coordination within AMMAR team itself, and on top of this, there is a clear need to work in a more cohesive manner between AMMAR team and its implementing partners. This has been clearly reflected in the progress of actions agreed upon during the last implementation support mission (April 2016), whereas out of 12 actions, 3 were not performed and 2 partially. The approval of the grant manual and relevant financial procedures by APMA board has been delayed by 2 months due to clearance processes by APMA board, beyond the control of AMMAR. A summary of the status of actions agreed upon during last ISM is provided in Annex 1 of this technical report.

To curb this trend and ensure optimum efficiency in project's implementation, the mission expects the VC Coordinator, who is also AMMAR Deputy Project Manager, to assume the lead technical role in the coordination process for all major interventions of the project, i.e. infrastructure development, land restoration, matching grant facility and training and extension, so as to ensure that the overall value chain development objectives are fulfilled. The mission proposes three key actions to support this approach:

- a) The mission recommends that until the end of this year a monthly meeting is conducted between AMMAR team and CENN, APMA, and ELKANA to plan for the implementation arrangements and discuss integration across the two components. Starting from 2017 this meeting can be conducted on a quarterly basis.
- b) The mission would also like to highlight the importance of conducting field visits to monitor the implementation progress by project staff. The field visits should be conducted on a regular basis and with the scope of AMMAR project, they should account for one-third of the working effort.
- c) In direct relation with the above-mentioned, the mission recommends the AMMAR team to produce internally a short monthly summary of activities undertaken, underlining main achievements and challenges met during implementation of both components 1 and 2.

**Coherence between AWPB and Implementation. Rated as moderately unsatisfactory.** The total budget for 2016 is US\$ 2.6 m, and including beneficiaries and government contribution, it amounts to US\$ 4.6 m. The implementation progress is lagging behind. As of 30<sup>th</sup> June, 2016 the actual expenditures stand at 29% versus the planned budget for the first 2 quarters (approx. US\$ 205,000 against the planned US\$710,000). The expenditures for the IFAD loan and grant stand at 19% and 22% respectively for the same period (Q1 and Q2). The average implementation of physical outputs is very low with most of the activities being delayed, essentially due to i) late recruitment of Value Chain Coordinator within AMMAR team (February 2016), ii) late recruitment of the two major service providers (CENN and ELKANA, May 2016) and iii) late approval of the grant manual and overall APMA implementation arrangements (July 2016). However, now that these prerequisites are fulfilled, and the role of each and every one has been clearly defined under the above-mentioned coordination approach, it is expected that the project will considerably increase its pace of implementation during the second half of 2016.

The mission wishes to emphasize the fact that the preparation process for the AWPB needs to involve all implementing partners to prepare for the implementation arrangements for each year. Given the fact that AMMAR interventions for the first and second components are interrelated, the process should ensure that the integration is in place, the priority activities are set for each implementing partner, and AMMAR team monitors and coordinates these activities in a holistic manner to avoid parallel implementations prone to lower the overall impact of the project.

**Mobilization and support for matching grants.** APMA have been selected for implementing the grants. The information and mobilization of potential beneficiaries is to be made by APMA through MoA's Regional Centres, with the active support of ELKANA who have been specifically tasked to mobilize smallholder farmers potential eligible for W1 grants (primary production), and assist them in filling grant application forms.

During the course of the mission, the project team expressed the importance to further back APMA and ELKANA's work in this field, by hiring two part-time "Regional Coordinators" to be based in far-away regions of Samegrelo and Adjara. Not only will these coordinators be involved in grant mobilization, but they will also, from a wider perspective, assist the project team based in Tbilisi in a) mapping value chain actors in their specific regions with a particular emphasis on active producer groups/cooperative, buyers and processors, b) identifying potential areas of intervention in infrastructure rehabilitation and/or landscape restoration and c) monitor the activities of AMMAR's service providers (CENN and ELKANA), as an extended arm of GEF and VC Coordinators. As for Kakheti region, the mission recommends to explore potential collaboration with HEKS EPER<sup>9</sup>, who are quite active in the field of small-scale income generating interventions in rural areas. The cost of this additional support in 2016 in the three regions can be borne by the IFAD grant. In the fourth region of Shida-Kartli that is close to Tbilisi, AMMAR team will ensure direct monitoring and support.

The draft ToRs for Adjara and Samegrelo Regional Coordinators have been developed during the course of the mission and are provided in Annex 2.

**Market linkages.** Inclusive market development is at the core of the Project's intervention approach. Accordingly, the project staff has to work with primary and secondary actors –farmers, producers' groups, agribusinesses, key technical and other service providers– to tackle critical constraints along the value chains, from primary production through processing, value addition and marketing. In this regard, the project must stimulate demand-driven increased private investment (by farmers, producers' groups, agribusinesses and service providers) in prioritized agricultural value chains that may offer attractive market opportunities and potential for competitive and profitable participation. Specifically, the project has to tackle actual and perceived risks to investment by all value chain actors. This will be achieved by providing packages of technical support alongside partial matching grants for private investments (farmers and agribusinesses – including cooperatives), and by facilitating commercial linkages between producers, buyers, processors and traders along selected value chains.

Such facilitation should be a continuous process and AMMAR team does not need to wait for practical realizations in the field (e.g. irrigation schemes or roads rehabilitated, demo plots established, grants disbursed, etc.) to start identifying precisely the major stakeholders in priority value chains, and subsequently draft an action plan to optimize identified opportunities and secure sustainable market access for AMMAR beneficiaries. With this in view, the integration in AMMAR team of two Regional Coordinators for Samegrelo and Adjara regions should provide valuable support to the VC Coordinator and VC Specialist, and it has further been agreed to hire an agri-business consultant who should be operational by the end of the year 2016 at the latest to strengthen the VC development approach and assist with marketing and financial linkages. But to start with, the mission shared with AMMAR team a list of 12 agro-processors currently supported by USAIF-funded project Restoring Efficiency to Agriculture Production (REAP) and presenting an interest for market linkages with AMMAR beneficiaries in the project's priority value chains and/or regions (see Annex 3).

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<sup>9</sup> <https://www.heks.ch/en/worldwide/europe/georgia/>

# **ANNEX 1 – STATUS OF ACTIONS AGREED DURING APRIL 2016 ISM, AS OF 15 JULY 2016**

SN	Agreed action	Responsibility	Agreed date	Status as of 15 July 2016
1	Project M&E uses template spreadsheet (see Appendix 2) to record quarterly financial & physical progress against actual planning	M&E	Immediate	Done, and used to record 2 <sup>nd</sup> quarter financial & physical progress
2	CENN's activities start within 2 weeks from signature, as per sequencing attached to their proposals	GEF Coordinator	May 2016	Contract signed end of May, activities started 1 <sup>st</sup> week of June 2016
3	ELKANA's preparatory phase, technical report preparation and ToT programme design are completed within max. 2 months from contract signature, as per sequencing attached to their proposals	GEF Coordinator, VC Coordinator	May-June 2016	Monthly action plan (June) and technical reports (4 Value Chain Assessments + 8 survey reports for demo plots installation) submitted in June 2016
4	Initial mobilization of potential grant beneficiaries by ELKANA starts within max. 1 month from contract signature, as per sequencing attached to their proposals	GEF Coordinator, VC Coordinator	June 2016	1 <sup>st</sup> batch of mobilization started 11 July 2016 together with APMA meeting in Shida-Kartli – 2 <sup>nd</sup> meeting made on 18 July 2016 in Kakheti
5	Organize field visit in Kakheti to meet all key stakeholders, validate potential of priority value chains, and explore opportunities for other "quick-wins" VCs	VC Coordinator, GEF Coordinator	May-June 2016	<i>Not done till the mission came (field visit organized on 14-15 July 2016)</i>
6	Follow up with OXFAM to have AMMAR represented in VC stakeholder fora on a systematic basis	VC Coordinator	Immediate	<i>Not done</i>
7	Follow up with GFA to a) access GFA's farmers network and advertise AMMAR grant facility, b) access GFA's VC studies (esp. ref. persimmon), c) explore modalities of hiring GFA for support in market linkages	VC Coordinator	Immediate	<i>Partially done – initial contact made to access VC studies (refused by GFA) and no other follow up until mission came (meeting with GFA held on 13 July 2016)</i>
8	Follow up with Ajara MoA Agro Service Center to get concept note on blueberry VC	VC Coordinator	Immediate	Concept Note received end of May 2016, i.e. after submission of grant manual for No Objection
9	Follow up with RDA Coordinator to a) make use of their cooperative network to identify best potential beneficiaries for grant facility in persimmon, kiwi and bay leaf VCs, b) explore opportunities to support other VCs such as strawberry, honey, flowers and c) explore possibilities to assist grant applicants in raising their 60% contribution through RDA's revolving fund	VC Coordinator	Immediate	<i>Not done</i>
10	In view of current and future findings regarding VC opportunities and potential synergies with other development agencies, provide clear directions to ELKANA and CENN to ensure that their activities take into account identified opportunities and key needs expressed by farmers	VC Coordinator, GEF Coordinator, VC Specialist	Continuous	<i>Partially done: both SPs are still missing key information on "who does what and where", and this also includes activities related to matching grants (ref APMA) and proposed infrastructure development (ref AMMAR engineers). Lack of overall coordination.</i>

SN	Agreed action	Responsibility	Agreed date	Status as of 15 July 2016
11	Update AWPB 2016 according to contracts signed with CENN and ELKANA	PM, M&E Officer	May 2016	Done
12	Organize field visits on a quarterly basis to each region, and produce internal report that will feed the M&E system	VC Coordinator, GEF Coordinator, M&E Officer	Continuous	<i>No field visit organized between April and mid-July 2016, 1<sup>st</sup> internal report yet to be produced</i>
13	APMA Board of Directors approves Project Grant Manual and immediately starts advertisement of grant facility at regional level	Project Manager	May 2016	<i>Overall delay of close to 2 months (beyond the control of AMMAR team): Grant Manual approved 1<sup>st</sup> week of July</i>

## **ANNEX 2 – Draft ToR for Regional Coordinator, Samegrelo region**

**Ministry of Agriculture of Georgia**  
**Agriculture Modernization, Market Access and Resilience (AMMAR) project**

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***Draft Terms of Reference for the position of AMMAR Regional Coordinator  
in Samegrelo region of Georgia***  
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### **I. Background**

1. The Agriculture Modernization, Market Access and Resilience (AMMAR) project of the Government of Georgia aims to sustainably raise incomes and reduce poverty for women and men in rural Georgia. Funded through the International Fund for Agriculture Development (IFAD) with a complementary grant from the Global Environment Facility (GEF), AMMAR's development objective is to stimulate private investments in climate-smart agricultural value chains to increase incomes and strengthen resilience of smallholder farmers in selected project areas. The programme is expected to benefit around 10,000 households across the country with an initial focus on four regions (Samegrelo, Adjara, Shida-Kartli and Kakheti).

2. The Ministry of Agriculture (MOA) is the lead executing agency. The project has been designed as a 4-year project, and entered into force in May 2015. In practice, achievement of the project's outcomes will be sought through the interrelation and complementarity of the processes, actions and investments to be executed under the established components and their respective subcomponents and lines of action, as follows:

- *Component 1: irrigation and agricultural value chain investment*
  - Subcomponent 1.1 – Irrigation and value chain infrastructure
  - Subcomponent: 1.2 – Private investments in agricultural value chains
- *Component 2: climate-smart agricultural and value chain development*
  - Subcomponent 2.1 – Value chain development processes and support
  - Subcomponent 2.2 – Climate-smart agricultural technology transfer
- *Component 3: Project management*

3. As of today AMMAR is supporting seven value chains (VC), namely persimmon, kiwi, peaches, apples, bay leaf, vegetables and honey. *In Samegrelo region, AMMAR will mostly focus on persimmon, bay leaf and kiwi value chains. Inclusive market development is at the core of the Project's intervention approach.* Accordingly, the project staff (referred to as "AMMAR team") has to work with primary and secondary actors –farmers, producers' groups, agribusinesses, key technical and other service providers– to tackle critical constraints along the value chains, from primary production through processing, value addition and marketing. In this regard, the project must stimulate demand-driven increased private investment (by farmers, producers' groups, agribusinesses and service providers) in prioritized agricultural value chains that may offer attractive market opportunities and potential for competitive and profitable participation. This support to value chain investments is facilitated by a matching grant facility available for both primary producers and processors, along two distinct windows.

4. Two main service providers have already been recruited within the project:

- *ELKANA* is responsible for setting up demonstration plots, providing Climate Smart Agriculture (CSA) training packages and at the same time conducting sensitization, mobilization and support to smallholder farmers who may benefit from AMMAR matching grants facility;
- *CENN* is responsible for the development and implementation of landscape restoration plans in project's areas. These investments are meant to increase sustainability of erosion and risk control along with other project's interventions such as the rehabilitation of irrigation schemes.

5. As for the matching grant facility, AMMAR has entered into an agreement with APMA, the MoA's Agricultural Project Management Agency, to implement and manage the Window 1 (W1) and Window 2 (W2) grants designed to support investments in primary production as well as post-harvest, processing and marketing facilities. This agreement came into force early July 2016.

6. The overall objective of this assignment is to coordinate/supervise/monitor all activities carried out by AMMAR project in Samegrelo Region. *More specifically, the Samegrelo Regional Coordinator will assist the project team based in Tbilisi in:*

- a) Mapping value chain actors in Samegrelo region, with a particular emphasis on active producer groups/cooperative, buyers and processors;*
- b) Identifying/mobilizing potential grant beneficiaries in both windows;*
- c) Identifying potential areas of intervention for infrastructure rehabilitation and/or landscape restoration and*
- d) Monitoring the activities of AMMAR's service providers (CENN and ELKANA), as an extended arm of GEF and VC Coordinators.*

## **II. Responsibilities and Tasks**

- Be AMMAR's focal point in Samegrelo region;
- Mobilize the public and insure best possible information outreach of AMMAR's activities/services in the region;
- Establish and keep regular working connection with the representatives of regional Information and Consultation Centers of the Ministry of Agriculture;
- Establish and keep regular working connection with the local municipalities;
- Conduct and document a detailed mapping of key stakeholders in persimmon, bay leaf and kiwi VCs, with a particular emphasis on active producer groups/cooperatives, buyers and processors;
- Mobilize and assist potential grant beneficiaries in applying to AMMAR grants facility, in close cooperation with APMA and ELKANA;
- Monitor implementation of grant projects on-site, assist AMMAR Monitoring and Evaluation (M&E) specialist in compilation of AMMAR beneficiaries' ongoing activities and provide regular progress and impact reporting;
- Assist AMMAR engineers in identification of infrastructure projects in selected VCs of Samegrelo region;
- Assist CENN in identification of landscape restoration projects in selected VCs of Samegrelo region;
- Coordinate and supervise activities carried out by CENN and ELKANA;
- Insure provision of accurate information about AMMAR's activities in the region.
- Organize AMMAR Project related information/multi stakeholder workshops in Samegrelo region;
- Perform any other project related tasks assigned by the AMMAR Project Manager.

## **III. Reporting**

7. The Samegrelo Regional Coordinator will report to the AMMAR VC Coordinator.



#### **IV. Duration of the Assignment**

8. The Samegrelo Regional Coordinator will perform the assignment under the present TOR based on a labor contract concluded with him/her by the Ministry of Agriculture. The duration of the assignment will be 1-year renewable based upon a satisfactory performance evaluation.
9. The assignment is part time job, 3 days per week, equivalent to 144 working days per year.

#### **V. Qualification and Experience**

- ✓ Minimum 3 years of working experience with international donors or donor-funded projects in the field or rural development, agribusiness, smallholder agriculture. Particular experience in Samegrelo is an asset;
- ✓ Proven ability to work with local communities and governmental organizations;
- ✓ Sound knowledge of project management principles;
- ✓ Ability to research, analyse and write up complex information in a simple form;
- ✓ Responsible and flexible attitude and demonstrated ability to work with minimum supervision;
- ✓ Demonstrated strong passion for assisting clients in building profitable and sustainable businesses that benefit the rural poor;
- ✓ Excellent oral & written presentation skills (English and Georgian languages);
- ✓ Good knowledge of computer (MS Office, Internet, familiarity with the relevant project management software);
- ✓ Excellent interpersonal skills and ability to form and maintain cooperative working relationships with colleagues and stakeholders.

#### **Indicative budget of the Assignment**

<b>Remuneration in GEL (gross)</b>			
<i>Number of days per month</i>	<i>Fee per day</i>	<i>Total per month</i>	<i>Total per year</i>
12	210	2520	30,240
<b>Reimbursable expenses in GEL</b>			
<i>Expenses</i>		<i>Total per month</i>	<i>Total per year</i>
Around 130 liters fuel		202	2,424
Communication		25	300
Car maintenance		Annual lumpsum	700
<b>TOTAL</b>			<b>GEL 33,664</b>

### **ANNEX 3 – LIST OF AGRO-PROCESSORS SUPPORTED BY REAP AND PRESENTING AN INTEREST FOR MARKET LINKAGES WITH AMMAR BENEFICIARIES<sup>10</sup>**

- **Project Name: I/E Marina Akolashvili**

Location: Kakheti Region, Gurjaani Municipality, Village Mukuzani

Core Activity: Fruit collecting, sorting and packaging / Cold Storage

REAP funds will be utilized: For the procurement of a fruit sorting line and necessary cold storage equipment including a moisture control system and cold room chambers.

Brief Description: The goal of this project is to contribute to the development and expansion of IE Marina Akolashvili's current fruit processing business. The grant project will introduce modern cold storage and fruit processing technologies allowing the enterprise to increase their sales of fresh fruit and purchase more raw materials for local farmers. The projected processing facility, cold storage facility and a processing center, will be located in a new building in the village Mukuzani, Gurjaani Municipality, Kakheti Region. The new building will incorporate an office space and conference room where trainings to farmers on harvesting and postharvest handling practices will be regularly held. The grant project will target peach, nectarines, persimmon and plums sectors.

Estimated Impact: With REAP's matching grant, IE Marina Akolashvili will purchase fresh fruit from 580 small and medium farmers and generating new cash markets. The enterprise will use its new training facility to train the anticipated minimum 500 small and medium farmers to comply with the modest and best standards, practices and procedures in producing, harvesting and transporting products to the facility. Training of new farmers will be one of the high priority and ongoing activity of the enterprise.

- **Project Name: Gile Cooperative**

Location: Kakheti Region, Gurjaani Municipality, Gurjaani City

Core Activity: Dried Fruit Production

REAP funds will be utilized: to cover the costs of a fruit washing machine; a fruit cutting machine will be used to cut fruit into small pieces before drying in a drying machine; a fruit drying machine will dry the fruit products in a natural manner and also protect them from exposure to various factors that may contaminate the products; an apple cleaning machine; a pit removal machine that will remove the fruit pit thoroughly, a cold store of two units (60m3 and 30m3) that will maintain product freshness; an inspection line that will detect the quality of fruit; and two carts needed for fruit transportation.

Brief Description: In 2014, five experienced farmers from Gurjaani Municipality decided to join their efforts and establish a cooperative engaged in fruit collection from local farmers to process into dried fruit. The founders and operational staff of Gile cooperative bring more than fifteen years of demonstrated experience in agricultural production and processing. REAP's investment project will contribute to the establishment of a fruit processing facility in Gurjaani Municipality that contains modern washing, pitting, cutting and sorting equipment and a cold storage facility that meets contemporary market requirements and standards. The grantee will process fruits from its own orchard as well as adding fruits supplied by local farmers. The fruit processing factory will allow Gile Cooperative to produce dried apples, dried peaches, dried apricots and dried plums for export.

Estimated Impact: REAP's matching grant and co-investment will increase employment and incomes in surrounding villages of Chumlaki. To meet demands of the processing facility, Gile Cooperative will purchase fresh fruit from 235 local farmers, generating new cash markets worth GEL 851,288. To operate the new business, Gile will create six new jobs, including four jobs for women. The average monthly wages will range from GEL 150-GEL 500 and will increase by 2% in Project Year 1 and by 3% in future years. The cooperative will train more than 230 farmers to meet current production standards, modern harvesting and proper transporting practices.

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<sup>10</sup> Adapted from REAP website  
<http://www.arcgis.com/home/webmap/viewer.html?webmap=be7a5f8405824cddb14befbf87542fd6>

- **Project Name: Cooperative Georgian Fruit Company**

Location: Shida Kartli Region, Gori Municipality, Berbuki Village

Core Activity: Intensive Fruit Orchards

REAP funds will be utilized: to finance costs associated with procurement of a video control system, moisture system, coolers along with chillers, sandwich panels with fittings and doors, forklift, 500 kg scale, office equipment and furniture.

Brief Description: The cooperative owns a small agricultural plot in the village of Berbuki which is partly comprised of modern intensive orchards as well as larger apple orchards in Kitnisi and Kvarkheti villages that are supported by modern agricultural equipment including drip irrigation equipment. In addition, the grantee owns other equipment including a Belarus MTZ 80 tractor, a sprayer and other machinery for successful agricultural operations. The project's goal is to construct a modern cold storage facility. The cooperative is going to harvest and package its own apple production as well as peaches collected from local farmers.

Estimated Impact: The Georgian Fruit Company will purchase fruit from local farmers that will generate income in the area. Also, farmers will gain knowledge on modern farming techniques and post-harvest storage and handling.

- **Project Name: LTD Iveria**

Location: Shida Kartli Region, Gori Municipality, Dzevera Village

Core Activity: Cold storage

REAP funds will be utilized: Funds will be utilized to build cold storage and a training facility and to equip it with furniture and computer/projector

Brief Description: Iveria Ltd intends to establish a cold storage that will enable the company to supply harvested and collected apples to large supermarket chains in Tbilisi, Batumi, Kutaisi and Zugdidi. The projected processing facility, a four chamber cold storage of with a capacity of 250 metric tons, will be located in the new building situated on the adjacent plot to its existing apple and plum orchard. The new building will incorporate a conference hall where workshops about harvesting and post-harvest handling practices will be held regularly. The ultimate goal of the project is to develop a new business line and integrate its existing primary production of apples with cold storage operations and effectively use existing crops to ensure the superior quality standards of products. The projected cold storage facility will be organized in accordance with modern food safety and industry standards, enabling the company to maintain the highest quality for its own crops and those collected by others.

Estimated Impact: The project will create 3 new permanent jobs, including 1 women. Additionally, the project will generate 7 seasonal jobs, including 5 women. About 254 local farmers will supply their produce to Iveria Ltd.

- **Project Name: Eleniksta Ltd**

Location: Shida Kartli Region, Kareli

Core Activity: Fruit Processing

REAP funds will be utilized: To cover building costs, reconstruction activities, and to establish any necessary environmental mitigation measures.

Brief Description: Eleniksta Ltd owns 50 ha of land used for crop production, including wheat, and barley. The company also owns a storage warehouse located on 2000 sq.m. land in Kareli City as well as tractors and other agricultural machineries. Through a rental agreement, Eleniksta the grant applicant uses 12 ha of land for a fruit orchard and 36 ha of land for one year crop production. Eleniksta Ltd plans to construct a cold storage facility with a capacity of 300 tons along with fruit and vegetable receiving and processing plants. The company will store and process produce that it collects from local farmers as well as from its own production.

Estimated Impact: Eleniksta will store its production in a modern cold storage facility and sell this at competitive prices throughout the year. Moreover, the grantee will continue to strengthen its relationships with area farmers-in turn, providing both the grantee and farmers a more stable income stream.

- **Project Name: Agroline Georgia Ltd.**

Location: Samegrelo-Zemo Svaneti Region, Zugdidi Municipality, Tsaishi Village

Core Activity: Bay Leaf Production

REAP funds will be utilized: for the procurement of a bay leaf drying machine, which will adjust the proper amount of air, temperature of heat, stay/delay time of raw materials in order to effectively dry bay leaves; a bay leaf primary sorting line, a bay leaf secondary sorting line and a bay leaf control sorting line that will minimize bruising during sorting and processing. Equipped with these modern technologies, AgroLine Georgia will be able to safely store/sort bay leaves with reduced postharvest damage and will be able to provide a stable supply of dried bay leaves to export market.

Brief Description: AgroLine Georgia Ltd, located in Tsaishi village, Zugdidi municipality, Samegrelo-Zemo Svaneti region is a newly established bay leaf processing company. The goal of REAP is to expand the current business activities of AgroLine Georgia Ltd by constructing a bay leaf processing and storing facility enabling the entity to meet current quality requirements of the market, to set modern standards for raw material collection among local farmers and to increase the volumes of their own production of processed goods. Operating in a remote area of Georgia, the grantee stands out as one of the most important sources of employment growth among farmers in this vulnerable area that is close to the conflict zone of Samegrelo-Zemo Svaneti Region. The company offers employment and economic opportunities that provide incentives for farmers to remain in the area.

Estimated Impact: REAP's matching grant and co-investment will create six new jobs, including three jobs for women. The company will increase wages for all employees at the average rate of 2% for Project Year 1 and 3% in future years. The average monthly wages will be in the range of GEL 300 – GEL 650. The company will train 660 small, medium and large sized farmers to comply with the modern and best standards, practices and procedures in producing, harvesting and transporting products to their facility.

- **Project Name: Gemuani LTD**

Location: Samegrelo-Zemo Svaneti Region, Zugdidi Municipality, Village Zeda Etseri

Core Activity: Dried Fruit Production

REAP funds will be utilized: To cover the costs of vacuum packaging machine, four cold storage chambers and an instant quick freeze machine (IQF).

Brief Description: Gemuani Ltd. Presently, Gemuani owns 30 ha of land, of which 11.46 ha is a kiwi plantation. The goal of this project is to establish a new high-end processing line that integrates cold storage, instant freezing technology and vacuum packaging to process dried fruits. The modern processing facility will be equipped to meet contemporary market requirements and standards and will process fruit from the enterprise's orchard as well as suppliers from surrounding villages. The procured machinery and equipment will be located in a newly-constructed 720 sq m building located in Zeda Etseri Village, Zugdidi Municipality, Samegrelo-Zemo Svaneti Region. Within this building, 120 sq m will be dedicated to a modern cold storage facility with a capacity of 80 tons and 180 sq m to a processing line. In addition, the grantee will build a 180 sq m administrative office and conference room that will house workshops on harvest and postharvest handling practices for local farmers.

Estimated Impact: By introducing modern technologies for fruit processing through sublimation and as a result of the increased processing capabilities, the grantee will significantly increase purchase of raw material from local farmers and sales volumes accordingly. Investment has a noticeable up-side potential, as during the life of the grant project, Gemuani will become fully-equipped with modern technologies and internationally recognized certifications that will enable the enterprise to penetrate a wide variety of export markets. As a result of Gemuani's new business line, more than 350 small and medium farmers will have a new cash market for their produce.

- **Project Name: Agroinvestservice LTD**

Location: Adjara, Chakvi

Core Activity: Citrus and Fruit Sorting and Packaging

REAP funds will be utilized: To cover the costs associated with product marketing, advertising and technical assistance for the grantee. In addition, grant funds will be used to procure a fruit sorting line, warehouse pallet shelves, electric forklift, electric scale and other accessories.

Brief Description: Since 2007, Agroinvestservice Ltd has been exported citrus fruits to the following countries: Ukraine, Belarus and Russia. Currently, the company owns approximately 2ha of land with a number of buildings and machinery to support its operation including an administrative building, refrigeration system, truck, tractors, corn harvester, combine trailer, gas station, and a loader.

Estimated Impact: Through REAP grant assistance, AgroInvestService will be able to more effectively store products from farmers and, in doing so, will provide export markets with higher quality citrus fruits at competitive prices.

- **Project Name: Rural Cooperative Dioknisi**

Location: Autonomous Republic of Adjara, Khulo Municipality, Dioknisi Village

Core Activity: Dried Fruit Production

REAP funds will be utilized: For the procurement of a vacuum packaging machine and labeling machine for dried fruits.

Brief Description: In 2014, five experienced farmers from Khulo Municipality decided to join their efforts and establish a rural cooperative that will be involved in fruit collection from local farmers to be processed into dried fruit. The REAP investment project will contribute to the establishment of a fruit processing factory in Dioknisi Village, Khulo Municipality and will vertically integrate the cooperative's fruit drying operations. The modern processing facility will be utilized to dry apple and bilberries and will include washing, inspection, packaging and labeling machineries to meet contemporary market requirements and standards.

Estimated Impact: To meet the demands of the processing facility, the rural cooperative Dioknisi will procure fresh fruit from 140 local farmers.

- **Project Name: Georgian Laurel Ltd.**

Location: Imereti Region, Vani Municipality, Bzvani Village

Core Activity: Bay Leaf Production

REAP funds will be utilized: for the procurement of a bay leaf sorting and grading machine, which will minimize bruising during sorting and processing. APMA funds will be used to finance the costs associated with the procurement of a bay leaf drying machine, and packaging equipment for finished goods.

Brief Description: Georgian Laurel Ltd is a newly established bay leaf processing firm with more than 15 years of successful work experience in dried berries, herbs and bay leaf. In 2015, APMA awarded a \$239,000 grant from the Ministry of Agriculture of Georgia. REAP in collaboration with APMA will jointly contribute to the establishment of a bay leaf processing facility in Village Bzvani, Vani Municipality, Imereti Region. The modern processing facility will be established to meet present-day market requirements and to satisfy increasing demand for dried bay leaf on export markets. Georgian Laurel will operate in vulnerable mountainous areas of Imereti region, where new and additional sources of income for the local population are limited. Within the investment project, the grantee will capitalize on the increased interest in dried bay leaf. Through establishing a modern drying facility and collecting raw material from local farmers, the company will create a new cash market for Georgian households.

Estimated Impact: REAP's matching grant and co-investment will create nine new jobs, including six jobs for women. The company will increase wages for all employees at the average rate of 2% for Project Year 1 and 3% in future years. The average monthly wages will be in the range of GEL 150 – GEL 600. After REAP's investment, Georgian Laurel Ltd will purchase raw material from 1,003 small and medium scale farmers resulting in new cash markets worth GEL 701,044. This new income will serve as an important means for increasing of standards of living for beneficiary farmers. Georgian Laurel Ltd will train the anticipated 659 small, medium and large sized farmers to comply with modern and best standards, practices and procedures in producing, harvesting and transporting products to the facility.

- **Project Name: BPH Trans Ltd.**

Location: Mtskheta-Mtianeti Region, Mtskheta Municipality, Misaktsieli Village

Core Activity: Cold Storage and Fruit Processing

REAP funds will be utilized: to finance the costs associated with the procurement of a refrigerator, a moisture system, a fruit and vegetable sorting line, 2 units of fruit and vegetable packaging machine, warehouse shelves, a stacker and a pallet jack with scale.

Brief Description: Founded and registered in Batumi in 2012, BPH Trans Ltd is one of the fastest growing companies in Adjara Region. The company's main activity includes collection of fruits and vegetables (potato, eggplant, cherries, pears, peaches, etc.) from farmers of Kvemo Kartli, Kakheti, Shida Kartli, Samtskhe-Javakheti, Samegrelo, Guria and Adjara regions. It sells to supermarket chains through Georgia. The founder and current management of BPH Trans are well versed in agricultural production and processing combining practical experience with relevant education. The grant project will introduce modern cold storage and fruit processing technologies allowing the enterprise to increase their sales of fresh fruits as well as vegetables and purchase more raw materials from local farmers. The projected processing facility, cold storage and a collection and processing center will be located on procured land in Village Misaktsieli, Mtskheta Municipality, Mtskheta Mtianeti Region.

Estimated Impact: REAP's matching grant and co-investment will increase employment and incomes in the villages surrounding BPH Trans Ltd. Currently, BPH Trans purchases fresh fruits and vegetables from 800 local farmers from Mejvriskhevi, Metekhi, Ruisi, Shindisi and other villages of Shida Kartli region, Chumlaki, Kabali, Gavazi and other villages of Kakheti region, Kheta, Sakhocholavo, Kvaloni villages of Samegrelo-Zemo Svaneti region and Tamarisi, Tekali, Kapanakchi and other villages of Kvemo Kartli Region. With REAP's matching grant, BPH Trans will purchase fresh fruits and vegetables from 3,650 small and medium farmers, generating new cash markets worth GEL 5,309,365. The enterprise will train the anticipated minimum 2,507 small and medium farmers to comply with the modern and best standards, practices and procedures in producing, harvesting and transporting products to the facility. In addition, the company's expansion will result in creation of 11 new jobs, including 5 for women. Wages will range between GEL 180 - GEL 700 with an average escalation of 2% in Project Year 1 and 3% in future years.

- **Project Name: LTD Georgian Business Zone (GBZ)**

Location: Samtskhe-Javakheti Region, Akhaltsikhe Municipality, Tsnisi Village

Core Activity: Intensive apple orchard and cold storage

REAP funds will be utilized: Funds will be utilized to organize 360 MT capacity modern cold storage facility

Brief Description: The grantee intends to build a cold storage facility, introduce modern technologies for fresh fruit processing and significantly increase sales by supplying apples to the local retail and wholesale markets. In addition, the grantee plans to broaden business activity, by arranging 1.7 ha of a nursery plot. The investment plan is to construct and organize the cold storage facility enabling the company with the ultimate capacity to supply apples off-season to large supermarkets in Tbilisi, Kutaisi and Batumi and other regional centers of Georgia. With its existing dairy business, the grantee has built a distribution chain and established strong business relations with various supermarket chains. GBZ will use the same distribution chain for apples as well. In addition, GBZ plans to purchase one 40 HP tractor and trailer for cultivation and transportation of fresh apples from the farm to the cold storage facility

Estimated Impact: The project will create five new permanent jobs, including two jobs for women. Additionally, as a result of increased fresh apples production capacity, at least 10 seasonal workers will be employed. The grantee will also collect apples from Tsnisi Village of Akhaltsikhe Region and approximately 340 small farmers will receive income from selling their crops. GBZ will supply existing corporate clients, about 10 wholesalers and 6 supermarket chains with high quality products mainly in off-season, when demand and prices reach their maximum.

## **Appendix 13: Technical Annex 6: Monitoring, Evaluation and Knowledge Management**

### **Introduction**

All elements for a functional M&E system are included under the AMMAR M&E system. The M&E specialist has been very active in preparation for required databases and has an impressive in improving her skills over the past one and half year. Yet, it has to be foreseen how the project will be able to capture outcomes/impacts and whether there will be any challenges.

In the following key issues related to the M&E system will be highlighted with emphasis on the focus needed by the project.

### **Beneficiary database**

There is a clear need to develop a database for all project beneficiaries rather than having separate databases for each activity. The best approach in this matter is to ask from each service provider preparing a detailed list of beneficiaries including: name, address, telephone number, sex, age, and activities received from the service provider. It is expected that each beneficiary will participate in more than one activity. Moreover, each service provider should give a clear note on those beneficiaries who come from the same household.

### **Log frame**

The log frame for the project has been modified and restructured to follow the new formats of IFAD for the log frame. The new log frame was attached as annex 2 for the Aide memoire supervision report.

### **AWPB**

The AWPB for AMMAR will be done in a participatory approach with the different service providers. As part of the preparation process, each service provider will prepare their tentative AWPB before meeting with the AMMAR PIU. A meeting will be conducted with all service providers and AMMAR PIU to set the implementation arrangements and priority activities. A consolidated AWPB will be sent to IFAD no later than 30 October of each year.

It is important that the implementation progress is being followed by the PIU and service providers on regular basis. On a quarterly basis a progress report will be prepared to track implementation versus the planned activities/outputs under the AWPB.

### **Service providers' requirements**

#### **ELKANA**

For demo plots, ELKANA will prepare a full list of participants under each demo plot including the following:

- Basic data: name, gender, age, mobile, address
- Activity type
- Crop production
- Land owned
- Income

After completion of training ELKANA should check among those who were trained the percentage who adopted the recommended technologies. ELKANA will provide AMMAR M&E specialist with the same list as above but for those who adopted the technologies.

For better monitoring and creating learning environment the following questions will be asked:

- Among those who adopted why they did?
- Who made the decision to do adoption? Farmer, farmer/spouse jointly, spouse, other
- Did you recommend adoption technologies for other farmers? If yes, did they adopt? And what did they do?
- Among those who didn't adopt, why they didn't? We check the reasons and if there is any challenges it needs to be elaborated.
- Among those who adopted and after a full adoption cycle. ELKANA will provide the same table as above to AMMAR M&E specialist to analyze the changes in yields and incomes

## **APMA**

For each grant recipient, the following information will be provided to AMMAR **before** getting the grant and **after**.

### **Grants for Agribusiness for APMA**

- Activity Type of Recipient
- Crop Types
- Crop Volume tons
- Buying price for crop
- Selling price for crop
- Annual turn over
- # of Male Employees
- # of Female Employees
- Contact Person
- Tel
- E-mail
- Address
- Gender
- Age
- Marketing (local and exports), potential markets
- Contracts (with farmers, with buyers) numbers and types
- Certificates?

### **Grants for window 1 for APMA**

- Activity Type of Recipient
- Tel
- E-mail
- Address
- Gender
- Age
- Type of investment
- Area cultivated and crops produced
- Crops and yields per hectare
- Annual income from farming
- Cost of production
- Income
- Marketing (for whom they sell, where, mechanisms)
- Contract with buyers, processors
- Challenges?

## **CENN**

- For Land restoration sites, CENN will collect data on the following:
- Land under each restoration site
- Crops produced
- Number of households benefiting
- Value added from restoration works

## **Field visits**

Field visits will be conducted on regular basis by the project staff. Field visits will be conducted by project engineer, value chain specialist, value chain coordinator, and GEF coordinator to monitor the different project interventions. M&E specialist will conduct field visits to verify data received from service providers and when necessary assess the situation in the field. Documentation of those field visits will be the responsibility of the M&E specialist.



### **Geo Referencing**

All sites for irrigation rehabilitation works, land restoration will be geo referenced, in addition to the demo plots. Whenever possible and if the resources at the project allow, grant recipients should also be georeferenced. GPS coordinates should be part of the AMMAR database mentioned earlier.

### **Meetings**

Until the end of 2016, on a monthly meeting service provider will have a meeting with AMMAR PIU to discuss implementation arrangements and any challenges/obstacles in implementation. Starting 2017, this meeting will be conducted on a quarterly basis.

## Appendix 14: Technical Annex 6: Fiduciary aspects

The mission reviewed the fiduciary aspects of the project on the basis of the documents and records maintained at project level and on the basis of the discussions held with the project manager, the GEF coordinator, the finance manager, the accountant and the procurement officer.

The financial and administrative management of the project and the quality of the internal control system was found satisfactory. The major challenge in the fiduciary aspects is represented by the low level of implementation of the budget and the consequent low level of disbursement

### Financial management.

The structure of the financial unit foresees the recruitment of one financial manager, one accountant and one procurement officer, whose cost is shared at 50% with the WB project. All the positions have been covered by reconfirming the persons of the previous ASP project. Each staff is experienced, trained and skilled for the position and responsibilities that they cover.

**Internal control system.** The mechanism in place for the financial internal control was found healthy. Procedures of double control are in place and the identification of the roles and responsibilities is clear. Each expense is verified, certified, approved, paid and accounted by different persons in accordance with their level of responsibility and such process is clearly reflected in the voucher utilized for the approval of each expense.

**Budget preparation.** The financing plans by expenditure accounts of the three design documents (IFAD loan, Grant and GEF grant) were prepared at different moments in the design and have not been consolidated. In order to have a clear consolidated budget of the project for all sources of funding and for the overall period of the project, the mission recommended a consolidation of the financing plans, which upon IFAD's approval, will be considered the official provisions to be used for the implementation and the monitoring of the project and on which basis the AWPB should be prepared. The MTR in 2017 will review and consolidate the financing plans of the project. The mission noted also that the project keeps two different systems of budgeting: the AWPB which is submitted to IFAD and the treasury budget which is submitted to the government and the two budgets show different amounts planned. The mission recommended the project to align the budgeting so that same amounts are shown in both budgets, especially at the beginning of the year.

**Budget monitoring.** The monitoring of the budget availability and financing is done internally on a regular basis. The process involves particularly the project manager, the financial manager, the GEF and VC project coordinators, and the M&E officer. The process should however be more formalized in order to involve also the other stakeholders of the project so to have meetings for discussions on the physical and financial results of the project, and to proceed with analysis on successes and shortcomings. The mission therefore recommended that a formal process for the monitoring of the results of the project (both physical and financial) is organized on a quarterly basis. The mission also recommended reinforcing real-time monitoring of GEF resources by GEF project coordinator.

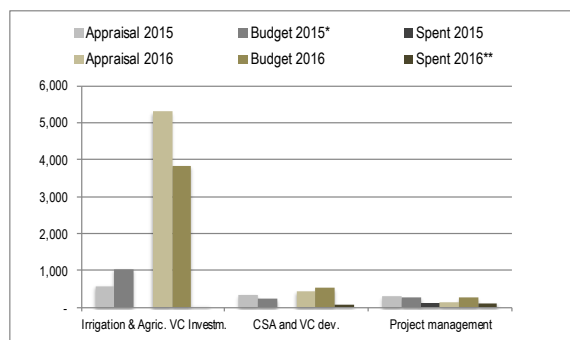
At the end of June 2016, the budget exercise shows very low performances. For 2016, the budget planned is at 79% compared to the appraisal provisions and the level of expenditures reaches the 5% of the total planned budget under all sources of funding (as at 30/06/16). With the exception of the payments made to CENN (for the landscape restoration plan), ELKANA (for the demonstration plots) and ACT Ltd (for the baseline survey), all other expenditures are related to salaries and operating costs.

#### Actuals versus planning (Total funding):

Component	Appraisal	Budget	Spent		Appraisal	Budget	Spent		Appraisal	Budget	Spent		Forecast			
	2015	2015*	2015		2016	2016	2016**		TOTAL	TOTAL	TOTAL		Jul-Dec-16	Dec-16		
Irrigation & Agric. VC Investm.	582	1,041	-	0%	5,295	3,841	52	1%	5,877	4,882	51.757	1%	1,057	1,109	23%	
CSA and VC dev.	346	232	-	0%	446	531	67	13%	791	763	66.511	9%	57	124	16%	
Project management	304	275	97	35%	136	265	108	41%	440	540	204.556	38%	100	305	56%	
<b>Total</b>	<b>1,232</b>	<b>1,548</b>	<b>96.83</b>	<b>6%</b>	<b>5,877</b>	<b>4,637</b>	<b>225.99</b>	<b>5%</b>	<b>7,109</b>	<b>6,185</b>	<b>322.825</b>	<b>5%</b>	<b>1,214.62</b>	<b>1,537.4</b>	<b>25%</b>	

\*The budget for 2015 covered the period till June 2016

\*\*As of 30/06/16



#### Forecast performances for 2016 (USD) - Total funding:

	3rd quarter	4th quarter	Total
<b>Comp. 1: Irrigation &amp; Agric. VC Investm.</b>	530	527	1,057
Sub. 1.1: Irrigation and VC infrastructure	230	127	357
Sub. 1.2: Facilitating private investment in agricultural VC	300	400	700
<b>Comp. 2: CSA and VC dev.</b>	19	38	57
Sub. 2.1: Value Chain development processes and support	-	-	-
Sub. 2.2: Climate-smart agricultural technology transfer	19	38	57
<b>Comp. 3: Project management</b>	50	50	100
<b>Total</b>	<b>599</b>	<b>616</b>	<b>1,215</b>

The forecast for the second semester of 2016 is of USD 1.215 million, which includes the disbursement of USD 700,000 for the grants and loans by APMA, and USD 154,000 for the design of the infrastructure works. At the end of 2016 the total spent budget would therefore reach USD 1.514 million, which represents the 25% of the planned amount (IFAD and government funds).

For 2016 annual budget exercise, for the IFAD funding exclusively (loan, IFAD grant and GEF grant) of the total budget amount of USD 2.6 million, only 0.205 has been spent (as at 30/06/2016), which represents the 8% of the annual budget.

Component	Loan			Grant			GEF			TOTAL IFAD		
	Budget	Spent	%	Budget	Spent	%	Budget	Spent	%	Budget	Spent	%
Comp. 1: Irrigation and agricul. value chain infrastructures	1,300	-	0%	-	-	0%	660	44	7%	1,960	44	2%
Comp. 2: Climate smart agricul. and value chain dvlpmnt	-	-	0%	270	-	0%	180	50	28%	450	50	11%
Comp. 3: Project Management	207	75	36%	30	26	88%	23	11	46%	260	112	43%
<b>Total</b>	<b>1,507</b>	<b>74.89</b>	<b>5%</b>	<b>300</b>	<b>26.27</b>	<b>9%</b>	<b>863</b>	<b>104</b>	<b>12%</b>	<b>2,670</b>	<b>205.29</b>	<b>8%</b>

Expense period January-June 2016

**Accounting system.** The system in use for accounting is COPPER 2, a customized software used for both IFAD and Government funds, but also for other donors. The access to the system is limited to the financial manager, the accountant and the deputy manager. The system allows separate accounting for different projects and source of financing and it is in line with IFAD requirements for accounting. However, the software needs an upgrading to allow the preparation of the WAs, the reconciliation of the DA and reporting of balances of the AWPB provisions, directly from the system. The PIU has currently requested the IT consultant a tailoring of the software in order to incorporate such improvements, which is currently undergoing and should be probably finalized the coming August.

No delay or backlog is encountered in the entering of expenses in the accounting system. The updating of the accounting is done on a daily basis and all accounts are up to date. All payments are done through the online Treasury system. There is no cash system in place and no cash management.

**Inventory.** Currently no asset has been purchased under the funding for AMMAR. The assets in use by the project have been purchased and inventoried by the MOA and therefore the project is not maintaining any asset inventory.

#### Disbursement.

**Loan, IFAD grant and GEF grant disbursement.** The level of disbursement is currently extremely low and represents the major challenge on financial management, but it is merely a reflection of the delays in the implementation. With the exception of the disbursement for the DA, there has not been any other request for disbursement submitted by the project under any of the facility (loan, IFAD grant or GEF grant). The amount disbursed under the loan is of SDR 1,079,789 (amount disbursed for the DA), which represents the 12.54% of the allocated amount; the total disbursed under the IFAD grant is of USD 160,000 (amount disbursed for the DA), which represents the 32% of the allocated amount; and the total amount disbursed under the GEF grant is of USD 800,000 (amount disbursed for the DA), which represents the 15% of the allocated amount. The WAs are currently under preparation and will probably be submitted in August. The estimated amount is of USD 140,809.60 under the loan,

USD 29,378.03 under the grant and USD 131,249.96 for the GEF (amounts which might be slightly higher with the inclusion of July 2016 expenditures). By including these WAs and the amount of the commitments, the level of disbursement increases to SDR 1.3 million for the loan, which represent the 15% of the allocated amount, to USD 0.198 million for the grant, which represents the 39.74% of the allotted amount and USD 1.650 for the GEF, which represents the 31.15% of the allocation. In view of the considerable advance which has been provided to the project and in case no WAs are submitted to IFAD for a long period of time, the project has been requested to update IFAD on the financial progress through submission of quarterly financial reports.

**Disbursement of categories.** With the exception of the GEF where there have been the payments of the advances to the service providers and therefore a utilisation of the category for consultancies, all other expenditures are operating costs and hence have been incurred only under the category for Salaries and Operating costs, which shows an execution of 52% for the loan, 87% for the grant and 8% for the GEF.

**Designated account.** The project has opened three different DAs, one for each IFAD funding (loan, grant and GEF), and all the three DAs are reconciled with IFAD records. Although the reconciliation and verification of the bank balances is done regularly, however there is no formal process for such exercise. Once the upgrading of the accounting software is finalized the reconciliation might be done directly by the system, however the mission recommended that a reconciliation of each account is done on a monthly basis and the concerning documentation certified and approved is maintained in the appropriate bank documents.

The situation of the DAs in USD as at 30/06/16 is as follows:

IFAD LOAN		IFAD GRANT		GEF GRANT	
Designated Account (A)	1,500,000.00	Designated Account (A)	160,000.00	Designated Account (A)	800,000.00
Designated account balance as at 30/06/16	1,361,129.40	Designated account balance as at 30/06/16	133,021.98	Designated account balance as at 30/06/16	668,750.04
Operating account balance as at 30/06/16	-	Operating account balance as at 30/06/16	-	Operating account balance as at 30/06/16	-
Cash balance as at 30/06/16	-	Cash balance as at 30/06/16	-	Cash balance as at 30/06/16	-
WA in preparation	-	WA in preparation	-	WA in preparation	-
WA not yet credited	-	WA not yet credited	-	WA not yet credited	-
Expenses not yet claimed under any WAs	138,870.60	Expenses not yet claimed under any WAs	26,978.02	Expenses not yet claimed under any WAs	131,249.96
Interests credited	-	Interests credited	-	Interests credited	-
<b>Sub Total (B)</b>	<b>1,500,000.00</b>	<b>Sub Total (B)</b>	<b>160,000.00</b>	<b>Sub Total (B)</b>	<b>800,000.00</b>
Discrepancy (A)-(B)*	-	Discrepancy (A)-(B)*	-	Discrepancy (A)-(B)*	-

**Preparation of WAs.** The WA is not extracted automatically from the accounting system but it's currently prepared separately in Excel by the Finance Manager. The WAs under preparation have been reviewed. The PIU is currently upgrading the software to incorporate also the automated function for the WA preparation. The mission recommended the project to ensure that such upgrading is done by including in the system the new SOE formats.

#### Counterpart funds.

The contribution of the government is mainly represented by the waiving and exemption of the VAT, taxes and custom duties. The amount of the contribution remains low but it is in line with the level of the performances in the implementation. At the end of June 2016 the total contribution is of USD 25,730, which represents the 5% of the amount planned in the AWPB.

Year	State budget	AWPB	Spent	%
2015	89,717	55,230	5,018	9%
2016	128,167	439,200	20,712	5%
<b>TOTAL</b>	<b>217,884</b>	<b>494,430</b>	<b>25,730</b>	<b>5%</b>

The contribution of the PFIs and the beneficiaries has not yet started and therefore the current level shows a zero balance.

#### Compliance with loan covenants.

The compliance with the loan covenants is satisfactory.

**Financial statements.** Due to postponing of the 2015 audit, the financial statements for the FY 2015 have not yet been prepared nor have they been submitted to IFAD.

**SOE.** The mission has reviewed all expenditures under the loan, the grant and GEF for the period July 2015 – June 2016. Funds have been used for all eligible expenditures incurred by the project. The review is satisfactory: the project has utilized the funds for project expenditures, all vouchers, bills and invoices were properly attached to each payment and properly taken into account; expenses were covered by the annual budget provisions and vat and income tax have been accounted correctly under the funding of the government. However, the following remarks need attention and/or rectification by the project: (i) the salaries for the senior engineer and the engineer should be charged under component 1 (and not 3), as foreseen in the project appraisal; (ii) the salaries paid to the VC coordinator and specialists should be charged under component 2 (and not 3), in accordance to the project appraisal; (iii) a copy of the contract payment summary should always be attached to each payment; (iv) when required, a copy of the IFAD NO should be attached to the payment; (v) the indication of the code for the component in the voucher should always be accurate and correspond to the component description; (vi) pay particular attention to training expenditures to ensure that all expenses related to workshop and training are actually charged under the concerning component/category as indicated in the appraisal provisions. The mission also noted that some of the expenses that were budgeted under the loan or the GEF grant, have been accounted under the IFAD grant. Such expenditures have been cleared by the mission and can be taken into account as accounted by the project. The mission recommended the project where needed to rectify the accounting of the above expenditures.

**AWPB 2015-2016.** Both the AWPB have been submitted and approved by IFAD in due course.

**Administrative and Financial Manual.** The PIU has not adopted a complete financial manual for AMMAR funding and for the financial management is currently referring to the manual which has been developed for the WB funding. However, as established by the loan agreement, short sections about financial management, disbursement and procurement have been included in the PIM.

**Personnel.** With the exception of the driver and the administrative assistant, all other staff foreseen in the project has been recruited. All contracts have been reviewed and they are currently in force. Staff are recruited as consultant, the contract amount includes the income tax and VAT portion, however the fees are paid gross to the consultant and taxes are paid by the consultant to the government. As per contract terms all social contributions, medical coverage and insurances should be taken care by the consultant.

#### **Procurement.**

A procurement officer handles all procurement related tasks. The officer is trained and has the level of experience appropriate to the functions she covers. The evaluation of the bids however is fully done by the personnel of MOA, while the AMMAR staff participates to the bid opening and the evaluation processes as observer, with no rights to vote (given their contractual status).

**Procurement performances.** The mission noted a moderately satisfactory planning of the procurement activities which has resulted in different adjustments of the timeline for procurement activities. Over the period 2015-2016, the procurement plan has been implemented at 20% of its provisions. Out of the 10 procedures planned, 2 have been fully completed, 3 are ongoing and 5 are yet to be started. Of the total amount involved in the procurement, only the 12% has been currently committed.

Procedures	Planned	Implementation		
		Completed	Ongoing	Not started
Civil works	4	1	1	2
Technical Assistance	6	1	2	3
<b>TOTAL</b>	<b>10</b>	<b>2</b>	<b>3</b>	<b>5</b>

Procedures	Planned	Completed
Civil works	1,730,000	258,124
Technical Assistance	670,000	19,206
<b>TOTAL</b>	<b>2,400,000</b>	<b>277,330</b>

**Quality of dossiers and archiving system.** The management of the procedures and the dossiers is satisfactory. The quality of the reviewed files<sup>11</sup>, as well as the archiving system is appropriate. When required, all procurement activities have been prior-approved by IFAD and all documentation is available and well organized. For the procedure AMMAR/CS/2016/25 for the demonstration plots and

<sup>11</sup> Procedures reviewed are: AMMAR/CS/2016/26 (for the preparation of the landscape restoration plan), AMMAR/C/2016/25 (for support training and demonstration plots), AMMAR/C/2016/27 (for the baseline survey), AMMAR/C/2015-15 (for the recruitment of the VC coordinator) and AMMAR/C/2015-17 (for the GEF project coordinator).

CSA training, the documentation was found to be incomplete and additional clarifications and documentation were requested from the project. The PIU will be required to: (i) include bid opening records with the minutes of the bid opening; (ii) when required, attach the scoring of the bidders provided by each member of the evaluating committee; (iii) the evaluation report of the evaluating committee should be done in line with the IFAD procurement guidelines.

**Contract register and contract management.** The mission ascertains that the format in use for the contract register is in conformity and that the contracts signed by the project are properly recorded. The register is up to date. During the period July 2015 – June 2016, a total of 44 contracts have been signed of which 17 for the recruitment of project staff and 22 for operating costs (mainly for small purchases). The contractual terms and provisions are correctly applied: payments made are consistent with the physical and financial progress and meet the payment terms stipulated in the contracts.

#### **Audit.**

The project has decided to postpone the audit for the FY 2015 due to the low level of expenditures incurred. IFAD has also agreed that a joint audit for the 2015 and 2016 FY will be submitted within June 2017. The appointment of the auditor has therefore not been done.

<b>Agreed action</b>	<b>Responsibility</b>	<b>Agreed date</b>
Consolidation of financing plans	PIU/ IFAD	31/12/2016
Align AWPB with state budget	PIU	Permanent
Formal process for budget monitoring done on a quarterly basis	PIU and project stakeholder	Permanent
Reinforce real-time monitoring of GEF resources by GEF project coordinator	GEF project coordinator	Permanent
Submit quarterly financial report to IFAD	PM/ FM	Quarterly
Monthly reconciliation of DA	FM/ Accountant	Monthly
Ensure WA prepared with new SOE forms in the accounting software	FM/ Accountant	30/09/2016
Rectify the accounting	FM/ Accountant	30/07/2016
When required, include bid opening records and scoring of bidders to bid documents. Evaluation report in line with IFAD procurement guidelines	PIU/Procurement officer	Permanent