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Impact Evaluation of the Agricultural Support Project in Georgia

Agriculture remains an important sector in Georgia given that over 50 per cent of the population works in agriculture and the sector contributes about 25 per cent of exports. However, the sector has been predominantly subsistence and semi-subsistence production, with 88 per cent of producers working on less than 1 ha of land. Shifting them to commercialization is the way forward to spur rural development in the country. However, this would require overcoming impediments such as obsolete and insufficient machinery and equipment; derelict infrastructure; inadequate access to finance for sourcing modern inputs; and limited access to markets. The urgent need to address these impediments provided the rationale for the involvement of the International Fund for Agricultural Development (IFAD) in development assistance to Georgia through the Agricultural Support Project.

The overall goal of the project was to increase incomes among rural people engaged in agricultural activities in Georgia. The project's objectives were to: (i) increase assets and income among actually and potentially economically active poor rural women and men who were willing to move towards commercially viable agricultural and associated rural enterprises; and (ii) remove the infrastructure bottlenecks that were inhibiting increased participation of economically active rural poor in further commercializing the rural economy. The project had three components: (1) support for rural leasing; (2) small-scale rural infrastructure, (namely, installation of drinking water systems, rehabilitation of bridges and irrigation canals); and (3) financing to support project management and implementation.

In 2016/2017 the Independent Office of Evaluation of IFAD carried out an impact evaluation of this project

to measure, and in the process, determine whether the project interventions had a welfare effect (direct or indirect) on individuals, households and communities. It used robust techniques to carry out a quasi-experimental evaluation design, involving mixed methods. Some 3,200 households from beneficiary and comparison groups were interviewed. Satellite data and genetic matching were used to attain optimal matching.

Main evaluation findings

The decision by IFAD and the Government of Georgia to finance the rehabilitation of infrastructure, such as irrigation canals, and rural leasing to finance equipment was relevant and timely in the context of the country. The project triggered revitalized interest in agriculture, encouraging other agencies such as the World Bank to scale up

rehabilitation of the neglected irrigation schemes. The project's attempt to introduce an innovative form of financial product in the Georgian context was a logical step. Making farm equipment more easily accessible to farmers would have been a step in the right direction towards promoting commercialization.

The project did not achieve the expected results from its largest component and the one where the majority of the project funds had been directed: small-scale infrastructure. Impact analysis of this component did not show statistically significant results for several key variables of interest, such as income, assets, food security and agricultural productivity. On the other hand, the indirect beneficiaries of the leasing component, namely, the farmers supplying primary produce to agroenterprises and the **persons employed** with these agroenterprises, showed increases in income and assets. The less-than-desired outcomes of the project overall can be attributed in good measure to a partially unrealistic design for leasing and the late implementation of the small-scale infrastructure component.

Although the project components were relevant, they could have been better integrated in a manner that would have enabled their collective force to produce the maximum development results.

The project's thrust of introducing innovative rural finance services could have been better realized had there been more business-case analysis. The assumption implicit in the design – that there would be microfinance institutions interested in leasing to groups of farmers and that these institutions would have the necessary wherewithal and the capacity to do so – proved incorrect.

The project should have attempted to synchronize the rehabilitation of irrigation schemes with regards to two important factors: (1) strengthening the capacity of institutions in charge of operation and maintenance (Amelioration Company) to recover actual costs from the users; and (2) training farmers and forming water user groups. The current heavily subsidized water charge of 75 GEL (Georgian Lari) per ha compared to the actual cost of GEL 250 is certainly unsustainable, especially since the increase in irrigated area would also increase the financial liability of the Amelioration Company. Similarly, mobilizing the farmers into formal or informal water user groups remains a challenge in Georgia, and this has affected the sustainability and sense of ownership among these water users.

Women's empowerment was an important goal but it was not realized, even though it had been emphasized as a criterion for targeting. The project could have contributed positively towards improving the existing gender imbalance and low level of women's empowerment in Georgia but was unable to do so because no explicit gender strategy had been formulated (although the project had included as one of the leasing terms that lessee agroenterprises create employment for women).

Key recommendations

- **Recommendation 1.** Apply a holistic approach to infrastructure rehabilitation. Providing appropriate support services in agricultural production and marketing should be built into the project design, especially if the aim is to move to commercialization. In addition, concentrating on a few geographic areas and with interventions that are logically linked to each other should produce the maximum impact.
- **Recommendation 2.** Apply a longer-term programmatic approach for infrastructure-related interventions. Some project start-up delays after loan effectiveness are inevitable, and given the normal project five-year time-frame, substantial infrastructural construction will only be completed during the last two years of the project, leaving little time to discern effects and to provide continued and appropriate support services.
- **Recommendation 3.** Ensure that the potential for more irrigation water created by the rehabilitation of canals is judiciously utilized by promoting environmental and natural resources management. Providing technical assistance, training and awareness-raising in watershed management to support the capacity needs of those charged with implementing and maintaining irrigation schemes, as well as the capacity needs of the beneficiaries, can provide the impetus for a more sustainable use of water.
- **Recommendation 4.** When introducing innovative products in the rural financial space, undertake an analysis of both the demand and supply sides to ensure that new products meet the needs of all concerned. Similarly, for an innovative product, the design should carefully evaluate the partners' risk appetite for taking up an innovative financial offering in rural areas.

THE PROJECT AT A GLANCE

Date of loan signature and date of effectiveness: **8 July 2010**

Date of loan closing: **31 December 2015**

Total project cost: **US\$12.76 million**

IFAD contribution: US\$10.34 million

Government financing: US\$1.46 million

Beneficiary contribution: US\$0.5 million

Number of beneficiaries

Direct: **4,730 households (small-scale infrastructure component)**

Indirect: **1,646 households (leasing component)**

Source: IFAD Grants and Investments Projects System.

Further information:

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