

Independent Office  
of Evaluation



## Overview

## Georgia

# COUNTRY STRATEGY AND PROGRAMME EVALUATION





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## **Country Strategy and Programme Evaluation**

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**December 2017**

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## Overview

The Independent Office of Evaluation conducted a country strategy and programme evaluation in Georgia; its first in the country. The main purpose of the evaluation was to assess the results and performance of the country strategy and programme and to generate findings and recommendations for the upcoming country strategic opportunities programme to be prepared in 2018. The evaluation reviews IFAD's strategic position in Georgia, in particular the Fund's comparative advantage and positioning in an upper-middle-income country where the IFAD has a small portfolio<sup>1</sup> and no country presence. The evaluation assesses the results and performance of the activities conducted from December 2004 to 2016.

IFAD's engagement was within a challenging context. First, Georgia was a newly independent country and a transition economy at the time when IFAD started its engagement. Its weak institutional and regulatory framework has posed enormous challenges for effective and sustainable development support. Second, the following period has seen a number of crises and marked shifts in political direction that called for constant adaptation of and change in support strategies. Third, after a period of strong economic growth,

Georgia is now an upper-middle-income country and has more recently started on a European Union accession pathway that requires all support to be attuned to the specific challenges of this political agenda. These challenges have stretched IFAD beyond its comfort zone, and although it has made some valuable contributions over the period, the outcomes were overall mixed.

The evaluation found that, despite these challenges, the portfolio was relevant and, with some notable exceptions, well-aligned with government priorities. IFAD has demonstrated a great degree of flexibility and readiness to adapt to changing government directions. Yet frequent changes and adjustments have taken their toll on the portfolio, and overall the results achieved were limited, primarily due to limited outreach and weak targeting. Some good results have been achieved with regard to strengthening the institutional and regulatory framework through the earlier lending operations, especially through the grants.

IFAD's engagement in the country has undergone a steep learning curve over the period. During the first part of the review period it took a hands-off approach, lacking sufficient oversight and experience in the country. During the second part

<sup>1</sup> IFAD's financing of operations in Georgia is in the bottom half of borrowers in IFAD's overall portfolio (79th of 123 countries). In IFAD's Near East, North Africa and Europe Division, it represents 1.8 per cent of the division's portfolio (17th largest of 26 countries).

(after 2009) it intensified its engagement after taking over direct supervision. Yet IFAD continued to be constrained by the lack of country presence and frequent turnover of country programme managers, which made consistent engagement beyond the immediate needs of project implementation difficult. Over the entire period IFAD has strived to stay relevant to the Government's needs and requirements, yet in doing so has lost part of its focus on IFAD-specific concerns. It has accommodated government requests to the extent possible by shortening project duration, focusing on infrastructure and adding grant resources to increasingly expensive loans.

All the IFAD documents reflected the desire to alleviate poverty in rural households, and enhance the competitiveness of agriculture. However, the specific objectives and means deployed varied considerably – from the rather broad approaches trying to address a range of interconnected issues to a more selective approach. The choice of thematic areas covered a broad range too, from physical infrastructure improvements and environmental protection through to improving marketing and the availability of market information. Despite IFAD's attempts to align itself with government policies, its strategies were slow to follow the fast-paced developments and changes. IFAD strategies did not properly reflect the Government's priorities at that time, e.g. preparing for accession to the European Union, and the Government's interest in IFAD-specific issues and approaches was often limited. Although

IFAD's lending operations were relevant, tackling important barriers to agricultural development in line with government policies and strategies, overall progress and innovation were often hindered by lack of government interest and support. Cross-cutting themes (e.g. climate change, gender, empowerment) were better addressed through the grants.

In particular **performance on gender equality and women's empowerment** has been found wanting. It was often assumed that women have been equal as men in terms of their participation in working and political life since socialist times and that hence no specific measures to enhance women's participation and role in IFAD-supported projects would be needed. The data reviewed by this evaluation clearly show that this is not the case: once the focus of the programme shifted away from the support of local institutions, or once these institutions ceased functioning, women's participation faltered. Progress in addressing gender concerns in the portfolio has been unsatisfactory, and the results in improving women's access to productive resources and decision-making have been unsatisfactory as well.

**Weak poverty targeting** was also an issue. IFAD clearly had difficulties in understanding and addressing issues of inequality in this transition economy, which is multifaceted, multidimensional and fine-grained beyond simple geographic or socio-economic characteristics. After the initial attempts to introduce participatory and pro-poor

approaches, IFAD's projects primarily relied on self-targeting mechanisms for benefits targeted at individuals, such as loans and grants, with an explicit focus on the more entrepreneurial and better-skilled farmers, usually the male household heads. When it moved closer to the Government's growth agenda and focused more on entrepreneurial farmers, it did not refine its strategy to also target the poorer segments of the rural population, and in particular women who were heading farming households. Without a clear targeting strategy, trickle-down effects to poorer households and women were assumed rather than ensured. For example, there was no specific strategy to monitor that the enterprises receiving financial support would then generate significant employment benefits for poor women. The actual benefits accrued through indirect targeting were, therefore, significantly below expectations.

**Infrastructure** absorbed the largest share of IFAD investments. While investments in rural infrastructure were relevant and much needed in the remote and impoverished areas, as well as in the areas affected by the 2008 war and its aftermath, they could have been more effective if they had been part of a wider strategy to rebuild and improve people's livelihoods. The earlier high mountains project was unique in its approach of placing the municipalities in the driving seat. All other projects used a centralized approach to planning and implementing infrastructure projects. This approach was effective in aligning investments with central government priorities, but reinforced

the disjointed nature of the interventions and limited the prospects for sustainability within the local context. Maintenance issues were insufficiently addressed in irrigation infrastructure, and the missing institutional arrangements at local level, e.g. cooperatives or water user associations, remain a major gap.

**Rural finance** was the second major area of IFAD investments, yet IFAD had no coherent strategy for rural finance in the country in general, and to institutional capacity-building in particular. The portfolio supported a range of different models that were not linked and did not follow a logical progression or evolution. Interventions in this area were highly relevant and innovative in the country context, but they had varying success due to the gaps in the regulatory framework and limited government support. The successful introduction of microfinance through the loans and of innovative finance products through the grants (e.g. electronic remittances, mobile money) are among the highlights in the portfolio. Unfortunately, these earlier successes were insufficiently understood and followed up. Yet this is an area which is at the core of IFAD's strategy and where there is a huge demand and appetite for support in the future.

**Smallholder access to markets** has been the overarching theme since IFAD began its engagement in the country. But the approach to promote access to markets was never clearly defined or consistently pursued. In practice, it included a broad range of activities, including

infrastructure, irrigation, training and demonstration plots. These activities were insufficiently linked and, therefore, did not generate the synergies required to achieve the intended results. Only the ongoing project (Agricultural Modernization, Market Access and Resilience Project) has a clear theory of change underlying the range of interventions supported. For the closed projects, results were hard to ascertain in the absence of a clear intervention strategy and adequate monitoring and evaluation data. The broader strategy followed the Government's growth agenda, focusing on entrepreneurial farmers and small and medium enterprises.

**Partnerships** were overall strong and it was through partnerships that IFAD had some successes in the country. Cofinancing partnerships delivered some good results and were highly beneficial for IFAD's visibility and positioning during the earlier part of the review period, given its lack of country presence. In the later part of the review period, IFAD did not invest sufficiently in partnerships for policy engagement and therefore lost track of policy developments and failed to establish a strategic position, in particular with regard to the European Union accession agenda.

**IFAD's strategic niche** is well recognized (poor smallholder farmers, rural finance, gender), but its footprint has been limited so far and it often had difficulties keeping up with the shifts and changes. Some concepts and approaches that the Fund introduced were innovative and important,

but premature, given the context. It introduced some successful practices such as microfinance, which demonstrated that it is possible to reach out to marginal farmers and women. But then opportunities were missed to study and scale up these good practices.



## Recommendations

### **Recommendation 1. Establish some form of country presence or limit IFAD's engagement to cofinancing operations led by other development partners.**

Without a country presence IFAD cannot maintain the required flexibility, or consistency, in its engagement with a country such as Georgia, which is changing at such a fast pace and becoming increasingly demanding in terms of the kind of assistance it requires. For IFAD to play to its comparative advantage and add value, it has to leverage influence through partnerships. A consistent strategy for policy engagement and knowledge management – yet to be developed – will require dedicated resources and solid expertise on the ground. If IFAD cannot establish a country presence, it should confine its engagement to cofinancing operations led by other development partners. Past experience with cofinanced projects has shown that IFAD can achieve good results through strong partnerships. This would enable IFAD to focus its resources on critical areas where it can add value through lending and non-lending activities.

### **Recommendation 2. Establish a strategic focus on rural finance and rural institution-building, in line with government priorities.**

Rural finance is an area where IFAD has built up a body of experience due to experimentation

with different access-to-finance models. No other development partner in Georgia has similar experience, and IFAD should continue to pursue this niche. Furthermore, now that the Government is showing an increasing interest in grass-roots institutions, and the European Union (through the European Neighbourhood Programme for Agriculture and Rural Development) and World Bank are supporting them, grass-roots bodies can be the conduits for the financial products supported by IFAD. In this regard, IFAD should graft upon the work of others; there is no need to create parallel institutions unless absolutely necessary. It can also build on its own relationship with microfinance institutions, which was very successful. In the upcoming livestock project, microfinance institutions should be used to target farmers and livestock cooperatives in the lower mountain regions.

**Recommendation 3. Radically revise the approach to targeting, to adopt an explicit strategy for targeting those at risk of poverty and social exclusion within the rural population, in close cooperation with other development partners.** IFAD has an important role to play in Georgia if it focuses clearly on the poorer parts of the rural population and in particular women and youth. For this, IFAD needs to do more to reach out to those parts of the rural population that are economically active, but at risk of poverty and social exclusion.<sup>2</sup> Only targeting entrepreneurial

<sup>2</sup> This does not include those parts of the population that depend on social assistance.

farmers and assuming that the rest will benefit indirectly will not be sufficient. IFAD has to adopt a differentiated targeting strategy that will support direct benefits for the relatively poorer parts of the population. Therefore, it is recommended that in preparation for the new country strategy, and in cooperation with like-minded partners, IFAD should conduct robust poverty and gender analysis to provide the basis for identifying and reaching out to those groups that are at risk of poverty and social exclusion in rural development interventions, with a specific focus on women and youth. The outcome of the consultation would be to identify actionable strategies and, where possible, agree on coordinated interventions specifically targeted to rural youth and women, including single women and women-headed farming households. These strategies should inform IFAD's future project designs.

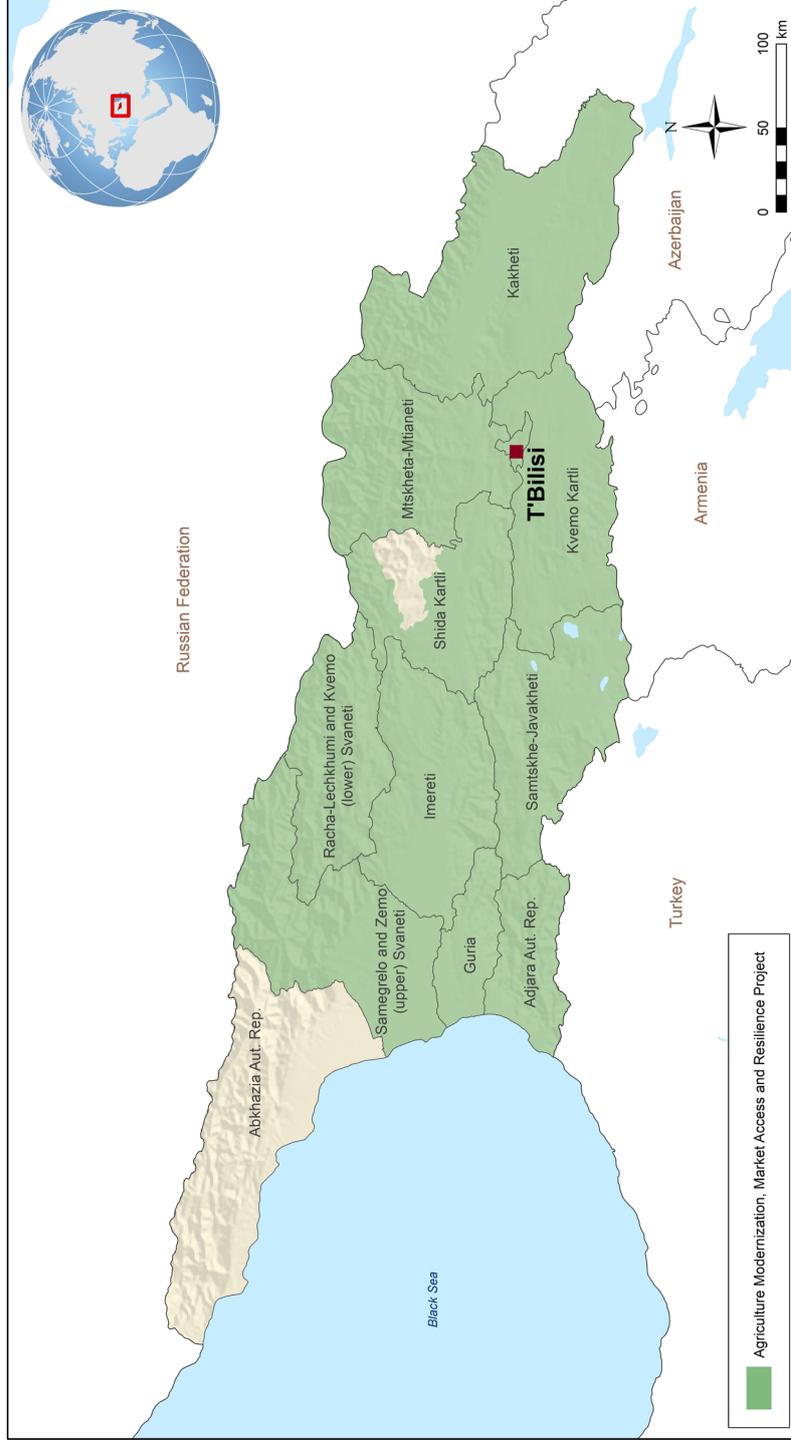
Furthermore, any intervention supported by IFAD should ensure that women and youth from poorer households benefit equally. Interventions targeted at entrepreneurial farmers should ensure that entrepreneurial women are mobilized and benefit equally. Every project targeting value chains should include a commensurate set of activities that will give the private sector incentives to include smallholder farmers and monitoring to ensure the active poor benefit.

## A snapshot of IFAD operations in Georgia since 1997

Number of loans approved	Five loans. First loan approved in 1997; one ongoing loan
Total portfolio cost*	US\$123.4 million; includes US\$50.5 million of IFAD lending; US\$29 million counterpart funding (Government and beneficiaries); US\$39.1 million co-parallel financing
Lending terms	Highly concessional (1997-2007); Intermediate (2008-09); Ordinary (2010-2011; 2015-2017); Hardened (2012); Blended (2013-2014)
Main cofinanciers	International Development Association; Danish International Development Agency; Global Environment Facility; Japan International Cooperation Agency
Country strategies	1999 sub-regional strategic opportunities paper (jointly with Azerbaijan); 2004 country strategic opportunities programme; 2014 country partnership strategy note
Country programme managers	Dina Saleh (2012-2017); Lorenzo Coppola (2010-2012); Henning Pedersen (2008--2009); Pietro Turilli (2006-2008); Abdalla Rahman (2004-2005); Mohamed Hassani
Main government partners	Ministry of Agriculture; Ministry of Finance

\* Includes funding from domestic financiers worth US\$3.3 million and IFAD grant funding worth US\$1.5 million.

**Georgia**  
 IFAD-funded ongoing projects  
*Country strategy and programme evaluation*

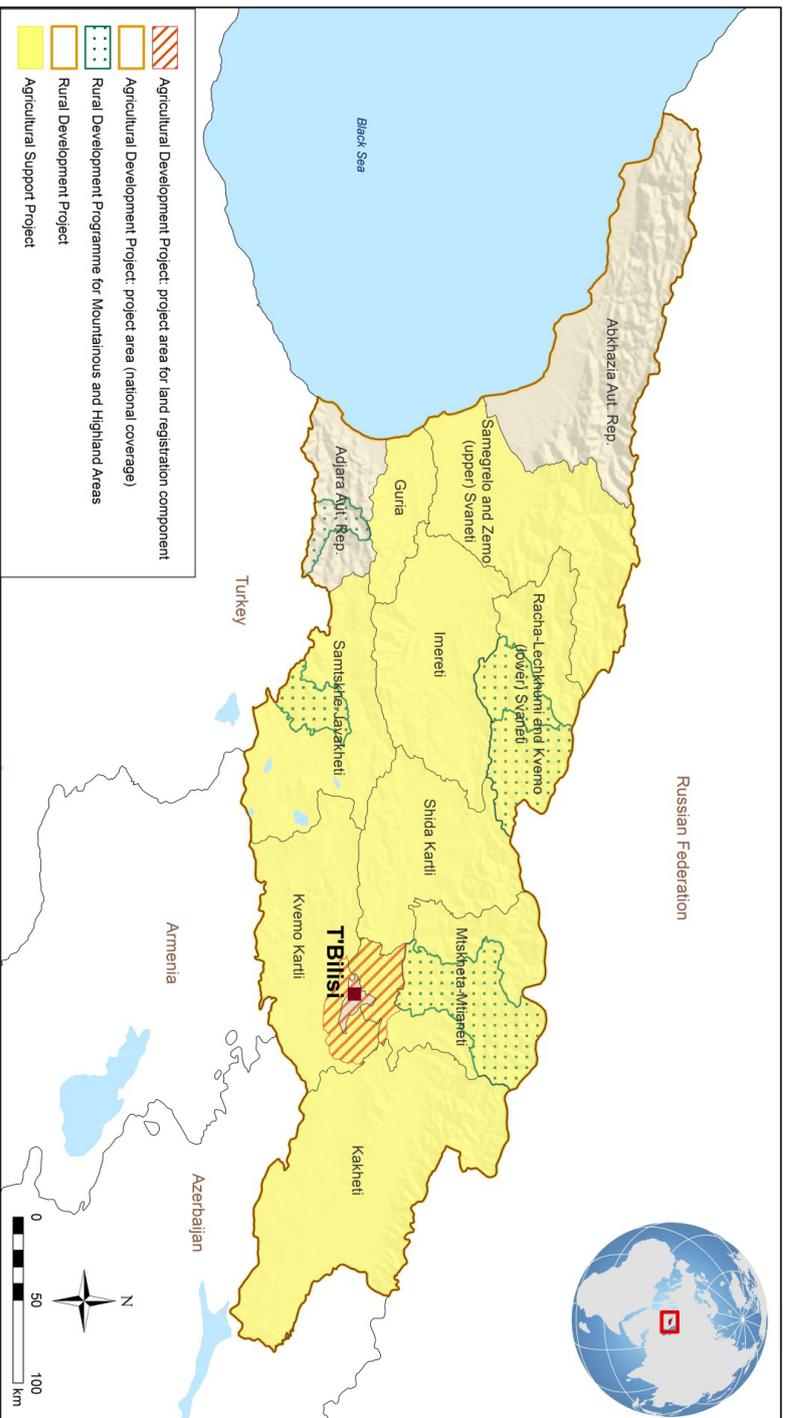


The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.  
 IFAD Map compiled by IFAD | 21-04-2017

# Georgia

## IFAD-funded closed projects

### Country strategy and programme evaluation



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Map compiled by IFAD | 21-04-2017





**Independent Office  
of Evaluation**



Investing in rural people

Independent Office of Evaluation  
International Fund for Agricultural Development  
Via Paolo di Dono, 44 - 00142 Rome, Italy  
Tel: +39 06 54591 - Fax: +39 06 5043463  
E-mail: [evaluation@ifad.org](mailto:evaluation@ifad.org)  
[www.ifad.org/evaluation](http://www.ifad.org/evaluation)



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