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EVALUATION

MID-TERM PERFORMANCE EVALUATION OF THE GEORGIA ECONOMIC PROSPERITY INITIATIVE

June, 2013

This publication was produced at the request of the United States Agency for International Development. It was prepared independently by Mendez, England & Associates and NORC.

MID-TERM PERFORMANCE EVALUATION OF THE GEORGIA ECONOMIC PROSPERITY INITIATIVE (EPI)

Final Report

Prepared under Contract Number: AID-114-TO-13-00002, Task Order No: AID-113-I-13-0001

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ACRONYMS

ADB	Asian Development Bank
AG	EPI Agricultural Component
ANSI	American National Standards Institute
BAS	Business Advisory Services
BDS	Business Development Services
BEE	EPI Business Environment Component
BPR	Business Process Reengineering
BSP	Business Service Provider
CC	EPI Cross Cutting Activities Component
CLDP	U.S. Department of Commerce Commercial Law Development Project
CSPA	Competition and State Procurement Agency
CTC	Caucasus Transportation Corridor
DEA	Georgian Data Exchange Agency
DMC	Destination Management Company
EIBTM	Exhibition for the Incentive Business Travel and Meetings
EBRD	European Bank for Reconstruction and Development
ELFA	Equipment Leasing and Finance Association
EPI	Economic Prosperity Initiative
EU	European Union
FA	Financial Advisor
FAP	EPI Financial Advisory Program
FDI	Foreign Direct Investment
FI	Financial Institution
FSC	Farm Service Center
GAC	Georgian Accreditation Center
GBCR	Georgian Business Climate Reform Project
GCR	Global Competitiveness Report of WEF
GDP	Gross Domestic Product
GEOSTAT	Georgian National Statistics Agency
GEL	Georgian Lari (currency)
GIZ	German International Development Agency
GNIA	Georgia National Investment Agency
GNTA	Georgian National Tourism Agency
GoG	Government of Georgia
GWA	Georgian Wine Association
IBC	International Building Code
IDP	Internally Displaced Person
IPR	Intellectual Property Rights

KC	Knowledge Center
KP	Knowledge Plot
MFI	Microfinance Institution
M&E	Monitoring and Evaluation
M&S	EPI Manufacturing and Services Component
MICE	Meeting Incentives Conferences and Exhibitions Tourism
MoA	Ministry of Agriculture
MoESD	Ministry of Economy and Sustainable Development
MoF	Ministry of Finance
NAPR	National Agency for Property Registration
NASP	National Agency of State Property
NEO	New Economic Opportunities Project
PMP	Performance Monitoring Plan
PPD	Public Private Dialog
PPP	Public Private Partnership
RS	Revenue Services
SOW	Statement of Work
SPMIS	State Property Management Information System
T&L	Transport and Logistics
TFS	Trade Facilitation System
USAID	United States Agency for International Development
VC	Value Chain
WCO	World Customs Organization
WEF	World Economic Forum

EXECUTIVE SUMMARY

This is a report on the mid-term performance evaluation of the Georgia Economic Prosperity Initiative (EPI) project funded by the United States Agency for International Development (USAID) Mission in Georgia. The project is implemented by Deloitte Consulting.

The evaluation of EPI was conducted during the period April – May, 2013, by a team assembled by Mendez, England & Associates (ME&A) and NORC, both with headquarters in Bethesda, Maryland. The team consisted of three experts - one international and two locals – with experience in agricultural development, private sector and business enabling environment.

EVALUATION PURPOSE AND EVALUATION QUESTIONS

The purpose of the evaluation was to assess the contributions of the EPI toward achieving the USAID/Caucasus' Development Objective - "Inclusive and Sustainable Economic Growth." Specifically, the goal was to measure the effectiveness of EPI's interventions in targeted sectors and value chains. The evaluation's main objective was to determine the progress of EPI in improving the overall competitiveness of the Georgian private sector through consideration of the project's design and implementation to date. Other objectives included: 1) assessing the contribution of EPI's activities toward achieving its high-level results (Productivity, Access to Finance/Domestic Investment, Exports, and Employment); and 2) advising on the practicality of measuring "the success of EPI as a whole" against such targets. The evaluation covered the first two of the project's four-year term, the period of September 2010 through September 2012.

As requested in the scope of work (SOW), the main questions that the evaluation had to address were:

1. To what extent has the EPI project contributed to improving the business enabling environment in Georgia and the Government of Georgia's (GoG) adoption of such improvements?
2. What are the main effects of the project on targeted agriculture and non-agriculture value chains and the business enabling environment, including on overall country-level competitiveness?
3. With respect to EPI's targeted sectors, what has been and what will likely be the contribution of the project toward increasing the four high-level results: Productivity, Employment, Access to Finance/Domestic Investment, and Exports.
4. As a result of EPI initiatives, have businesses changed business practices, as well as increased productivity and the value of their enterprises, thus contributing to the overall competitiveness of value chains and the Georgian private sector?
5. What are the constraints/challenges/issues that inhibit the project's contribution toward achieving the high-level results during the remaining term of the project?
6. What are the opportunities to improve impact and enhance the implementation and management of similar projects in the future; i.e. gender equity and sustainability?

PROJECT BACKGROUND

EPI is designed to improve enterprise, industry, and country-level competitiveness in Georgia. EPI's assistance to firms in agricultural, manufacturing and the service sectors aims to increase investment, open new markets, raise productivity, drive domestic and export sales, and create jobs. The goal is to strengthen and institutionalize positive changes in the business enabling environment in the country.¹

EPI's activities are organized around four major components:

- **Component 1: Business Enabling Environment (BEE)**, which includes business regulation/licensing, strengthening property rights, investment sector economic governance, trade and customs economic governance, tax administration, procurement/privatization, and agricultural policy.

¹ USAID, 2013. <http://www.epigeorgia.com/index.php/en/about-epi>

- **Component 2: Agriculture (AG)**, which includes: a) hazelnut, mandarin (tangerine), greenhouse and open field vegetable value chains (VCs); and b) technical assistance programs provided by agricultural service and input providers to benefit farmers and agribusinesses, associations, agricultural vocational colleges, financial service providers and non-governmental organizations (NGOs).
- **Component 3: Manufacturing and Services (M&S)**, which includes: a) a number of VCs, such as transport and logistics, packaging, Information Communication Technology (ICT), apparel, wine, and Meetings, Incentives, Conferences, and Exhibitions (MICE) tourism; and b) productivity enhancement, investment promotion and market linkages strengthening.
- **Component 4: Cross Cutting Activities (CC)**, which includes upgrading workforce skills in targeted VCs; youth/women employment issues; access to finance; improving the quality of business and economic information; and creation of a sustainable capacity to implement a targeted approach to investment promotion.

EVALUATION METHODOLOGY

To conduct the EPI's evaluation the team used the following tools:

- **Key person interviews and meetings.** The team conducted a total of 72 key person interviews, balanced between policy-makers, implementers, and beneficiaries of EPI activities. Most interviews were unstructured and informed by a firm understanding of the interests of the respondents and their relationships with EPI project activities.
- **Document review.** The team reviewed EPI's reporting and technical documents, research memoranda, policy notes, assessments and impact assessments, and other general information pertinent to the evaluation.
- **Discussion groups.** The evaluation team held discussion groups with beneficiaries of project activities, including farmers, manufacturers, insurance industry executives, wine educators, and trainers.
- **Site visits.** The team visited farms, greenhouse farms, factories, vocational education institutions, and other facilities in 5 regions outside of Tbilisi, including Adjara, Guria, Imereti, Shida Kartli, Samtskhe-Javakheti, and Samagrela.

The evaluation did not emphasize the validation of EPI's accomplishments in quantitative terms as reflected in the project's PMPs. Rather, this evaluation sought to determine the broader impact of the project on attitudes, policy, institutional capabilities and trends, as well as the potential impact of the project over a longer period of time.

EVALUATION LIMITATIONS

- **Difficulty of using high-order indicators.** The SOW states that the overall success of the EPI project will be measured against four high-order indicators (employment, productivity, exports, and access to finance/domestic investment). High-order indicators such as these are affected by a host of variables, identified and un-identified, which are beyond the scope or control of the EPI project. Therefore, it is rarely possible to establish causative links between these indicators and project activities.
- **Mid-term evaluations and lagging indicators.** It is still too early to determine concrete results of the EPI project, which is at the midpoint of implementation. This limitation is compounded by the fact that at the close of the evaluation period EPI had only one strong year of implementation.
- **Availability of data on targeted results and outputs.** The evaluation team had to rely on data gathered by the project's own M&E activities to track key indicators.
- **Biases inherent in data collection methodologies.** In order to identify key stakeholders and project beneficiaries, the evaluation team had to rely on assistance from the EPI staff. As a result, there is a risk of selection bias.
- **Large amount of activity to evaluate.** EPI is a four-year, \$40 million project, that at the time of the evaluation was operating over 20 project sub-components and over 50 separate project activities.

MAIN FINDINGS

- EPI successfully integrated many project components and activities and cross-cutting support among project components.

- One of EPI's strong points is promoting public-private dialog and partnerships, as well as dialog and cooperation among private sector entities.
- EPI is credited with being flexible and responsive to clients' expressed needs and opportunities.
- Work on development of major pieces of legislation is always uncertain but EPI has had a fair share of success.
- EPI's work in tax administration filled an immediate need, was demand driven, and is highly appreciated by the client.
- EPI was able to establish working relationships with important project counterparts, including: municipal, village and Adjara regional administrations; Farm Service Centers; and Ferrero's subsidiary – Agrigeorgia.
- Across all agricultural products, the logistics, organization and quality of training was excellent. Thematic coverage of agriculture production and the quality of training materials was also excellent. Information gathered during the evaluation shows that the Greenhouse training is one of the most notable achievements of the AG Component.
- Prior to EPI's involvement, the potential of MICE was not widely viewed as an area for development by the GoG or the tourism industry. With EPI's help, the Georgian National Tourism Agency (GNTA) declared MICE tourism a priority and, for the first time, Georgia appeared as a MICE destination on the global map.
- EPI was instrumental in facilitating the private-public partnership (PPP) that led to the involvement of IT companies in the development of some e-government products and services.
- EPI's main activity in workforce development - upgrading the skills of garment sector workers through partnerships with vocational educators – is an effort with the potential to positively impact employment, product quality, promotion and export volumes, as well as increased investment in the sector.
- Most project outputs and performance targets have been achieved, some with qualifications.
- EPI's work to achieve international accreditation of agricultural testing laboratories has the potential to positively impact the success of the local businesses.
- EPI's work in development of a modern construction code may not succeed but this is largely for reasons outside of the project's control.
- The work in intellectual property protection was generally well implemented, highly valued by the beneficiaries and has had, or is likely to have, positive impacts.
- The investment sector economic governance sub-component was limited in scope; therefore, specific accomplishments are hard to identify at this time.
- The Georgian state procurement system was essentially a Georgian effort aided by European donors; EPI has had limited influence on or interaction with the system.
- There remains a good deal of skepticism that working with small Georgian farmers is a long-term strategy.
- Work remains to be done in the AG sector on improving business practices and market access.
- While the work on crop insurance was highly successful, there remain serious issues of sustainability.
- The Transport & Logistics (T&L) subcomponent of the project was a priority. The Trade Facilitation System (TFS) is a very good example of EPI's success with Public Private Dialog (PPD) and PPP and will likely turn out to be an important part of the project's legacy.
- Enterprise owners are highly appreciative of the analytical work and recommendations provided by EPI's international and Georgian consultants. However, there is a risk that many recommendations will stay on paper given factors such as poor access to finance and low capabilities among enterprise management.
- Most beneficiaries in the apparel VC are optimistic about results, which they expect in project years 3 and 4. Beneficiaries highly value EPI's activities in addressing low productivity in the apparel companies as a major impediment.
- The social capital or economic benefits derived from the cooperation among value chain actors seems to be low.
- EPI's work on financial leasing has been useful and successful. However, results for farmers are not yet visible and some significant challenges remain.
- EPI's work on financial advisory services resulted in a minor increase in volume of loans going to farmers and small, medium, enterprises (SMEs); however, there remain many challenges to increase the flow of credit to agriculture and small business.
- EPI has contributed to the development of an indigenous capacity in investment promotion. However, concrete results of these efforts have not yet been realized and there are mixed views on its success and viability.

- Key stakeholders in government have generally positive but mixed perceptions about the project; the project's rough start colored perceptions, which continues to this day.

MAIN CONCLUSIONS

- EPI has made, and continues to make, important contributions to business climate improvement.
- Most major contributions of EPI have been in assisting in the implementation of good policies already established and, particularly, in providing concrete, tangible means of implementation that increase transparency and administrative efficiency, thereby increasing certainty and reducing transaction costs.
- EPI's emphasis on PPD has been instrumental in introducing to the GoG a new way of doing public business that can enhance the government's ability to make good policy; however, there are questions of sustainability.
- EPI has had moderate success in promoting useful laws and regulatory acts, which may increase over the remaining years of the project.
- EPI has provided no formal training in policy analysis and development techniques to GoG staff.
- Among the most significant effects the project has had on the business enabling environment have been increased transparency and decreased transaction costs of administrative processes, and more open communications through PPD. Secondary effects include modernization of some key laws and regulations.
- Improvements in farming practices are visible and over time should lead to better quality products and enhanced country-level competitiveness.
- EPI has made and continues to make important contributions towards establishing Georgia as a Caucasus Transit Corridor, which can have a direct impact on high-level indicators and overall country competitiveness.
- EPI was instrumental in the support of very important promotional activities, which were trend-setting for the wine tourism and MICE sectors in Georgia. Those activities arguably put Georgia on the wine tourism and MICE maps for the first time.
- There are some short-term positive impacts on high-level results, but likely not in the magnitudes suggested by EPI. Most impacts are very difficult to estimate and the project was not structured for high-level evaluation. It is reasonable to expect medium- and long-term positive impacts on some high-level indicators.
- Few visible changes in business practice have been observed in the AG Component at this time.
- Changes to business practices are more visible in M&S VCs. However, even there, utilization is slow and affected by other variables such as the availability of financing. It is likely that the businesses will change their practices provided that EPI continues and, perhaps, intensifies its support to some value chain enterprises.
- The change in the government may put on hold some activities but should not be considered as a constraint that inhibits achievement of the project's high-level objectives during the remaining term.
- Sustainability of PPD, one of EPI's signature accomplishments, may depend on further institutionalization of the practice.
- The competitive advantage of Georgia's apparel sector and, therefore, its long-term impact on economic growth is questionable. However, the medium-term impact on the sector's economic indicators can be significant.
- Access to finance, and in particular finance for small farmers and SMEs, remains problematic.
- Sustainability of investments in small farmers is open to question.

MAIN RECOMMENDATIONS

- Analytical work could be done in a shorter period of time in order to start focusing on implementation in the earlier period of the project.
- Emphasize time of delivery of promised products and services.
- Avoid selecting project activities based on likelihood of achieving performance targets.
- Continue to work on good performance indicators.
- Emphasize flexible planning.
- Going forward, emphasize proven strengths and phase out less productive initiatives in business climate reform.

- Emphasize institutionalization of PPD – Competitiveness Council, business associations, administrative procedure laws, etc.
- Provide more formal training in policy analysis and development to GoG.
- Current initiatives in the AG Component should be enhanced including, for example, training in marketing and aid to cooperatives.
- To organize better trading channels for farmers, the project should concentrate on the last link of the value chain, marketing.
- Involve more agribusinesses in AG Component activities; develop special training needed for businesses.
- Elaborate workable schemes for the formation of commercially oriented Farmers' Groups; define incentives and, at the same time, highlight the importance of obligations that they will have when joining such a group.
- It is necessary to intensify technical assistance to some VC enterprises or risk losing the value of the work that has already been done.
- Some companies require permanent, daily assistance in management but remain skeptical of business service providers (BSPs); a solution is needed.
- EPI should focus more on small scale networking activities that aim at the development of market linkages within the value chain and also broaden and deepen the value chain.
- Emphasize Private Sector Leadership.
- Rethink the long term potential of the apparel sector VC.
- Vocational schools should become market oriented.
- Look more closely at alternatives for access to finance.

I.0 EVALUATION PURPOSES AND PRIORITY QUESTIONS

I.1 EVALUATION PURPOSE

The purpose of this mid-term evaluation is to assess the contributions of the Georgia Economic Prosperity Initiative (EPI) project funded by the United States Agency for International Development (USAID) Mission in Georgia toward achieving the USAID/Caucasus' Development Objective - "Inclusive and Sustainable Economic Growth." Specifically, the goal was to measure the effectiveness of EPI's interventions in targeted sectors and value chains. The evaluation's main objective was to determine the progress of EPI in improving the overall competitiveness of the Georgian private sector through consideration of the project's design and implementation to date. Other objectives included: 1) assessing the contribution of EPI's activities toward achieving its high-level results (Foreign Direct Investment (FDI), Access to Finance, Exports, and Employment); and 2) advising on the practicality of measuring "the success of EPI as a whole" on such results. The evaluation covered the period of September 2010 through September 2012, the first two of the project's four-year term.

The USAID/Caucasus Economic Growth Office is currently changing its portfolio of activities and intends to use the results of this evaluation to design future projects and adjust current projects as needed. Therefore, the evaluation team was tasked with identifying "lessons learned," assessing the strengths and weaknesses of strategies and activities performed under the EPI project, and providing recommendations that the Agency can use for project planning over the next five years. USAID will share the results of the evaluation study with other donors, host country government stakeholders, and partners working in this area.

I.2 EPI ACTIVITIES

The evaluation provides an in-depth analysis of the progress to date, toward implementing EPI's interventions under its four primary components:

- **Component 1- Business Enabling Environment (BEE).** Activities under this component are intended to expand and deepen Georgia's economic governance capacity to contribute to overall country-level competitiveness. The component addresses business regulation/licensing, strengthening property rights, investment sector economic governance, trade and customs economic governance, tax administration, procurement/privatization, and agricultural policy.
- **Component 2 - Agriculture (AG).** Activities under this component are designed to improve the competitiveness of the agricultural sector. EPI conducted a value chain (VC) selection and identified hazelnuts, mandarins, greenhouse and open field vegetable crops as VCs with the greatest potential to achieve developmental impact. EPI then designed technical assistance programs to benefit farmers and businesses. The assistance is provided by agricultural service and input providers, associations, agricultural vocational colleges, financial service providers and non-governmental organizations (NGOs). The overall goal for this component is to expand exports and import substitution of the targeted VCs, resulting in increased revenues and employment of farmers.
- **Component 3 - Manufacturing and Services (M&S).** Through sector and value chain assessments, EPI selected transport and logistics, packaging, information and communication technology (ICT), apparel, wine, and Meetings, Incentives, Conferences, and Exhibitions (MICE) tourism as sectors to increase Georgia's export potential and competitiveness in M&S by enhancing productivity, promoting investment and strengthening market linkages. EPI intends to achieve its goals by taking Georgian VCs to the market – investors, buyers and tourists –and by increasing skills and private sector capacity to meet market needs.
- **Component 3 - Cross Cutting Activities (CC).** Under this component, EPI provides relevant resources and tools to the AG, M&S and BEE components to ensure efficient and effective program delivery. Critical constraints addressed by EPI CC activities include: upgrading workforce skills in target VCs, including better integrated youth/women into selected VCs; increasing access to finance for EPI's selected VCs; improving the quality of business and economic information in Georgia; and creating

sustainable capacity of Georgian organizations to implement a targeted approach to investment promotion, while attracting foreign investment in EPI selected VCs.

1.3 EVALUATION QUESTIONS

The scope of work (SOW) for the evaluation is attached as Annex I of this report. The evaluation addresses six primary research questions, as follows:²

1. Priority Question One: To what extent has the EPI project contributed to improving the business enabling environment in Georgia and the GoG's adoption of such improvements?
2. Priority Question Two: What are the main effects of the project on targeted agriculture and non-agriculture value chains and the business enabling environment, including on overall country-level competitiveness?
3. Priority Question Three: With respect to EPI's targeted sectors, what has been and what will likely be the contribution of the project toward increasing the four high-level results: Productivity, Employment, Access to Local Finance, and Exports?
4. Priority Question Four: As a result of EPI initiatives, have businesses changed business practices, as well as increased productivity and the value of their enterprises, thus contributing to the overall competitiveness of value chains and the Georgian private sector?
5. Priority Question Five: What are the constraints/challenges/issues that inhibit the project's contribution toward achieving the high-level results during the remaining term of the project?
6. Priority Question Six: What are the opportunities to improve impact and enhance the implementation and management of similar projects in the future; i.e. gender equity and sustainability?

2.0 PROJECT BACKGROUND

2.1 HISTORICAL CONTEXT ³

After the collapse of the Soviet Union, Georgia's economy was reduced to less than 30% of what it had been during the Soviet period and it still has not returned to its Soviet-era levels. The change of government in 2003 saw the start of a period of rapid economic and social reform. Taxes, registration of property rights and legal entities, and customs procedures were streamlined. At the same time, office operations for the responsible agencies were made more efficient and effective. As a result of these and other changes, Georgia's ranking in the World Bank's "Ease of Doing Business" survey has improved from 112th in 2005 to 11th in 2013. This same period saw rapid economic growth, with real gross domestic product (GDP) increasing by 1/3, and average nominal wages more than doubling.

This growth was limited by several shocks to the system starting in 2007. Civil unrest and strong government countermeasures in late 2007 undermined investor confidence. The global financial crises of 2008 affected Georgia along with most other countries. The Ossetia war with Russia in the summer of 2008 caused substantial reversal in GDP growth because it consumed resources, caused significant physical damage, resulted in 28,000 Internally Displaced Persons (IDPs), and also undermined investment. Real annual GDP growth fell from a high of 12.3% in 2007 to negative 3.8% in 2009, the height of the crisis. Construction dropped by 23.9 % during the first quarter of 2009, and manufacturing declined by 17.1 %. Since that time, growth has resumed an upward course and real GDP is estimated to grow by 7.5% in 2012, while GDP per capita will reach a high of \$3,473 US per capita.

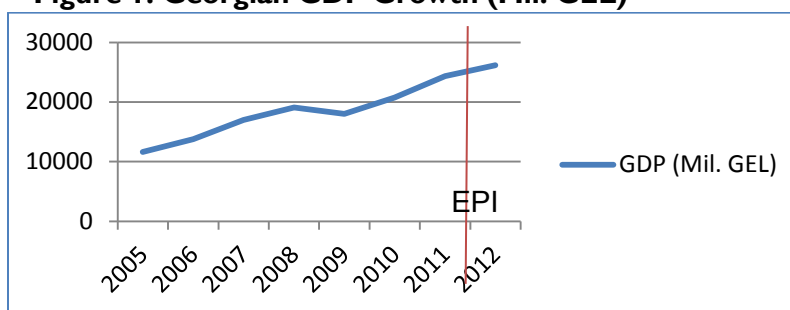
Despite recent optimistic growth trends, it is widely agreed that fundamental problems remain in the structure of the Georgian economy. Approximately one million people of working age in Georgia are self-employed in subsistence level activities, primarily small agriculture, not by choice but because there is no alternative

² Questions are set out in a different order than in the SOW to accommodate the presentation of conclusions in Section 7, below.

³ See Request for Proposal (RFP) No. SOL-114-10-000001 – GEORGIA ECONOMIC PROSPERITY INITIATIVE (EPI), July 12, 2010, much of which this summary incorporates and updates.

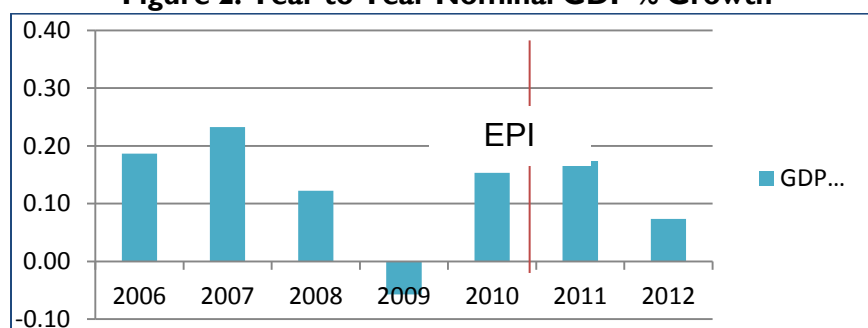
employment. The population of Georgia is approximately 4.5 million. Fewer than 40% of the economically active population of approximately 2 million people are hired wage-earners, while about 62% are characterized as self-employed.

Figure 1: Georgian GDP Growth (Mil. GEL)



Source: Geostat

Figure 2: Year to Year Nominal GDP % Growth



Source: Geostat

While the average nominal monthly income of wage-earners tripled from 2007 through 2012, income of self-employed workers increased far less. In 2007, the combined average income for self-employment and sale of farm products was barely \$50 per month, while average income for wage earners was \$300 per month; that pattern persists today. Total unemployment shot from 13.1% in 2006 to 16.9% in 2009 due to various financial shocks. However, it has shown a moderate downwards trend since 2011, the last year for which figures are available. After accounting for self-employment, unemployment was 15.1 %.⁴ The young are particularly hard hit with 2011 unemployment rates for the 20-24 age group exceeding 35%.

There are important gender-related differences when it comes to employment opportunities. While reported unemployment for women has been lower than for men, finding jobs is generally more difficult for women than it is for men. Women earn less than men. In 2012, the average nominal monthly income of women stood at GEL 460 as opposed to GEL 771 for men. Women, and particularly rural women, are forced to seek low-paid jobs to help the household meet basic needs. As a result, women frequently bear a double burden of earning for the family as well as taking care of domestic household needs. By contrast, evidence has shown that Georgian men are less willing to opt for low-paid jobs or to take on household responsibilities traditionally associated with the role of women.⁵ While from the legal and regulatory point of view there are no laws or regulations that discriminate against either men or women, social and cultural traditions often hamper women from gaining access to business opportunities. On a positive note, there has been growth in women-owned firms and more women are now in top management positions.⁶

⁴ Geostat.

⁵ "Gender and Society: Georgia." SIDA and UNDP, 2008, p.88.

⁶ "Enterprise Surveys, Georgia." World Bank Group, 2009.

Four industry groups account for over 40% of total GDP: trade (approx. 22%), industrial (approx. 7%), agriculture (approx. 8%), and transportation (approx. 9%). The trade sector has doubled since 2008, with total turnover standing today at approximately \$12.3 billion, with a production value of \$2.1 billion. Employment in the sector has also doubled in this period, increasing from about 55,000 in 2008 to 110,000 today.

The 2008-09 conflict with Russia complicated Georgia's attractiveness as a destination for international tourism. While many domestic tourism opportunities have significant potential, they remain undeveloped or underdeveloped. Nevertheless, since reaching a low point of 6.1% of GDP in 2007, tourism has made moderate but steady gains to 6.9% of GDP in 2012.

In 2012, Georgia imported products valued at approximately \$4.9 billion while exporting just \$1.5 billion, leaving a current account deficit of \$3.4 billion. Total trade turnover has increased steadily since a low point in 2009. Other than food, nearly all of Georgia's consumer products are imported. The largest categories of imported products include oil and gas, automobiles, wheat and other grains, tobacco products, electrical, data processing, telephone equipment, sugar, chocolate, and cocoa flavored products.

Table 1: Growth of External Trade 2007 – 2012 (Mil. GEL)

	2007	2008	2009	2010	2011	2012	January-March 2013
External Trade Turnover	6444	7797	5634	6935	9247	10220	2144
Export (FOB)	1232	1495	1134	1677	2189	2377	565
Import (CIF)	5212	6302	4500	5257	7058	7842	1579
Balance	-3980	-4806	-3367	-3580	-4869	-5465	-1013

Source: Geostat

Of Georgia's top ten exports, four are extracted products – metals and mineral fertilizers – and one is a scrap iron. In 2002, two of the top ten exported products were aircraft and aircraft parts but that industry has now disappeared. There are no manufactured products in the top ten exports, demonstrating that Georgia is not competitive in external markets for these goods.

The value of industrial production in 2012 was approximately \$4 billion, or an increase of 70% since 2008. Much of this can be accounted for by basic metals and minerals, and much of the recent growth in the export value of these products comes from increased world market prices. A key target for Georgia's economic future must be a reversal of the tendency to import high-value consumer and capital goods products while exporting low-value commodity products.

The value of transportation and communications services was approximately \$2.03 billion in 2012, an increase of almost 100% since the 2008 level of \$1.19 billion. The possibility for Georgia to serve as a regional transportation center, particularly as a link between the oil-rich Caspian region and the Black Sea port of Poti, was seen as a major growth opportunity for the future. There are plans for the development of a major petrochemical processing complex near the Black Sea Port of Poti but the global economic downturn and the Russian conflict have put those plans on hold. By contrast, regional and local communication opportunities have been generated by the completion of a trans-Black Sea fiber optic cable from Bulgaria to Tbilisi.



Women Hazelnut Farmers-Samagrela

The share of GDP comprised by agricultural production has been steadily declining, from 12.4% in 2006 to 8.8% today. The rate of growth and value of agricultural production has slowed considerably in recent years and did not increase at all between 2011 and 2012. Agriculture accounts for approximately 9% of GDP, but approximately 53% of employment, much of which is on small subsistence farms which demonstrate low-levels of productivity. For farm households, monthly income from sale of farm products remains very low, which is variously attributed to small land plots that are characterized by: traditional commodity products with low market value; poor product quality; inefficient post-harvest handling; poorly developed value chains; lack of extension and veterinary services; lack of information about markets and weak to no linkages to domestic, regional and global markets; and lack of access to agricultural machinery and technologies.

Georgia's economy has taken important steps forward over the past five years, but in spite of some recent positive signs, still suffers a number of chronic weaknesses. The structure of the economy is far too reliant on the production of low-valued commodities. A large majority of its consumer products are imported, and the value of the imports exceeds exports by more than three-fold. Productivity and wages are extremely low, particularly in rural areas.

2.2 EPI OBJECTIVES

Given the historical context, the broad objectives of the EPI project include:

- Build upon the gains made in economic governance with a focus on institutionalizing achievements, capacity building, and sustainable gains in economic competitiveness, with a particular focus on the use of new technologies to develop modern systems to deliver services and information to Georgian citizens.
- Increase economic competitiveness to increase output across all sectors, including agriculture, with particular emphasis on higher value-added production and quality that can either replace imports or be exported to international markets.
- Increase production of high-value, export-driven agriculture; establish or strengthen linkages to domestic markets and promote import substitution.
- Develop new international markets for Georgian products.
- Increase productivity – primarily in the agricultural sector – to meet market demand for Georgian produced products.
- Strengthen and develop public and private sector economic institutions, including institutionalizing previous gains within the government and private sector, specifically: 1) improve sustainability, broad based institutional capacity building, and access to information; 2) increase the degree to which institutions and operations are guided by goals as opposed to personalities; and 3) forge long-term partnerships between local organization and foreign universities, research institutes, think tanks and other relevant potential partners.
- Provide outreach and information developed to enable a greater percentage of the population to understand reforms taken as well as government goals for further reforms designed to improve services to citizens and businesses.

3.0 EVALUATION METHODOLOGY

The detailed methodology of the evaluation is attached as Annex 2. In summary, the evaluation team used the following tools:

- **Key person interviews and meetings.** Seventy-two key person interviews were conducted – balanced between policy-makers, implementers, and beneficiaries of EPI activities. Interviews were unstructured, but used a script of key questions. The interview format focused on respondent perspectives on the EPI project, and included direct questions about EPI's contributions and effectiveness. Most interviews were conducted outside of EPI's offices to ensure confidential discussions and the opportunity to cross-reference interviewee claims. Table 2, next page, summarizes the type and number of key person interviews conducted. A list of persons interviewed and outlines of interview scripts are included as Annexes 3 and 4, respectively, of this report.

Table 2: Key Person Interviews

Type of Informant	Number
EPI Staff & Consultants	8
USAID Mission	2
National Government Officials	18
Other Donors and Projects	6
NGOs	6
Private sector project participants	26
Other	8
TOTAL	72

Interviewees were selected through consultations with EPI management, USAID staff, and other key persons in the GoG and civil society based on their relationships to project activities. Efforts were made to include interlocutors having a wide range of relevant experience with project activities and outcomes. Randomized selection was not possible as it was necessary to assure some contact with persons having broad knowledge of the more than 50 separate project activities conducted by EPI. However, the evaluation team did seek to assure that persons having a wide range of views – for example members of the prior government – were represented. Persons interviewed were assured of confidentiality and that there would be no specific attribution of view to anyone, thereby encouraging frank expression of views.

- **Document review.** Including review of EPI's reporting and technical documents, research memoranda, policy notes, assessments and impact assessments, and other general information pertinent to the evaluation, for example: WEF Global Competitiveness Reports, World Bank "Doing Business" Reports, and general socio-economic statistical data available from the Georgian National Statistics Agency. A list of documents consulted is attached as Annex 6 of this report.
- **Discussion groups.** Discussion groups were held with beneficiaries of project activities, including farmers, manufacturers, insurance industry executives, wine educators, and trainers. Table 3 below describes the discussion groups conducted. Discussion groups were conducted informally and without specific agenda and used interview scripts as general guides. All group members were encouraged to participate by the evaluation team member leading the discussion.
- **Site visits.** Site visits were made to farms, greenhouse farms, factories, vocational education institutions, and other facilities in five regions outside of Tbilisi, including Adjara, Guria, Imereti, Shida Kartli, Samtskhe-Javakheti, and Samagrela. No specific protocol or checklist was used for site visits, which were conducted by a highly experienced Georgian agricultural expert.

Table 3: Discussion Groups

Group	Location	# of Participants
Potato Farmers	Samtskhe Javakheti	30
Women Hazelnut Farmers	Samagrela	15
Hazelnut Trainers	Samagrela	4
Hazelnut Processors	Samagrela	6
Farm Group Members and Lenders	Samagrela	25
Mandarin Farmers and Processing Facilities	Adjara	10
Mandarin Trainers	Adjara	6
Women Mandarin Farmers	Adjara	30
Apparel Companies	Tbilisi	3
Wine Educators	Tbilisi	3
Leasing Companies	Tbilisi	4
Insurance Companies	Tbilisi	5
Open Field Vegetable Farmers	Kvemo Kartli	25
MICE Industry Conference and Workshop	Tbilisi	40

The evaluation did not emphasize the validation of EPI's accomplishments in quantitative terms as reflected in project PMPs, though those accomplishments are summarized herein. Most of the quantitative results of the

project are described in the project's mandatory reporting, which the evaluation team was not able to independently validate given the time and resources of this evaluation. In general, based on review of the project documentation and discussions in the field, and except as specifically questioned in this report, the evaluation team has determined that reporting on the required outputs and results of EPI's PMPs is generally accurate.

This evaluation sought to determine the broader impact of the project on attitudes, policy, institutional capabilities and trends, as well as the potential impact of the project over a longer period of time. In this respect, some judgment has to be used to estimate the likely outcomes of project activities over a longer period of time than the two years under examination. For example, a demonstrable contribution to creating a modern electronic registry for intellectual property claims is a very positive result even in the absence of an increase in the number of new claims registered given the short time that the new system has been operating and the multitude of other variables affecting growth in creativity and innovation. Similarly, significant contributions to creating a sustainable working relationship between the public and private sectors in developing a modern digital "trade facilitation system" (TFS), which is a proven product in a number of countries, can be viewed as a positive accomplishment despite the fact that realization of the benefits of that system can be years away.



The Mandarin Knowledge Plot - Adjara.

4.0 EVALUATION LIMITATIONS

There were several potential limitations on the evaluation inherent in the circumstances. The key limitations are as follows:

- **Difficulty of using high-order indicators.** The SOW states that the overall success of the EPI project will be determined on the basis of four high-order indicators (employment, productivity, exports, access to finance/domestic investment) over baseline measurements, and assessment of these indicators is included in the priority questions.⁷ However, high-order indicators such as these are affected by many variables, identified and un-identified, which are beyond the scope or control of the EPI project. In addition, it is rarely possible to establish causative links between these indicators and project activities. This is true even if the baseline data are available and reliable. Movements on these indicators is reported, however it is important and informative to look at the qualitative and lower order outputs and results for the project, as over-reliance on the high-order quantitative indicators can overstate or understate the actual accomplishments of specific project components and activities.

A case in point is use of WEF Global Competiveness Report (GCR) indicators as performance indicators. As with the high-order indicators discussed above, movements in these GCR indicators can be influenced by a host of variables outside of EPI's scope of activities. Moreover, our review of the GCR indicators selected for periodic review by the project suggests that the logical relationships between those indicators and project activities are tenuous; in many cases the GCR indicators selected at the start of the project now have only a glancing relationship to the actual project activities implemented. The evaluation team fully agrees with the EPI management that the best use of these indicators is as a guide to what work may

⁷ There were originally 5 high level indicators, including effect on foreign direct investment. The FDI indicator was eliminated by contract amendment shortly before this evaluation began.

remain to be done and areas for further concentration of efforts. USAID is aware of the limitations of the GCR survey and a recent amendment to the EPI contract eliminated the requirement that the project implementer quantify expected changes to the GCR indicators and requires only monitoring and reporting of changes to the indicators.⁸

- **Mid-term evaluations and lagging indicators.** It is too early to determine the concrete results of the EPI project, which is at the midpoint of the time frame for implementation. Very little is known about the temporal relationships between these interventions and the expected results, and these indicators can lag project interventions considerably. This limitation is compounded by the fact that at the close of this evaluation EPI had only one strong year of implementation. The evaluation team found that a number of EPI's key initiatives were at too early a stage to expect any meaningful progress toward important performance indicators and it is best to delay further analysis of these until the final project evaluation.
- **Availability of data on targeted results and outputs.** Evaluation plans for EPI include review of a number of quantitative indicators of project performance with respect to targeted results and project outputs (e.g. growth in revenues of assisted farmers and businesses, creation of new service providers). However, GoG's statistics do not provide the required level of disaggregation needed to make significant analytical inferences and, given the resources available for this task order, it is not possible to gather new data on these indicators. The evaluation team had to rely on data gathered by the project's own M&E activities to track these indicators, but cannot attest to the quality of that data. Nevertheless, collection and review of available data has provided a useful check on opinion data gathered through interviews and other techniques.
- **Biases inherent in data collection methodologies.** The evaluation team necessarily had to rely on assistance from the EPI staff to: 1) identify key stakeholders and project beneficiaries; 2) arrange logistics of meetings and group interviews in the regions; and 3) organize regional group discussions. Reliance on project implementers to identify potential interviewees and discussion group participants may suggest a selection bias in favor of persons with an interest in the success of the projects. Selection bias arises when the subjects from whom data is gathered are not randomly selected, as is the case in most performance evaluations, and therefore may have a unique perspective on the successes of the project. Potential bias was countered to the extent possible by having the evaluation team critically analyze the backgrounds and interests of stakeholders proposed for interviews and selection of a broad range of stakeholder participants.

The evaluation methodology attempts to counteract the biases that are inherent in the data collection methodology most importantly by close examination of the roles and relationships of interlocutors with the project, cross-comparison of opinions of interlocutors on key questions and use of quantitative data to throw further light on opinions whenever possible.

- **Period of evaluation.** This evaluation covers the first two years of the project; September 2010 through September 2012. Additional work was undertaken since September 2012, which is described by way of explanation, but does not factor into the evaluation findings, conclusions or recommendations.
- **Scope of the requested evaluation.** At the time of this evaluation, the \$40 million EPI project was operating over 20 project subcomponents and well over 50 separate project activities. In its first two years, EPI conducted 229 trainings of over 12,000 people. The extraordinary amount of activity and information provided on the project makes it necessary to focus on only some of the activities, thereby necessitating application of judgment by the evaluators as to what to eliminate.

5.0 FINDINGS

5.1 GENERAL FINDINGS ON PROJECT ACTIVITIES

Finding 1. There are generally positive but mixed perceptions of EPI among key stakeholders in the government; the project's rough start colored perceptions which continue vaguely to this day. The perceptions of most public officials whose agendas were directly affected by EPI activities were

⁸ See also Request for Proposal (RFP) No. SOL-114-10-000001 – GEORGIA ECONOMIC PROSPERITY INITIATIVE (EPI), July 12, 2010, at page 13.

highly positive; however, there remains a vague negative perception of the project, which in the estimation of the evaluation team is due to a rough start in year one. Few who speak negatively of the project's activities refer to specific impacts on their own work – most are pleased with their interaction with the project – and typically they refer vaguely to how others had problems. We believe this lingering impression arose from a number of causes early in the project including, for example, the project's contractual 6-month preparation time in which no activities were begun and the only products were assessments and reports, many prepared by foreign consultants. This 6-month delay was noted by many interlocutors who questioned, for example, why so much research was needed when Georgian experts already knew what needed to be done. Whether this opinion is right or wrong is an open question, but the point was frequently made. Similarly, some interlocutors reported that they were turned away from requesting EPI's assistance because the project was "not ready" to begin work.

At the same time, there was a clear change in policy between USAID's prior business climate project, the Georgian Business Climate Reform Project (GBCR), which was significantly influenced by the Prime Minister's office, and EPI, which under USAID's guidance took a more arm's length approach to the GoG in defining project objectives and agendas. This change of policy may have engendered, among some in government, a sense of lack of consultation and cooperation. All of these perceptions were enhanced by what seemed to be a high number of false starts and direction changes in the project's first year, arguably an inevitable product of the project's large and broadly defined agenda, capped by replacement of the project's senior management at the end of year one.

All of this resulted in something of a public relations problem, which continues, to some extent, today. While it is widely acknowledged that all of the early problems have been overcome, there continue to be more willingness for some to find fault with the project today; in effect, the project is held to a higher standard.

Finding 2. Abandonment or restructuring of project activities. A number of EPI activities included in initial work plans have been terminated, shortened or adjusted. The agricultural work plan was completely redesigned at the end of year one. A number of BEE initiatives proved to be unproductive for a variety of reasons, including change of government policy or simple lack of demand for the product. Several non-agricultural VCs have been or are about to be eliminated or de-emphasized (e.g. construction materials, ICT). A focus on FDI and investment promotion has been almost entirely eliminated from the project due to changes in USAID priorities. VC work on wine was discouraged by GoG and, at USAID's request, ultimately turned into work on wine tourism, which may now be eliminated entirely from the project. A grant program was reduced from \$6,000,000 to \$696,556.

The evaluation team believes that long-term, broad-based projects such as EPI must necessarily be opportunistic and flexible and so is unable to say that this significant level of change in the work plan reflects entirely on project design. The original design of the project's SOW may have invited much of this turnover since the definition of project activities was a work in progress when the project began and was to be completed over the course of the first six months. However, it is possible that selection of a number of initial project subcomponents was: 1) overly optimistic (e.g. ability to influence growth of FDI); 2) based on an incomplete analysis (e.g. perlite products) or misunderstanding of government priorities (e.g. wine); or 3) the project strategies and objectives (e.g. the grant program) were not very clear. The broadly stated project objectives may have been too numerous, ambitious and vague,⁹ and the project performance indicators may

⁹ The initial RFP for this evaluation asked the question whether the combination of so many disparate elements in a single large project carried out by a consortium of contractors adversely affected project management and achievements. That question was eliminated from the final SOW largely because potential evaluators pointed out that there presently was no frame of reference or standards of comparison with which to answer the question, and an answer would require an extraordinary effort to review a wide range of USAID projects in many countries. Notwithstanding its elimination, the evaluation team believes that it is a valid and important question, and that view is supported by many stakeholders interviewed for this evaluation. Opinions that the project was "too big," "tried to do too much," "spread too thin," or equivalent were not uncommon, along with the opinions that the size and scope of the project slowed down response time and a narrower focus could have produced more efficient use of resources and deeper responses to the most important issues.

have significantly influenced selection of project activities.¹⁰ All of these explanations were offered by key interlocutors. On the positive side, EPI and USAID have shown flexibility and a willingness to adjust the program in the face of new information or changed circumstances.

Finding 3. EPI achieved integration of component activities; cross-cutting support. Given that EPI is a very large project comprised of many subcomponents implemented by separate project implementers, in many instances the EPI team successfully integrated the various activities into a cohesive effort through extensive communications and cross-cutting activities among component teams. Examples include:

- The synergy demonstrated in improving work force skills in apparel production and women's employment potential through training; enhancing the apparel manufacturing VC by establishing linkages between manufacturers and vocational education institutions; and promotion of FDI in the apparel industry to foreign investors who are attracted by the availability of a skilled workforce.
- Developing linkages between packaging companies and agricultural producers through improved packaging products. This is crucial to export promotion and perceptions of export quality.
- Linking improvement in the quality of agricultural products with export promotion, training and international accreditation of the first two agricultural testing laboratories in Georgia.
- Improving integration of the T&L VC through the TFS while advancing PPD and PPP, e-Government capabilities and addressing specific tax and customs burdens on export oriented manufacturers.

Finding 4. One of EPI's strong points is promoting PPD and PPP, as well as dialog and cooperation among private sector entities. There is strong agreement among project stakeholders that one of EPI's main contributions is promoting PPD and raising the profile of issues among high level government officials. Examples of this can be found in its work on TFS (section 5.4.3.1, below), intellectual property protection (section 5.2.3.2, below), and tax reform (section 5.2.2.4, below). In particular, stakeholders frequently offered the opinion that EPI, based on its reputation for technical competence and as being an "honest broker," has been able to bring senior government policy makers to the table in cases in that would have been far more difficult for the private sector or less senior government officials to do alone. The perception of technical competence arises both from a general respect for USAID's assistance, and a perception that most international and Georgian experts involved with the project are highly competent. EPI's assessments and analysis of issues are perceived by many interlocutors as being objective, of high quality and more timely than similar government products, which can get bogged down in inter-agency disputes and bureaucratic competition.

EPI's ability to promote dialog and cooperation among diverse stakeholders includes not only public-private cooperation but also cooperation among private sector actors as exemplified in both the TFS work and the work on crop insurance (section 5.3.3.4, below) and financial leasing (section 5.5.3.2, below).

Finding 5. On balance, EPI is credited with being flexible, responsive to clients expressed needs and opportunities. For the most part, EPI is believed by key interlocutors to have shown a high level of flexibility in responding to ad hoc requests and many stakeholders are grateful for that. The tax administration work, lab accreditation and TFS work, all widely considered to be highly successful, originated with requests from outside of EPI. In general, its response times are viewed as shorter than other donor programs, for example the World Bank. While a number of important products have experienced significant delivery delays – most dealing with delivery of an IT product – stakeholders are typically reluctant to lay the blame on EPI when other factors are also involved.

Finding 6. Work on development of major pieces of legislation is always uncertain but EPI has had a fair share of success. As seen in Table 4, next page, EPI has had reasonable success in inducing adoption of laws and regulatory acts affecting specific VCs and the business climate generally. In many of these endeavors, EPI worked alongside other donors and GoG experts, but its contributions to making progress are

¹⁰ See, for example, Office of the Inspector General, Audit of USAID/Georgia's Economic Prosperity Initiative, Audit Report No. 9-114-13-001-P, December 26, 2012.

generally acknowledged to be important. Some important laws and regulatory acts have not yet been adopted but there is optimism that some may yet be, essentially in the form developed with input from EPI experts.

Table 4: Status of Laws and Regulatory Acts Promoted by EPI

Name	EPI Activity	Status as of end of project year 2
LAWS		
Legislative package on financial leasing (amendments to the Civil Code and Tax Code)	Developed the concept. Drafted the amendments to the legislation. Advocated the adoption. Delivered trainings on new legislation.	Adopted
Amendments to the Tax Code to improve provisions on transfer pricing	Developed the concept. Drafted the amendments to the legislation. Advocated the adoption. Delivered trainings on new legislation.	Adopted
Tax Payment Simplification legislative package (amendments to the Tax Code, State Budget Code and Law on Restructuring State Debt)	Developed the concept. Drafted the amendments to the legislation. Advocated the adoption.	Under RS review
Amendments to the Tax Code to streamline VAT administration on cargo cross-border transportation	Developed the concept. Contributed to the drafting process led by RS. Advocated the adoption.	Adopted
Law on Cooperatives	Contributed, with others, to the drafting of the law. The drafting process was led by MoA and Agrarian Committee of the Parliament	Officially initiated by the Agrarian Committee of the Parliament; adopted by Parliament in first hearing.
Investment Law	Drafted law in cooperation with Investment Agency and MoESD	Not adopted; still under consideration
REGULATORY ACTS		
Building Code	Translated and adapted to Georgian circumstances Non-Structural part of International Building Code. Translated Structural part of International Building Code. Organized public-private discussions.	Not adopted, pending MoESD consideration of appropriate model
Amendments to the Regulation on Technical and Security Requirements for Customs Warehouses to simplify customs warehouse management	Developed the concept. Organized public-private consultations. Contributed to the drafting process led by RS. Advocated the adoption.	Adopted
Customs Valuation Manual	Developed the concept. Drafted the manual. Advocated the adoption.	Under RS review
Tax Case Manuals	Drafted the manuals.	Adopted
Tax Audit Methodology Manual	Drafted the manual. Delivered training to RS tax auditors.	Adopted
Leasing Taxation Manual	Drafted the manual.	Under RS review
Tax Payment Simplification regulatory package (amendments to five MoF regulations)	Drafted amendments to the regulatory acts.	Under RS review
IPR Border Enforcement Manual	Drafted the manual	Under RS review

Source: EPI

5.2 COMPONENT I: BUSINESS ENABLING ENVIRONMENT

5.2.1 High-Level Indicators for Component I

Finding 7. High-level results are particularly difficult for BEE policy initiatives and of limited value. At the close of year two, EPI suggests that its BEE activities may have had the following effects on high-level indicators:

- Policy work on various tax and customs matters may have increased FDI by \$2.8 million, or 2% of a total increase of \$109 million in FDI that EPI's management attributes to the project.
- Policy work on various tax and customs matters may have increased domestic investment by \$24.6 million, or 20% of a total increase of \$124 million in domestic investment that EPI management attributes to the project.¹¹ About \$9.7 million of this increase is attributable to improvements of the tax regime, and \$14.9 million is attributable to improvements in the regulations concerning technical and security requirements for bonded warehouses. The amounts are estimates, in the case of tax reforms based on a cost-benefit study performed by EPI. The evaluation team believes that EPI tracked specific bonded warehouse investments by investors who have confirmed that their decisions to invest were influenced by the EPI-promoted changes to the regulations, which lowered warehouse operating costs and improved financial feasibility. In that case, there would be a reasonable causal inference between the work and the investment.
- Work on accrediting Georgian laboratories, as well as work on improving the tax and customs regulatory framework, resulted in an increase of \$17.1 million in exports or 11% of the total \$155 million in exports EPI management attributes to the project to date. Again, the figures are estimates based on cost-benefit analyses performed by the project and not documented increases attributable to the interventions.
- EPI suggests that a minor increase of employment may be attributable to various activities other than value chain work, i.e. –an increase in staff at the newly accredited testing laboratories, but those figures are not broken out. The total for all such activities is 458 new jobs.
- By agreement with USAID, EPI did not attempt to relate BEE work to increases in productivity. However, it is clear that several interventions have the potential to significantly affect productivity of government agencies (see Sakpatenti e-Filing, section 5.2.5.2, below) and the private sector (see TFS, section 5.4.3.1, below), and that these benefits may be measureable at some point if the necessary steps are taken now.

The results listed above are presented for the purpose of summarizing EPI's own reporting and not to suggest causal relationships between the BEE interventions and the high level indicators established for the program. Most interventions have been too recent to realistically expect measurable impact on complex macroeconomic indicators like productivity, employment and exports. At the time of this evaluation, most EPI interventions in BEE had been fully implemented for only one year and several of the most significant interventions were not yet operational. The evaluation team is also compelled by the insight of USAID's Office of IG, which in its audit of EPI points out that there is no necessary logical link between BEE interventions and some of the high-level indicators, like employment and productivity.

To assess the high-level impact of BEE interventions, EPI relies almost exclusively on estimates developed under cost-benefit type analyses; these are not facts and should not be understood as such. This is not a criticism, as the evaluation team believes that good cost-benefit, standard cost, and regulatory impact models are perhaps the best way to understand the impacts of these types of interventions at this point in the implementation of the project. Given the large amount of information produced by the project, we were able only to sample the quality of its cost-benefit studies in four areas.¹² In general, the studies reviewed appear to demonstrate reasonable assumptions and good familiarity with the basic techniques of cost benefit analysis. The evaluation team notes that recent EPI contract amendments specifically anticipates that cost-benefit and

¹¹ The team notes that the indicator applied here was domestic debt and equity invested, and not "access to local finance," which was the indicator specified in the SOW. Presumably EPI and USAID reached an agreement on modifying this indicator.

¹² See Economic Impact Analysis: Development of Internationally Accredited Private Laboratories and its Effect on the Georgian Hazelnut Industry, September 2012; Economic Impact of IPR Infringement in Georgia, May 2011; Impact Assessment: Implementation of International Building Codes, November, 2012; Impact Assessment: The New Sakpatenti E-Filing System, July 2012.

equivalent impact analyses may be used by EPI as an approach to quantifying achievement of high level indicators.

5.2.2 Required Outputs and Targeted Results of Component I

Finding 8. Under the BEE Component of EPI most required outputs have been satisfied. Most targeted results have been achieved, some with qualifications. EPI's required outputs and targeted results below the high-level indicators were expressed in the initial project SOW very broadly in anticipation of the design of more detailed outputs and targets once project subcomponents were selected on the basis of initial due diligence required by the contract. Accordingly, defining the required outputs and results has been a work in progress and requirements have been adjusted frequently as project activities have been refined, added and deleted.

Annex 8 contains a series of tables that summarize the outputs and results of EPI's first two years of work. As noted in the discussion of evaluation limitations, it is not possible for the evaluation team, given the limits of time and resources, to validate the results reported by the EPI project team. The team's assessment is based solely on its field work and review of the documents to determine whether the results appear reasonable and comport with the perceptions of other project stakeholders. As far as the evaluation team has been able to determine, the required outputs of the BEE component have been produced. Targeted results have been substantially met, subject to some qualifications as described in the tables.

5.2.3 Other Accomplishments of Component I

5.2.3.1 Business Regulation/Licensing

Finding 9. EPI's work on international accreditation of agricultural testing laboratories was potentially impactful. The work on international accreditation of several agricultural testing laboratories was important in enhancing agricultural VCs and increasing agricultural exports. It is too soon to determine all of the outcomes of that work, begun in 2010 in collaboration with the Georgian Accreditation Center (GAC), as the accreditations were received only recently. There is some opinion that the two assisted laboratories have recently played a key role in obtaining access of Georgian wine and mineral waters to the Russian market, a market known for rigorous testing requirements. —In —addition, EPI is credited by stakeholders with raising the profile of the testing issue to senior officials of the GoG with the result that it is now a significant policy focus. Most experts agree that the structure of the intervention holds out a significant promise.

Under this activity, EPI assisted in obtaining accreditation of two Georgian testing laboratories from the American National Standards Institute (ANSI), an internationally recognized accreditation agency. EPI assisted in analyzing the sector;¹³ analyzing the capabilities of a sample of Georgian testing laboratories and selecting promising candidates; making contact with ANSI and reaching agreement for training the Georgian labs and GAC staff; providing an expert audit of the labs and recommendation for improvements to lab procedures; organizing a “pre-assessment” mission for ANSI assessors and the selected labs, which laid the groundwork for final successful accreditation; providing financial support for bringing ANSI assessment teams to Georgia; and conducting a well-received study tour to the US for Georgian accreditation officials and labs. Stakeholders believe these activities have been influential and greatly assisted the labs in preparing for their certification process. The labs themselves paid the ANSI application fees, with EPI providing support only for the ANSI missions, thereby assuring a serious buy-in by the selected labs.

The logical framework for this intervention emphasizes the centrality of testing to international trade and the agricultural VC. While two labs are a small number, the accreditations are a breakthrough and an illustration of what might be accomplished. One of the successful labs had previously tried and failed to obtain ANSI accreditation. Moreover, it is well known that these two labs have now distinguished themselves from the remainder of Georgian labs and enjoy a competitive advantage. As a result, the remaining labs are expected to

¹³ See EPI, Roadmap for Improvement of Accreditation and Conformity Assessment System in Georgia, January 19, 2012.

be motivated to upgrade their capabilities.¹⁴ One of the labs reports an increase in revenue since the announcement of their accreditation. The presence of internationally accredited labs should have a positive impact on some aspects of agricultural export, particularly with the ongoing relaxation of Russian barriers to Georgian trade.¹⁵ One lab recently hosted an official delegation of Russian phyto-sanitary officials in collaboration with GoG and reports a very favorable response.

There is consensus among stakeholders that the presence of the newly accredited lab can have the effect of not only raising the performance of other labs, but also raising the performance of producers as well, as they will be affected by increasing expectations. It is expected that as performance improves across the board, exports will become more competitive. All of these benefits remain to be realized since testing is only one component of a very complex system that includes a comprehensive food safety regime, which remains underdeveloped in Georgia today. Measurement of the impact of these testing initiatives is a long-term process.

Finding 10. EPI's work in development of a modern construction code may not succeed primarily for reasons outside of the project's control. EPI began work on development of a new construction code in 2010. The work was a priority of the then government and, in particular, the office of the Prime Minister, which had been closely involved with EPI's predecessor, the USAID/GBCR project. The new government, which came into office only in January of 2013, has suspended consideration of the approach followed by EPI, which was to adapt the International Building Code (IBC) to the Georgian context. The present government believes that the work should follow EU models rather than the US-oriented IBC, not only because of the primary relationship with Europe and the pending Association Agreement, but also because the EU models may ultimately be closer to Georgia's legacy development control system from the socialist era. The MoESD has requested that EPI support and participate in a detailed time and cost analysis of the choices between the IBC and equivalent euro-models. EPI's response is pending.

There is no evidence that this outcome could have been avoided had the role of Europe in Georgia been given more consideration, or that the primarily American model was chosen because of convenience, including for example access to US-based experts. There is substantial evidence that the choice of model was discussed extensively and the decision to follow the IBC was fully supported by senior members of the GoG at the time. Present members of the government acknowledge that this is a change of course.

Before the work was stopped, EPI had completed ~~the~~ adaptation of Part I of the IBC, dealing primarily with design, site planning, and related construction issues. There was some opinion that this work ~~may~~ nevertheless still be used if the Euro structural code is adopted in lieu of adopting a non-structural code from among European national models or writing a Georgian version.

5.2.3.2 Strengthening Property Rights

Finding 11. The work in intellectual property protection was generally well implemented and highly valued by the beneficiaries and has had or is likely to have a positive impact. The three primary initiatives in intellectual property were the assessment of the current system, training of customs and tax department staff on intellectual property rights and enforcement techniques of trade-related intellectual property protections, and development of the electronic, web-based registration system for patents, trademarks and industrial design.¹⁶

¹⁴ More recently, the GoG adopted new regulations (17-0-25) which impose on all labs the equivalent of ANSI performance standards by 2020, but a great deal needs to be done for the labs to comply.

¹⁵ The role of testing in international trade is a very complex area dependent on individual country practice as well as the practices of individual buyers, and the mere presence of internationally accredited labs does not guarantee greater acceptance of Georgian products on world markets, but the accreditation itself is viewed by most experts as a significant step.

¹⁶ The evaluation team is aware of the finding of the USAID IG that the work in property rights protection extended only to IP and not to other forms of property, and would not make the same critique. When EPI began, the GoG was aware of the options available to it in land reform and had made policy decisions to let the land registration system develop sporadically over time and not to invest the amounts necessary to develop the system systematically. This was in fact the

Two trainings were provided to customs agents and field staff from the Revenue Services (RS) Department in Tbilisi and Batumi, emphasizing the nature of intellectual property rights, protections provided under Georgian law, Georgian obligations under international law and treaties, and techniques for enforcing intellectual property rights in customs procedures. Post-training evaluations completed by participants showed a high level of effectiveness and satisfaction and the RS continues to conduct the trainings for new hires itself using materials developed for the EPI trainings. Case statistics collected by RS management show an increase in identification of intellectual property violations at border checkpoints immediately following the training and continuing to this day.

Under this activity, EPI assisted the RS to develop an IPR enforcement manual. Development of the manual, which reflects best practice techniques in customs enforcement, was highly collaborative and, after recent governmental decrees, is recognized as the official procedural guide for this aspect of RS work.

The electronic registration system is being developed in cooperation with Sakpatenti, National Intellectual Property Center, and “is of paramount importance for the office.” The first stage of the system, expected to be completed by May 2013, includes trademark registration. It will be expanded to include patents and other property in a subsequent phase. Training and testing on the system began in February 2013, and patent functionalities became operational on June 1, 2013.

The system was developed with EPI’s support by a Georgian IT firm. Development of the system was preceded by a prolonged period of business process analysis, which consumed most of 2011. Business process analysis was conducted with the assistance of a working group comprised of EPI, agency and private sector experts, and there is real client ownership of that segment of the work. By design, the work consisted primarily of replicating existing procedures and did not seek to reengineer agency processes.

IT system developers were not contracted until the start of 2012. The Agency had no role in preparing bidding documents and had no interaction with the contractor until the contract was awarded. Subsequently, the contractor explained that unanticipated delays in production of the software system resulted from its underestimation of the work involved due to the need to incorporate the Agency’s “legacy” system database into the work, and its inability to devote the staff time necessary to maintain the original schedule due to budgetary constraints. Since discussions with the Agency began in 2010, it will be almost 3 years before delivery of the complete product.

EPI sponsored numerous trainings of professionals and other system users in the new system and in general intellectual property rights issues. In addition to the two trainings for RS customs agents, 8 trainings were held in several regions for businesses and university students in which 341 individuals participated. Trainees included judges, attorneys, students, and agency managers and examiners. There is a strong sense among Agency officials that this extensive training was instrumental in raising awareness of intellectual property rights issues among the professional classes (see the comment on the trainings of customs and RS agents, above). Agency officials have tracked an increase in local trademark applications of about 30% following the trainings but that result has not been formally analyzed to exclude other causes.

At present, with testing almost complete, there is a high level of satisfaction with the system provided to Sakpatenti. The agency and the logical framework of the intervention suggest that the new system could have widespread impact, including increased efficiency of agency personnel; increased efficiency of private sector applicants, including both attorney and laymen choosing to go it on their own; decreased time costs (office

view of many high level Georgian experts in land relations who considered the discussions of “threats” to land rights exaggerated. The new government has other views. Moreover, it is well known from experience in other countries that successful land registration programs can be very costly and of considerable duration, and any meaningful land registration work could have absorbed a significant amount of EPI’s resources. In fact, the only work remaining in Georgia on land registration is complex and costly fieldwork, as most policy and institutional development had been completed before EPI began. Regarding the point that failure to expand the scope of the property rights activities derogates from the project’s contractual scope of work, the evaluation team has no opinion.

visits, paperwork, research, etc.); and increased accuracy and transparency. As an illustration, the Agency is considering reducing filing fees to account for the efficiency of electronic filing, a complex matter under Georgian law but nevertheless a significant indicator of the potential benefits of the system. The evaluation team reviewed the cost-benefit analysis for the work prepared by EPI staff, which monetized the immediate benefits to the Agency and system users at \$2.5 million, or approximately a 700% return on investment, and considers the assumptions and methodology of the work to be reasonable.¹⁷ If anything, that result is conservative because it fails to take into account the impact of future benefit. While it is too early to document these benefits, with the proper approach they could be documented in time.

5.2.2.3 Investment Sector Economic Governance

Finding 12. The investment sector economic governance sub-component was limited in scope and specific accomplishments are hard to identify at this time. This particular subcomponent does not appear to have been a main focus of attention and had a limited action plan. Some of the project activities, which can be clustered under this sub-component include:

- EPI developed an investment sector economic governance assessment focusing on areas such as corporate governance, auditing and accounting standards, competition regulation, and investor protections. The main result of the assessment was EPI's focus on a new investment law and simplified auditing and accounting standards for SMEs.
- Recommendations for revising the auditing and accounting laws to allow for simplified standards for SMEs have been made. The evaluation team was advised by EPI but has not confirmed that a legal act reflecting EPI recommendations and allowing simplified SME accounting standards has been adopted by the GoG.
- EPI participated with others in the development of a new investment law, which has not been adopted and remains on the table. This draft essentially consolidated three existing and somewhat outdated laws into a single law. The MoESD circulated the initial draft to the private sector and asked for comments. There is some belief that it will remain the basic framework for the final product, which may yet be adopted.
- A new charter for GNIA, based on EPI recommendations, was not adopted.
- Based on recommendations of an EPI consultant hired to identify the essential legal framework for investment and export, EPI assisted GNIA in producing English language translations of all significant commercial laws affecting investment and export.

Most of the investment sector work focused on developing the capabilities of GNIA, which is characterized by EPI as a CC activity and is discussed below under section 5.5.3.4. Early in the project, this aspect of the investment sector work became the primary focus, perhaps because of its more direct relationship to the high-level indicator of increased FDI.

5.2.2.4 Trade and Customs Economic Governance

Finding 13. The work on trade and customs sector economic governance had several achievements, and is noteworthy because of its emphasis of PPD. EPI's work in trade and customs is divided between comprehensive work on the T&L value chain (see section 5.4.3.1, below) and work on some aspects of the legal and regulatory framework governing various aspects of trade and customs. These two activities overlap considerably and are hard to separate. For purposes of this evaluation, most of EPI's significant achievements in trade and customs are characterized as value chain development and discussed under section 5.4.3.1. Work which can be separated and characterized specifically as dealing with "economic governance" of the trade and customs sector includes:

- **Sector assessments.** EPI performed several comprehensive assessments of the legal and regulatory framework of the trade and customs sector including detailed action plans for reforms.¹⁸ These assessments continue to some extent to guide GoG work on these issues.
- **Elimination of VAT on international transportation services.** Working with AmCham and others, EPI promoted and supported PPD that resulted in a 2011 amendment to the tax code that eliminated VAT

¹⁷ See EPI, Impact Assessment: The New Sakpatenti E-Filing System, July, 2012.

¹⁸ See EPI, Customs Administration Reform Strategy, July 18, 2011; Customs Post-Clearance Audit Strategy, July 18, 2011.

on most types of international transportation services that are typically not subject to VAT under best international practice.

- **Simplification of waste disposal at port terminals.** Disposal of waste products at port terminals raised complex issues under VAT law, caused conflict between terminal operators and the RS, and threatened to have a significant impact on the profitability of operators. Through its ongoing PPD between the RS and T&L sector representatives, EPI assisted in modifying the procedures so that the burden was lifted.
- **Clarification and simplification of VAT on apparel waste.** EPI assisted in modifying policy and simplifying VAT procedures for waste from imported materials, which would otherwise be subject to VAT. Any imported materials, including textiles, which cannot be shown to have been incorporated into an exported product, are subject to VAT unless they can be characterized as legitimate waste. In Georgia, there was no simple and reliable system for importers, such as apparel manufacturers, to prove how much waste they generated, leading to conflict with the RS. EPI assisted, in part through the promotion of PPD, in simplifying the procedures along European lines, reducing time and conflict.
- **Customs valuation manual.** EPI developed for the RS a customs valuation manual, which provides definitive guidance for valuation issues arising in the field. The manual is highly regarded but continues to be used informally pending formal acceptance and publication by the RS.
- **Commentary on customs provisions of tax code.** EPI staff wrote a comprehensive report on the customs provisions of the 2011 tax code. It discusses tax policy produced under USAID's Judicial Independence and Legal Environment Project (JILEP). In the absence of judicial precedent, it fills a pressing need for guidance on and interpretation of new law and has become the main reference work on tax law.
- **Intervention on behalf of private sector freight forwarders against postal monopoly.** EPI supported the Georgian Freight Forwarders' Association's to challenge ~~to~~ the Georgian Post Office's attempt to monopolize the handling of consolidated shipping containers utilized in trade with China. The issue is not yet resolved. Though recently, the GoG's newly appointed business ombudsman identified this issue as one of the top priorities to be resolved.
- **Bonded warehouse security regulations.** The regulatory regime for bonded warehouses imposed significant burdens on operators pertaining to security and auditing incoming and outgoing goods including physical walls, 24-hour surveillance systems connected by fiber optics to customs, complex procedures for registration, and sealing of storage areas, few of which are currently considered best practice in warehouse regulation. Working through its PPD system, EPI prodded the RS to amend the law in 2011 to adopt a risk-based audit system for the warehouses which greatly reduced costs without increasing the risk of non-compliance.
- **Cargo Release Time Measurement Study.** EPI has been supporting a Cargo Release Time Measurement Study, which will provide the RS with greater management control over customs procedures and will eventually lead to improvements in performance time, through workshops and consultants who provided direct technical assistance for the study's design and implementation. The study is being implemented by a World Customs Organization (WCO) certified consultant in accordance with WCO procedures and templates. Although the study began during the second year of the project, it was delayed six months while the study methodology was elaborated and again, because of the limited availability of WCO consultants. It is expected to be completed in July 2013.

It is safe to say that most of these achievements have already positively affected the trade sector and particularly the profitability of certain stakeholders within the sector. EPI management also claims direct ties between the bonded warehouse regulations and investments in new warehouses. The work is probably most noteworthy because of the intensive PPD and awareness raising efforts by EPI, which conducted a series of focus groups through the Free University to raise issues and then bring together private sector stakeholders and public officials in hands-on policy development sessions to address the issues raised. Moreover, the PPD, which is tied to the PPD process in tax administration due to the RS role in both customs and tax, discussed below, shows signs of sustainability because the RS working group dealing with these issues has been institutionalized through a Ministry of Finance (MoF) decree. Some stakeholders maintain that some of these achievements would not have been made without EPI's support as it was not possible for the private sector acting alone to get the attention of higher level policy makers in government.

5.2.2.5 Tax Administration

Finding 14. EPI's work in tax administration was demand driven, filled an immediate need, and is highly appreciated by the client. EPI has provided assistance to the RS on a number of initiatives that are of high priority to the GoG and its emphasis on tax administration was demand-driven. There is a general consensus among experts that despite problems in implementation the fundamentals of Georgian tax policy and law was relatively advanced and progressive before EPI, especially because of a comprehensive new tax code adopted in 2010, and because of that GoG priorities focused on tax administration and implementation of the code rather than the development of tax policy. The most significant areas of work included:

- **Risk based audit procedures.** Under its 2010 tax code, Georgia made the policy decision to move towards voluntary tax compliance and risk-based tax audit procedures. When EPI started, the many technical regulations necessary to implement the policy had not been put in place nor had staff been trained. EPI assisted the RS to develop action plans, a risk-based audit procedures guide, algorithms for identifying audit targets (risk ranking and audit selection criteria), and conducted extensive trainings for RS staff on the theory and practice of risk-based auditing. All of these activities were very well received by the client and are the foundation of tax auditing procedures today. Implementation work has been taken over by a team of US Treasury advisors that have stepped into EPI's shoes as the main advisor to the RS on a variety of tax issues. Ongoing monitoring and evaluation by the US Treasury team suggests that alternative auditing can work and that there have been recent increases in collections related to EPI's work on risk based auditing. It should be noted that these results have not been formally analyzed so other contributing factors have not been ruled out.
- **Transfer pricing rules.** New transfer pricing rules were established as part of the 2010 tax code. EPI assisted the RS in developing its transfer pricing regulations and the associated official guide.
- **Simplification of tax payment procedures.** EPI began, but has not yet completed, work on a simplified tax payment system and database for the RS and MoF. Georgia had a complex tax payment system that required individual tax payers to make separate payments to various tax accounts (e.g. income tax, social insurance, etc.) which resulted in errors and disputes. An EPI supported expert is currently working both with the RS to convert the existing processes to a simplified system of single tax payment, and with the RS IT department to develop the necessary software system. Some GoG officials interviewed described EPI's involvement to have been essential. Though experiencing significant delays, which were related to the change of government, the work will be completed in 2013 and the new system will be fully implemented by 2014.
- **Tax case studies.** EPI experts worked with the RS to produce about 500 case studies on tax audits as a teaching and reference tool, a relatively unique approach in Georgia. While these case studies are a main tool used internally at the RS, the RS has not yet made them generally available to the public or the legal community but has recently confirmed that it intends to do so.
- **RS job descriptions and performance evaluations.** EPI conducted a staff capabilities assessment for the RS which resulted in the creation of job descriptions for RS staff as well as a performance based system for evaluations.¹⁹ The job descriptions alone are considered by some officials to be a significant contribution to management of the RS.
- **Training of RS tax auditors in International Accounting Standards (IAS).** EPI implemented a very popular training course for RS staff in IAS, which it now uses for new hires.

Stakeholders across various sectors expressed similar opinions to EPI's work in tax administration. They believe it is demand driven. Although, none of the activities initiated were of major significance when considered individually, as a complete body of work the overall contribution is believed to be significant. Interlocutors considered the quality of the international and technical experts that EPI provided to the RS, as well as the quality of their work products, to be impressive. The work demonstrated a high level of hands-on collaboration between international and Georgian technical advisors and staff from the beneficiary agency, resulting in a high level of client ownership of the product.

EPI's tax administration work is believed by key interlocutors to have enhanced the ability of the GoG to implement policy and regulatory changes that had been adopted in the 2010 tax code, and RS staff are presently working to further develop the products. Perhaps most notably, EPI's work emphasized PPD on tax

¹⁹ See EPI, Training Needs Assessment (Revenue Services), November, 2011.

administration matters and formed working groups that brought private sector experts (e.g. BDO, KPMG, Deloitte, PWC) into the processes that were responsible for most products. While the working groups were initially ad hoc, recent decrees by RS officials have institutionalized the tax and customs working groups, which continue to include members of private sector experts, indicating that this approach is sustainable.

5.2.2.6 Procurement and Privatization

Finding 15. The Georgian state procurement system was essentially a Georgian effort aided by European donors; EPI has had limited interaction with and influence on the system. The current Georgian procurement system, including its modern law and highly regarded web-based tendering process, were put in place in December 2010, only several months after EPI began. The system is one of a small handful of fully electronic, web-based procurement systems in the world today. It was essentially a Georgian internal effort aided by GIZ prior to the start of EPI. However, EPI has contributed to the procurement sector in the following ways:

- In October 2011, approximately one year after start-up of the new procurement system, EPI prepared a high level policy assessment of the procurement system and issues, including recommendations for further implementation of the system.²⁰ Agency management characterized the assessment as moderately useful and noted that several of its recommendations guided further system implementation.
- EPI conducted its own trainings on the use of the new electronic procurement system for farmers in the regions. Eleven training sessions with approximately 170 participants were conducted. There is no data available on participants' assessments of the training and whether it influenced them to participate in the state tender process. Some believe it is unlikely that small farmers acting alone will participate while larger organizations of farmers, e.g. cooperatives, might have the ability to compete effectively and participate.
- EPI prepared the Supplier's Manual, a guidebook for prospective tenderers ("do's and don'ts, tips and tricks,") which provides a good basic understanding of how the procurement system works. The manual, after several updates reflecting change in procurement procedures, is expected to be available through electronic media in July 2013.

Finding 16. EPI's work in privatization policy has been affected by changes in government preferences and in the government itself, and remains a work in progress with the potential for real achievements before the end of the project if an agreement is reached with the MoESD on further work to be undertaken. Early in the project, EPI conducted an assessment of the state property privatization environment.²¹ Management from the National Agency for State Property (NASP) and the MoESD state that certain aspects of the assessment remain an important guide in their continuing work on privatization policy. In 2011, EPI reached an agreement with the MoESD to assist in preparing a State Property Management Information System (SPMIS), including a digital inventory of state property available for auction, tender or other mechanisms for allocation to the private sector. Subsequently however, the Ministry reversed its decision and brought that work in-house. Prior to this change, EPI had completed a business process analysis for the MoESD that could still serve as the basis for development of a SPMIS. Although EPI continues discussions with the Ministry, work on the SPMIS remains suspended under the purview of the Ministry which continues its development.

In late 2012, as the current government took office, the new MoESD leadership expressed an interest to receive specific recommendation on improving the state property management and privatization process. EPI responded with services of a privatization expert and developed operational guidance, now adopted by the MoESD, and began support with the implementation, including:

- Development of appropriate asset classification standards to determine privatization of remaining state-owned enterprises, including new reporting requirements in compliance with current international financial reporting standards.

²⁰ Assessment of the State Procurement System in Georgia, October 11, 2011.

²¹ See EPI, State Property Management Framework Assessment, October, 2011.

- Assistance with the property inventory process in Tbilisi and the regions. Following EPI guidance, work with one district in Tbilisi is underway by the Ministry while EPI is taking on another city (Rustavi) with significant state owned properties.
- Design of enhanced transparency in the information provided to property investors.
- Optimization strategy for management practices of state-owned property including revision of the bankruptcy and liquidation procedures.
- Marketing and public outreach awareness training and support with targeted communication campaign for NASP Marketing Department.
- Capacity building on appraisal and valuation services.
- Business process re-engineering for two-step auction process for state property..

The new MoESD leadership decided to resume its previous internal effort to upgrade the NASP's state property management system, taking into account the new processes recommended by EPI.

5.2.2.7 Agricultural Policy

Finding 17. Work on agricultural policy was primarily addressed through value chain work and pilot programs; not through high level policy work. Toward the end of project year one, EPI produced a comprehensive assessment of the agricultural sector, which included an analysis of the main barriers to sectoral development.²² The report identified a number of practical impediments to rural development which have turned out to be better addressed through EPI's value chain work than through activities focusing on high level agricultural policy activities. Areas identified as in need of intervention included: land title registration, on which EPI is presently advising —the MoA; —the law on cooperatives (which EPI helped draft, together with other donors and civil society organizations, —and which has passed first reading in the Parliament); farmer access to finance, which EPI has addressed under other sub-components through leasing reform (see section 5.5.3.2, below); crop insurance; and promoting small farmer access to bank loans through pilot activities with MFIs and by providing BSP consultation on loan application preparation (see section 5.3.3.4, below).

Begun during the last months of project year 2, EPI's creation of farmer organizations is a policy initiative which was accompanied by assistance to the MoA for the development of a new Law on Cooperatives, for which EPI consultants provided advice along with consultants from various other civil society organizations and foreign donors. This law has not yet been adopted but it already underwent a successful first reading in the parliament and an agricultural committee review in preparation to the second reading; responsible officials believe it will be adopted no later than Fall 2013, and in approximately the same form as that produced with EPI's assistance. Further discussion of EPI's work on farmer's cooperatives is found under section 5.3.3.3.

5.2.3.8 E-Government

E-Government enhancements were a significant part of EPI's work and are covered separately under other headings of this report. The three most significant initiatives are the TFS system (see section 5.4.3.1), the Sakpatenti electronic registration system (see section 5.2.3.2), and the RS tax payment simplification system (see section 5.2.2.4).

5.3 COMPONENT 2: AGRICULTURAL SECTOR

The evaluation of the AG project component was accomplished through extensive fieldwork by the evaluation team's Agricultural Specialist who met and discussed the program with farmers, trainers, processors, greenhouse owners and local government officials. The fieldwork provided the opportunity to view project knowledge plots (KPs), farms, and other facilities first hand.

5.3.1 High-Level Indicators for Component 2

Finding 18. EPI reports that high-level objectives have been substantially met and are on target at the end of year 2, but it is important to understand the limitations of this data. EPI focuses its assessment of high level performance indicators on the agricultural and manufacturing/services value chain work under Components 2 and 3. For its assessment, the evaluation team reviewed three key project

²² See Analytical Foundations Assessment – Agriculture (Rural Productivity): Final Sector Report, November 23, 2011.

documents: the original PMP plan submitted by EPI in 2011, which defines indicators and sources of data; and the PMP Annexes to the first and second annual reports, the latter of which coincides with the close of the evaluation period.²³ In addition, the evaluation team interviewed EPI project management regarding M&E practices.

EPI's main data sources for its calculations include baseline surveys in targeted sectors, periodic re-surveys of agricultural program participants, sectoral statistics made generally available by Geostat, and "project studies," which include estimates of results and extrapolations made by project staff based on their field work and the results of surveys. The evaluation team did not assess the quality of the data gathering work but has reviewed the M&E procedures. EPI's main data collection technique in the agricultural component is periodic surveys of program participants, with a formal self-administered questionnaire collected at the beginning of each yearly "class" of about 1,000 farmers and then three times during the one-year course. The questionnaire addresses growth in high-level indicators by asking for information on land productivity, employment growth, exports, and the use of credit. The farmers are tracked only during their class participation but, with EPI's assistance, some are becoming members of EPI-assisted farmers' cooperatives which provide the opportunity to track them for a longer period as part of their participation in those groups. The high-level results are not entitled to causal inference as there have been no counterfactuals. The PMP clearly states that the main approach is a simple before and after analysis, which cannot rule out other causes for movements of indicators. The plan suggests that higher level statistical/econometric data analysis might be performed during the project, but we have found no instance where that was done.

Exceptions to the lack of causal inference are the amounts of FDI, domestic investment and domestic finance attributable to some project efforts. EPI claims a direct connection between project activities and certain investments in greenhouse and cold storage facilities because, as a part of its project activities, EPI and its Georgian counterparts identified and pursued investors. Similarly, EPI can point to increases in the amount of loans made to some farmers by banks participating in pilot programs on lending and crop insurance, and to the number of farmers who received financial consulting services provided by EPI BSPs. These direct connections are plausible and, if documented, could support reasonable causal inferences in a limited number of cases.

EPI's calculations for achieving high-level results under the AG component are shown in Table 5, below. Specific targets were set for all individual components except employment. The figures for domestic investment are comprised of various documented investments in greenhouse and cold storage facilities, and loans advanced to farmers and processors under the lending and crop insurance pilot programs as well as the financial advisory services provided to farmers and processors by AG BSPs.

Increases in exports are attributed by EPI, with the latest contract modification by USAID, to the "import substitution effect" of increases in greenhouse vegetable production, which comprises varieties of horticultural vegetables (e.g. tomatoes) that are typically imported.

Table 5: Aggregate High-Level Performance Indicators for Agricultural Component, End of Year 2

Indicator	Project Target (All Components; Million \$)	Agricultural Component Results (End of Year 2; Million \$)	AG as % of Project Target
FDI *	500	51.9	10.4%
Domestic Investment **	200	55.4	27.7%
Employment ***	N/A	562	N/A
Exports	150	18.5	12.3%

Source: EPI

* FDI targets are generally conceded to have been excessive. Direct activity in investment promotion is being phased out and this indicator has been eliminated for the remaining term of the project.

²³ EPI, Annual Report: Year 2, October 1, 2011 to September 30, 2012 ; EPI, Annual Report, Year One, September 1, 2010 to September 30, 2011; EPI, Performance Management Plan, March 31, 2011.

** EPI folded the “Access to Domestic Finance” indicator into the “Domestic Investment” indicator.

*** Number of jobs; no target was set for employment.

EPI did not establish performance targets for productivity growth in the agricultural sector. It is unclear whether that is because of an understanding that the targets would be set once the VCs were selected, or by mutual understanding with USAID that the factors underlying productivity growth are too complex to make the targets meaningful. The USAID IG audit suggested the former and urges that the targets be set now. We disagree, and believe that given the inherent limits of the data and evaluation methodologies in use, such targets would serve no useful purpose. EPI did record baseline productivity indicators which were updated in 2012. These indicators, for what they are worth, are shown in Table 6, below. The trends are positive but these figures are subject to some skepticism because of the short time period involved and the inability to control for both identified and unidentified variables.

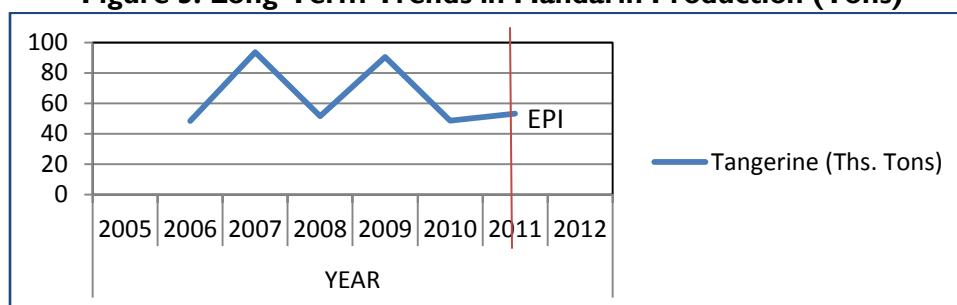
Table 6: Increase in Yields per Hectare (Productivity) For EPI Farmers

Product	Yield per Ha (tons)				
	2010	2011	% increase over prior year	2012	% increase over prior year
Hazelnuts	.86	.907	5.4%	1.16	28%
Mandarins		6.3		7.39	17.3%

Source: EPI

Most of EPI's calculations focus only on the base years of 2010 or 2011 – the years in which the VC work commenced. Thus it is not possible to analyze longer term trends and movements. It is possible that any before and after increases noted are influenced by trends established before EPI. As likely, given the severe economic shocks of the international financial crisis, the Ossetia war, and severe weather events that affected agriculture, any recent movements in indicators are merely regressions towards a mean. In fact, aggregate statistics for productivity and exports for both hazelnuts and citrus show a great deal of variability which suggests that there are many factors at work, including normal crop cycles and climatic events. Trends in both yields and exports prior to the start of EPI, and increases claimed by EPI, do not appear to differ much from trends for the entire sector. For example, Figure 3 suggests that there was a moderate upward trend in mandarin production before EPI came on the scene.

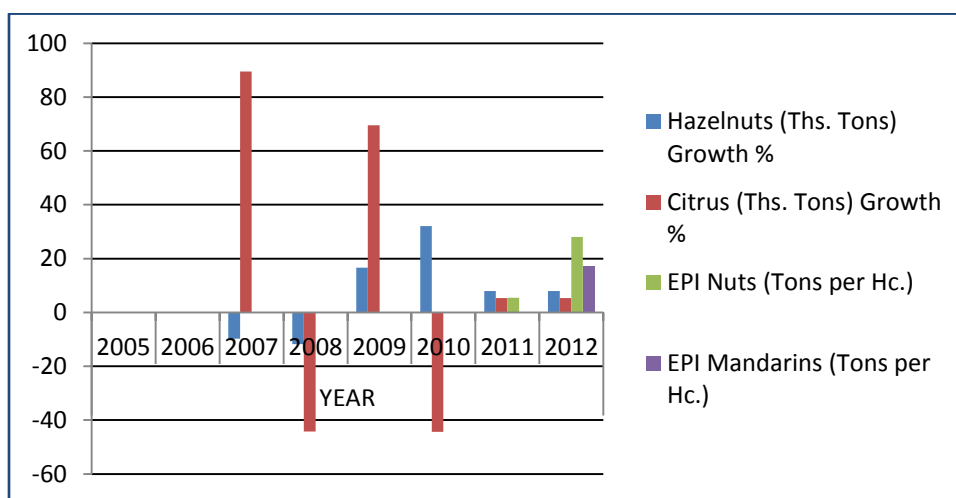
Figure 3: Long-Term Trends in Mandarin Production (Tons)



Source: Geostat

While truly comparable figures are not available, a comparison of increases in production between the overall sectors and EPI farmers in Figure 4 suggests that EPI farmers may have fared better than the overall sector in some cases but not in others.

Figure 4: Year to Year % Growth of Production in Nut and Citrus Sectors 2005-2012



Source: Geostat, EPI. Notes: (1) the figures for the overall sectors refer to total tonnage while growth for EPI farmers refers to growth in tons per hectare; (2) figures refer to all citrus, EPI figures refer to mandarins only.

Similarly, with respect to exports, EPI reports that early results suggest moderate gains among EPI assisted processors in mandarin exports but losses in nuts over the past several years (See Table 7, below).

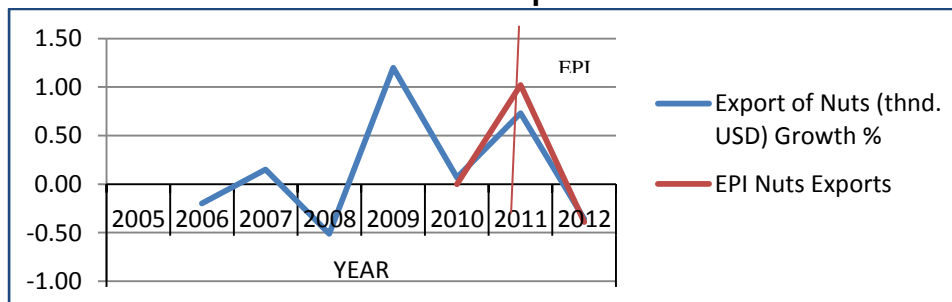
Table 7: Increases in Exports

Exports (Mil. USD)					
Product	2010	2011	% increase over prior year	2012	% increase over prior year
Hazelnuts	6.4	12.9	100%	7.8	(- 39%)
Mandarins		2.1		2.5	19%

However, a comparison between results for EPI assisted processors and the overall performance of the sectors suggests that EPI results track rather closely with those for the entire sector (see Figures 5 and 6 below), with EPI nut exporters leading their sector and the mandarin exporters perhaps faring worse than the general citrus sector.

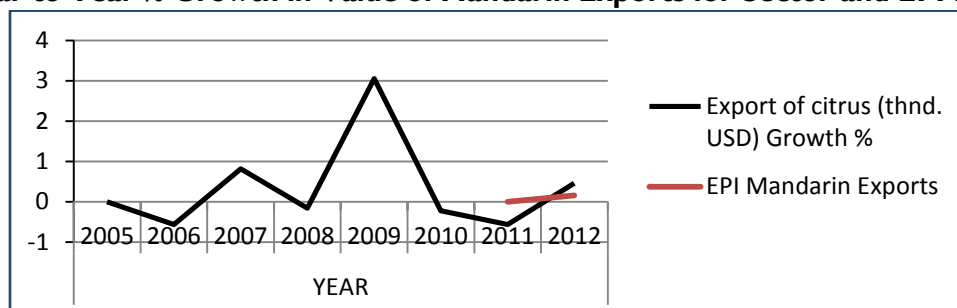
The comparisons in the figures are very rough. The value of exports as an indicator is particularly limited since it is based on prices that are essentially set in the neighboring Turkish market and increases or decreases do not necessarily reflect changes in the level of production. Other problems in considering EPI's reporting on high-level indicators in the AG component are the relatively short time that the project has been working with the farmers and skepticism that effects on yields would be visible in this short-term. The inherent variability in trends in production and exports for both key agricultural products covered by the project also suggests that there are more unexplained variables at work.

Figure 5: Year to Year % Growth in Value of Nut Exports for Sector and EPI Farmers



Source: Geostat, EPI.

Figure 6: Year to Year % Growth in Value of Mandarin Exports for Sector and EPI Farmers



Source: Geostat, EPI. Note: Sectoral figures refer to all citrus; EPI figures refer to mandarins only.

5.3.2 Required Outputs and Targeted Results for Component 2

Finding 19. Under the AG Component of EPI, most required outputs have been satisfied. Targeted results have generally been achieved, with some qualifications. Tables showing the status of required outputs, targeted results, and benchmarks for the end of project year two are included in Annex 8 of this report.

For Components 2 and 3, the SOW introduced key benchmarks for the project, or targeted results addressing key indicators such as increases in enterprise or farm revenues. Table 8 below shows the intended results by project year 2 for these key benchmarks of the AG Component and suggests that they have been substantially met.

Table 8: Key Performance Benchmarks for the AG Component at End of Year 2

Benchmark	Status at End of Year 2	Source
Average revenue increase of 20% across 3,000 farms (primarily 5 ha and more) and 100 agribusinesses by 18 months from April 1, 2011 (by September 30, 2012).	For 2012 EPI farmers reported an average revenue increase of 27% (from USD 44.5 million in 2011 to USD 56.3 million in 2012) across 5,666 farms and 212 agribusinesses.	EPI beneficiary surveys; staff studies
At least 40 agricultural and enterprise service providers delivering assistance and training benefiting a minimum of 30,000 farms and 300 agribusinesses by 30 months since April 1, 2011 (by September 30, 2013), and continued assistance for the life of the project.	By end of 2012 EPI has engaged 93 agricultural service providers which have provided services and training to 32,600 farmers and 6,208 agribusinesses.	EPI project records; beneficiary surveys; staff studies

Source: EPI

5.3.3 Other Accomplishments of Component 2

5.3.3.1 Leveraging Resources

Finding 20. EPI was able to establish close working relationships with municipal, village and Adjara regional administrations which positively contributed to implementation of the agriculture training component. Similarly, the involvement of Farm Service Centers in training activities was effective and added value at a relatively low cost. The EPI field team worked hand-in-hand with municipal and local officials, especially village administrations. Such cooperation enabled EPI to publicize its training activities and to reach the targeted number of beneficiaries. For many training programs, trainee numbers exceeded the target. Considering EPI's limited number of field staff, without such cooperation which is in many ways unique to the EPI project, successful implementation of trainings and surpassing, let alone reaching the target number of beneficiaries, might have been doubtful. Similarly, it should be noted that since the FSCs are a main spot in villages where farmers exchange information and knowledge, EPI's decision

to include FSCs in the program leveraged resources and positively contributed to both the dissemination of project information, as well as the transfer of technical information to participants.

Finding 21. EPI was able to establish working relations and a Global Development Alliance (GDA) with Ferrero and its subsidiary – AgriGeorgia. Involving AgriGeorgia, a private company, in meeting long-term training needs for hazelnut producers resulted in positive synergies and added value. EPI was able to significantly leverage resources, particularly using AgriGeorgia land in KPs, free training materials, and access to Ferrero's international experts. The relationship appears to be sustainable and mutually beneficial presuming quality can be increased to the point of meeting Ferrero's hazelnut quality standards.

5.3.3.2 Quality Training

Finding 22. Across all agricultural products, based on the more than 20 years of experience of the evaluation team's agricultural expert in Georgian agricultural development programs, the logistics, organization and quality of trainings was excellent. Farmers are the main project beneficiaries as its primary activities involved trainings on improving productivity. The evaluation team's Georgian agricultural expert determined, through many discussions in the field with participating farmers, that good logistics and delivery of trainings positively affected participating farmers. The number of farmers participating typically exceeded the project target and there were practically no drop outs; almost all participants attending the first training attended all following sessions. Between sessions, trainees were able to receive advice from trainers using mobile phones.

Trainings were targeted to farmer's needs. Field discussions with a large number of participating farmers confirmed that the trainings were comprehensive, easy to implement and well organized, with both participants and trainers highly satisfied with the outcomes. Farmers are willing to follow recommendations offered during training in anticipation of increased yields. The introduction to simple, low cost but effective know-how in mandarin farming, for example, resulted in an estimated 80% of farmers adopting the new techniques. In addition, according to interviews with participating farmers and local officials information/knowledge transfer between trainees and other villagers is widespread.

Finding 23. Thematic coverage of agriculture production trainings and the quality of training materials was excellent. The content of trainings was on point and well adapted to the needs of the farmer trainees. EPI prepared comprehensive training materials and handouts and ensured the professionalism of trainers. This is most evident in hazelnut trainings where, with the assistance of AgriGeorgia, internationally recognized trainers were mobilized. This was important because of the limited capacity of local Georgian hazelnut specialists. Introduction of innovative KP training methodology was also very positive because the approach allowed farmers to utilize the theoretical knowledge acquired during field training in which they had participated.

One exception is that some open field vegetable farmers, unlike farmers from other crop sectors and potato farmers who were included in the open field vegetable value chain, while acknowledging the quality of the trainings, were not fully satisfied because they were trained in household crops rather than the cash crops that they intend to cultivate. The focus on household crops may have been the result of EPI's recommendation for crop rotation to address declining soil quality in some regions. Although this result could be analyzed by the EPI team and relevant corrections made in the training curriculum, the evaluation team was advised that the open field vegetable component will be dropped from the project.

It is possible that not all training topics were available to all farmers because of the differences in physical facilities. For example, Akhalkalaki municipality potato farmers expressed the need for trainings in irrigation water retaining technologies, while such trainings were only offered in Akhaltskhe municipality where the KP was equipped with sprinkler irrigation devices.

Finding 24. Processors are involved in EPI activities to a lesser extent than farmers at this time. The project funded processor participation in international trade exhibitions and fairs. However, hazelnut processors expressed the need for training in the organization of raw material acquisition and the promotion of networks between themselves, intermediaries/collectors and other farmers in order to improve the quality of supplied hazelnuts and ultimately exports. EPI responded with increased activity in this area in 2013 by

organizing the first hazelnut industry forum and facilitating the establishment of a Hazelnut Processor Association that it provides skills development assistance and policy guidance for interactions with the GoG.

The project has had a relationship with two mandarin processing businesses which it has assisted in making contact with Ukrainian retailers. More recently, EPI has been working with mandarin packing companies on achieving certification under the EU Global Good Agricultural Practices (GlobalGAP) system. GlobalGAP establishes standards and best practices for a variety of fresh produce sectors in the areas of food safety, sustainable production methods, worker and animal welfare, the responsible use of water, and compound feed and plant propagation materials. The system objectives are to harmonize standards and procedures, and to develop an independent certification system for GAP relying on independent third-party certification of producers who successfully implement the GlobalGAP standards.

In the second half of project year 2, EPI's consultants worked with the Subtropic Mandarin Association, a producer organization, and Agriexport packing house to help them meet GlobalGAP requirements and receive certification, as well as to identify and meet the requirements of European buyers identified by EPI for trial shipments of mandarins to Europe. Adoption of these standards and certification under GlobalGAP has been a first for Georgia. EPI suggested in its end of year reporting that it is proposing to scale up this effort to include an additional 10 packing houses in the mandarin VC.

Finding 25. Greenhouse trainings are arguably one of the most notable achievements of the AG Component. Greenhouse farming is a highly profitable and fast growing agriculture sector worldwide and Georgia is no exception. Greenhouse farming is high-tech agriculture that requires significant capital investments and entails considerable risks because even the smallest mistake in the use of technology is able to ruin harvests and cause considerable losses. For successful greenhouse farming, well trained farmers/implementers are essential.

Before the collapse of the Soviet Union, the greenhouse industry was well developed in Georgia, with production on 120 ha and an additional 150 ha under construction. Various factors, including sky rocketing fuel prices and outdated technologies, led to the decline of the sector. However, in recent years there has been a growing interest in commercial greenhouse farming.

The amount of land on which greenhouses are being used has increased from about 10 ha to 60 ha. One of the main factors hampering growth of greenhouse farming in Georgia has been the lack of trained personnel.

Soviet era specialists are gone and others still in business have not kept up with technological advances. Even at the Georgian Agrarian University, greenhouse farming was not included in the curriculum before EPI training



Greenhouse in Kanda

began. In this regard, EPI's decision to pursue greenhouse farming was timely and relevant to industry needs. EPI's work in this arena should be considered a success as documented through interviews with greenhouse operators (EPI trainees) as well as with Agrarian University representatives. Interviewees say the EPI trainings were comprehensive, easy to understand and implement, and provided informative and well-designed handouts and other training materials. Trainings were most successful when conducted on site at greenhouses. Interviewed greenhouse operators reported that, as a result of the training, they plan to expand their

businesses, in some cases doubling the size of greenhouses. From its M&E, EPI reports that greenhouse

production among trained farmers has increased considerably and that the value of production for those trained improved 50-60% year-over-year. This assertion was confirmed by farmers interviewed.

Finding 26. During the evaluation period, farmers' group formation was in an embryonic stage.

While the formation of farmers' cooperatives can be the answer to the challenges of working with small Georgian farmers, EPI only began forming these groups in September 2012, the last month of the evaluation period. Nevertheless, EPI reported the creation of 53 such unofficial groups (19 in Samegrelo, 29 in Adjara and 5 in Guria). Leaders and members of three such groups – Women Hazelnut Farmers Group (Koki village, Samegrelo), Orsantia Farmer's Group (Orsantia village, Samegrelo) and Khelvachauri Mandarin Woman Farmers Group – have been interviewed. Based on these interviews, it is clear that members are enthusiastic and look forward to participation in this EPI activity.

This alone is something of an accomplishment considering that during the 2011-2012 period the legal environment for creating cooperatives was challenging, especially the prohibitive tax requirements and negative incentives to legally register farmers' groups. EPI faced considerable difficulty in persuading farmers to join forces and create groups to pursue commercial activities. Barriers will continue to exist until the new agricultural cooperatives law, which will address tax issues as well as other incentives for joint agricultural activities, is adopted sometime in late Spring 2013. At this time, activity is still limited and the evaluation team recommends this issue be addressed in the end-of project evaluation.

5.3.3.3 Crop Insurance and Access to Finance

Finding 27. From the perspective of insurers and banks participating in the program, the work on crop insurance was highly successful, but there are serious issues of sustainability arising from use of subsidies as well as underdevelopment of the agricultural sector as a whole. The theory of the intervention is that the availability of good crop insurance will give Georgian banks the confidence to expand lending to farmers. EPI worked with three insurance companies and cooperating banks to develop crop insurance products and a joint insurance/loan product for participating farmers.

The insurance industry is relatively well-developed in Georgia and had a previous experience with crop insurance around 2000, which did not catch on and ultimately experienced high loss rates. At that time, crop insurance only covered hail damage, a major concern of wine growers. Participating insurers credit EPI for raising the possibility of diversification to other products, e.g. yield insurance with diversified loss profiles. In addition, EPI is credited with raising the awareness of higher level decision makers in bank holding companies, which own the insurers, of the need for crop insurance and introducing possible insurance products to offer.

EPI provided trainings to both insurers and banks on the technical aspects of agronomy affecting sound insurance underwriting, including crop life cycles. It also provided consultants experienced in agronomy and crop insurance to help insurers and banks identify, collect and analyze the data necessary to design products and perform sound underwriting. Several cooperating insurers hired agronomists for the first time.

All participating insurers are highly complementary of EPI's work and its impact on their businesses. Last year saw a marked increase in crop insurance portfolios, but also very large losses due to unexpected catastrophic events. Nevertheless, the companies did not withdraw from the business and are looking forward to refining products (yield, investment, damage and catastrophic insurance) and expanding business.

At this time, the crop insurance pilot project has been expanded to broaden the number of covered crops. Most insurers agree that, in spite of a positive outlook, the future of the crop insurance industry may depend on the availability of government subsidies as most farmers will not pay current insurance premiums for insurance, which are high and reflect very small economies of scale. Furthermore, farmers that do buy insurance have proven risks, leading to adverse selection and high losses. To demonstrate the value of the concept of crop insurance to the GoG, EPI subsidized premiums for participating farmers even though the practice was unsustainable in the absence of GoG uptake of the subsidy concept. In 2012, the GoG advanced almost \$100 million to farmers who had experienced catastrophic losses from weather events, even in the absence of a formal insurance program. Much of EPI's current effort in this arena revolves around convincing the government of the need to subsidize coverage as in other more developed countries.

Most insurers share the opinion that the EPI pilot program that combined insurance and lending did not necessarily produce more loans to small farmers but did provide lower cost loans for some mid-sized farms. They are also aware that some skepticism on the banking side remains, as insurance is only one small checklist item in the bank loan underwriting process, and much remains to be done on instilling confidence in the agricultural sector as a whole.

5.4 COMPONENT 3: MANUFACTURING AND SERVICES

5.4.1 High-Level Indicators for Component 3

Finding 28. EPI reports some impact on high level indicators attributable to project activities but as in the cases of other components, the limitations on that data need to be understood.

EPI has reported some positive impact of its M&S VC work on high level indicators, as shown in Table 9 below.

Table 9: Aggregate High Level Performance Indicators for the M&S Component, End of Year 2

Indicator	Project Target (All Components; Million \$)	M&S Component Results (End of Year 2; Million \$)	M&S as % of Project Target
FDI *	500	54.4	10.8
Domestic Investment **	200	21.6	10.8
Employment ***	N/A	5636	N/A
Exports	150	118.7	79

Source: EPI

* FDI targets are generally conceded to have been excessive. Direct activity in investment promotion is being phased out and this indicator has been eliminated for the remaining term of the project.

** EPI folded the “Access to Domestic Finance” indicator into a “Domestic Investment” indicator.

*** Number; no specific employment targets were set.

Table 9 shows figures largely taken from EPI estimates as well as from specific instances when an investment could be traced to a particular intervention such as specific orders arising from an EPI supported trade fair. As with previous analyses of high level indicators, the Evaluation Team was unable to confirm these figures or make causal inferences except in instances where direct connections could be made to support the plausibility of some impact. For example, some beneficiary companies in the apparel VC directly linked their export sales increases to project activities and we know that new jobs have been created in the apparel industry.

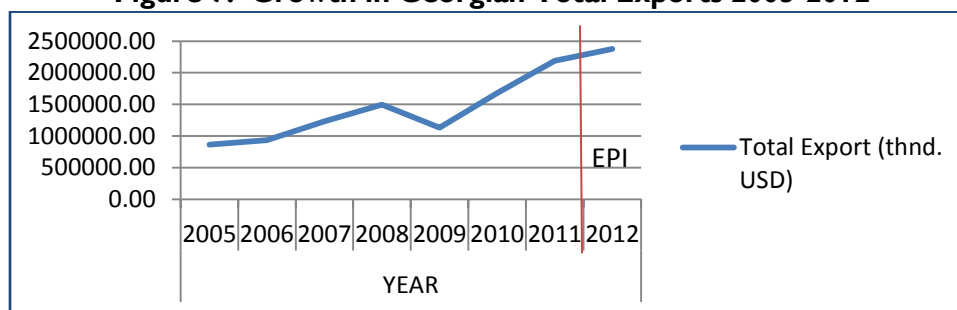
The large amount of FDI was attributed to a handful of investments in the apparel and T&L VCs. One sizable T&L investment in the proposed agricultural products and food logistics hub has been suspended, throwing that attribution into question. By contrast, there is data to support the plausibility that expansion of the Batumi Container Terminal can be attributed to EPI activities.

Most – in fact more than 90% – of the growth in exports is attributed to increases in wine and MICE Tourism. EPI, with USAID’s concurrence, has characterized tourism as an export product, for which there is some precedent. While it is not possible to confirm the size of these effects or to establish causal connections between EPI activities and either of these increases, sector representatives do believe that promotional activities undertaken with EPI’s support have resulted in some increases. As with the other components, a main source of our reluctance to credit large increases in any indicator is the fact that the project has been fully operational for much less than a full year before these figures were reported; little time to see a significant impact of any sort.

As with the AG VC, EPI’s analyses do not consider established trends in the industries before EPI came on the scene. For example, Geostat data presented in Figures 7 and 8 below shows strong increasing trends in total exports and apparel exports in Georgia long before the start of EPI, suggesting that a number of other causal

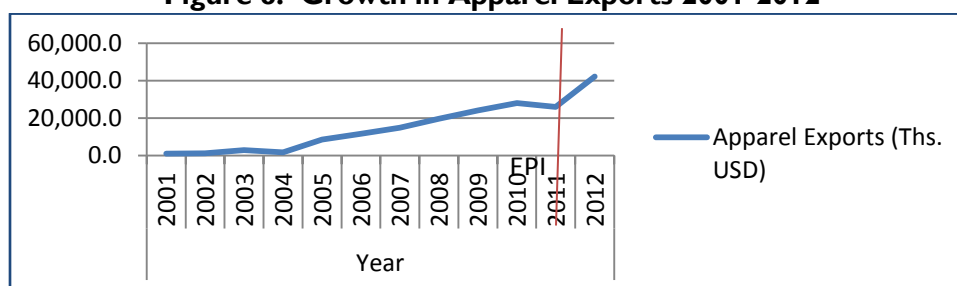
factors have caused and supported growth.

Figure 7. Growth in Georgian Total Exports 2005-2012



Source: Geostat

Figure 8. Growth in Apparel Exports 2001-2012



Source: Geostat

EPI also reports productivity increases in its M&S VCs using data from various sources, as shown in Table 10, next page. As noted, some gains in tourism and tourism related indicators from EPI activities are plausible but it is not possible to confirm these figures.

Table 10. EPI Reported Gains in M&S Productivity Indicators

Productivity Indicator	Baseline	Source	Baseline Productivity 2012	2012 Productivity
Apparel – Revenue per employee	2011 HI	EPI Beneficiary Forms	\$2,941	\$4,663
ICT – Revenue per employee	2011 HI	EPI Beneficiary Forms	\$7,620	\$12,671
Containerized cargo per year	2011 HI	MoESD	136,764 containers	180,555 containers
Civil aviation passengers per year	2011 HI	MoESD	469,000	583,000
Tons transported by road transportation	2011 HI	MoESD	12.0 million	12.1 million
Wine visitors/year	2001 8	GNTA Survey	64,648	100,407 months
MICE visitors/year	2011 8	GNTA Survey	66,623	103,475 months
Hotel occupancy (Kakheti)/year	2011	GNTA	13%	26%
Hotel occupancy (Adjara)/year	2011	GNTA	44%	59%
Conference facilities utilization	2010	Beneficiary Forms	39%	52%
Packaging-capacity utilization	2010	Beneficiary Forms	34%	60%

Source: EPI

5.4.2 Required Outputs and Targeted Results for Component Three

It appears that practically all lower level outputs, in addition to most targeted results and benchmark targets, have been delivered with some qualifications. Tables showing the status of results are included in Annex 8. Table 11, below, displays end-of-project year 2 results for key benchmarks for the M&S VC activities.

Table 11: Key Performance Benchmarks for the AG Component at End of Year 2

Benchmark	Status at End of Year 2	Source
Average revenues across at least 500 small, medium, and large enterprises in targeted M&S sectors increase by 25% by 18 months from April 1, 2011 (by September 30, 2012)	EPI beneficiaries reported an average revenue increase of 61% (from USD 77 million in first half of 2011 to USD 124.4 million in 2012) across 588 businesses for the first six months of 2012 in comparison to the same period in 2011.	EPI beneficiary surveys; staff studies

Source: EPI

5.4.3 Other Accomplishments of Component 3

5.4.3.1 Transport and Logistics

Finding 29. The T&L subcomponent of the project was treated as a priority. Given the scale of this sector, the cross-cutting impact it has on the economy, and its potential to contribute significantly to the overall competitiveness of the country, EPI took an intensive approach and conducted a larger number of VC studies than usual for T&L. The type and scale of analysis of some studies had never before been undertaken in Georgia including, for example, the Agricultural Product and Food Logistics Hub Feasibility Study, Regional Trade Data Analyses Study, an Impact Analysis of the proposed TFS system, and Competitiveness of Air Transport Sector Study.

Most studies were completed in 2012. As a result, the project focused on the three areas of activity: 1) increasing awareness of the Caucasus Transit Corridor (CTC) with the goal of diverting international cargo from competing routes, and on recommendations to the GoG on how to position the country as a key regional player; 2) promoting investment projects along the CTC to improve its attractiveness to potential users; and 3) addressing the barriers to competitiveness of CTC via the adoption of modern international transport and logistics standards and implementation of IT solutions for T&L management. This complex and comprehensive approach to addressing all aspects of T&L VC competitiveness, planning and implementation addressed both the private and public (i.e. the GoG) sector activities. Most of these initiatives were new for Georgia.

Finding 30. The TFS is a very good example of EPI's success with PPD and PPP and may turn out to be an important part of the project's legacy. The TFS is an example of successful PPD. It is a fully digital and web-based "one-stop-shop" for all trade related business and administrative processes, and will eventually link all major stakeholders (customs, revenue services, inspections, railroad, airports, shippers, carriers, warehousemen, freight forwarders, etc.) into a seamless digital network where business can be conducted. The TFS or equivalent systems have had tremendous impact on trade efficiency in countries using them, greatly reducing transaction costs and making a country's ports more attractive as trans-shipment hubs. Some stakeholders believe TFS would not have moved forward without EPI's participation.

APM Terminals (the Poti port management company and a subsidiary of Maersk) and EPI independently arrived at the idea to create the TFS several years ago and decided to work together. They were joined by the Georgian Data Exchange Agency (DEA), an organization that has been in existence since 2000 and was a close collaborator with the GBCR prior to the start of EPI. DEA was also thinking along the same lines as APM regarding a TFS or equivalent system. APM is the implementing partner of the team. It designed the business processes for various administrative procedures that will be put on the system, e.g. customs procedures for import and export. EPI is playing two important roles: 1) it is the main interface and intermediary between private sector participants and government agencies (customs, revenue services, railroad, etc.), and as such it promotes PPD and seeks to resolve issues; and 2) it is providing technical assistance for the development of the TFS software system by the DEA. Phase 1 of the TFS, which focuses only on container cargo and includes all the main stakeholders including customs and railroads, should be completed in about one year if all goes well. Phase 2 should be completed by the time EPI ends, and will address the cargo shipping needs of other stakeholders such as banks, airports, etc.

EPI's most important contribution was bringing government agencies (MoF, Customs, RS, Ministry of Justice, DEA, Railroads, etc.) to the table to participate in the system. APM, as a private sector entity, did not have the contacts or standing needed without government participation. Rather, it was viewed as representing its own

parochial interests. EPI was persistent and convinced the government of the value of the TFS system and brought GoG representatives to the table. In addition, EPI provided DEA with technical experts in business process analysis and software development whose expertise is highly regarded by participants. EPI had originally proposed to outsource development of the system, but on the request of DEA to develop it in-house, EPI reacted positively and quickly, resulting in what is now a real ownership of the system by those who will be responsible for operating it.

Presently, the project is about six months behind its original schedule, some say, as a result of the change of government. While there is some talk of emerging bureaucratic conflicts, key participants characterize these as simply changes in management and not real barriers to progress.

Finding 31. There are a number of potentially productive T&L initiatives beyond TFS. Other examples of the scope of EPI's T&L activities include:

- EPI prepared for, and at the request of, the Aviation Department of MoESD, a comprehensive aviation transport strategy that is expected to serve as one of the pillars of a new and comprehensive transportation strategy for the future. The Aviation Department was very pleased by EPI's responsiveness and the quality of the expert consultants provided. While the strategy is on hold for now because of government changes, the MoESD expects that the ADB will provide assistance for a comprehensive transportation strategy of which the aviation strategy will be an important part. MoESD has already implemented one EPI's recommendations based on the strategy that the project developed to move the Ministry's search and rescue function to a free-standing department.
- EPI developed a full feasibility study on agricultural products and food logistic centers in Tbilisi and Batumi; at the request of the GoG. Despite what was initially perceived as a lukewarm reception for the Tbilisi center, the government selected that site, as proposed by EPI, for a phased development of the center, and EPI then commenced targeted investment promotion activities with well-known international developers and operators and potential investors, including the ADB.
- When the Adjara Government expressed significant interest in the feasibility study, EPI facilitated the initial negotiations and preparation of an MoU with the ADB for possible financing options and the commencement of a due diligence process.
- EPI worked with the Georgian Railway Transcontainer (GRTC), a subsidiary of Georgian Railways, to describe business processes and develop IT solutions for railway management.
- EPI is promoting Cargo Tender Group (PSD Web Solutions, Ltd), an IT start-up company that designs various IT solutions for the Georgian/Caucasus logistics markets to assist industry players to more effectively manage their business processes. EPI is also facilitating meetings between this company and its clients/users (web portal www.cargotender.ge).
- A low cost and effective EPI initiative, in terms of its impact on the CTC and Georgia's overall competitiveness, was the creation of a Supply Chain Council (SCC) Chapter in Georgia, a first in the region. The SCC is a global non-profit organization with over 1,000 corporate and government members. A chapter will initially be established in Georgia and then expanded to other countries in the region. Through this chapter in Georgia, EPI promotes the dissemination and adoption of supply chain standards (Supply Chain Operations Reference (SCOR)) that demonstrate the credibility of Georgia's transport and logistics sector, indicating that stakeholders can deliver products that comply with international performance standards. EPI technical experts delivered a 6-day workshop on the SCOR model for the 8 leading Georgian T&L companies, which was very well regarded and remains in high demand. In addition, EPI sponsored travel for the Georgian Logistics Association to attend the SCC Conference in Madrid where it organized meetings with the SCC Executive Director who confirmed the organization's interest in establishing a SCC Chapter in Georgia in cooperation with the GLA. The GLA expects creation of the SCC Chapter in May 2013.

5.4.3.2 Packaging

Finding 32. EPI identified a market for corrugated boxes, a universal packaging material, which has great potential for growth in the domestic market as it is currently underused. Prior to the involvement of EPI, the packaging industry sector received little attention in Georgia. The potential for growth, particularly for corrugated boxes, comes from the agricultural market where the use of water resistant corrugated boxes is 3% in Georgia vs. 80 % in developed countries. Georgian exporters to the EU

were easily convinced to switch from wooden to corrugated boxes. However, other producers remain reluctant, failing to compare the difference in costs of using wooden boxes rather than corrugated packaging.

Although the VC comprises only six paper and packaging enterprises, it has taken longer than planned for EPI to study and conduct the value chain analysis and develop individual development plans for companies. Completion of three studies: Packaging Manufacturing Identification and Profiling Study, Market Demand Assessment, and Packaging Waste Inputs Assessment took the entire first year of the project. The individual action plans for box plants were developed in year 2. The study to complete an Agricultural Packaging Needs and Demands Assessment, the development of high quality packaging paper grades and new varieties by paper grades, box specifications, design of a quality standards program, and the review of paper sorting methods were all postponed until 2013.

Finding 33. Enterprise owners in this VC are highly appreciative of the analytical work and recommendations provided by EPI international and Georgian consultants, but there is a risk that many recommendations will not be adopted. The individual plans addressed the issues that box plants face, such as: technology upgrades, production floor layouts, operations development, quality procedures and standards, weak sales force, poor market penetration and product awareness, and lack of safety standards.

A short-term international expert provided by EPI designed a detailed plan for each EPI beneficiary box plant company to introduce quality standards and procedures. EPI will conduct a value chain group workshop to further discuss the action plans with the beneficiaries. While company owners who participated in trade fairs and study tours valued them highly for being informative and awareness-raising, there remain doubts as to whether the consultant's efforts will take root for several reasons. First, the companies need to undergo a turnaround in management processes but lack basic management skills to do so on their own. Most of these enterprises need to integrate new managerial skills (cost accounting, layout restructuring, purchasing and sales procedures, client intelligence, safety standards, etc.) to assure the success of EPI's efforts. Company executives lack sufficient management experience and education to undertake company restructuring without intensive assistance. Currently, the only EPI consultant who is working with these six companies is also busy with other project components. While this arrangement may have been sufficient at the analytical stage, it will not produce results at the implementation stage.

In addition, the companies do not yet trust local BSPs to help them implement the action plans and recommendations; the use of outsider consultants in Georgian SMEs remains a rarity and violates strongly held practices of privacy, even if provided free of charge. The participation of packaging companies in BSP's activities is minimal compared to other VCs. According to EPI consultants, there was at least one case where the free services of a Georgian BSP were declined, and it ultimately took four to five months to build trust and relationships with the beneficiaries. In 2013, EPI established a student-led team to provide one of the key packaging companies currently considering establishing a box plant facility with assistance developing a business plan.



Debris accumulates on production floor of packaging factory

Finally, companies' lack of financial resources and timely access to financing for technology upgrades proved to be a problem. One group interviewed had to postpone investments in special equipment for production of water resistant corrugated paper boxes. Another was seeking a 1.2 million GEL loan that it is unsure it will receive and which is required for development (such as introduction of HACCP standards) and refinancing of an existing 0.4 million GEL bank loan. In each case, the lack of financing was perceived as the main barrier to further development. In 2013, EPI's financial advisory program (FAP) began providing one company with access to financing.

Finding 34. Although producers positively assessed the stakeholder meetings because of the networking opportunities, the effectiveness of the meetings resulted mainly from the networking skills of stakeholders. EPI organized several events to provide stakeholders with the opportunity to establish market links between packaging firms and domestic produce growers/exporters. However, the real market linkages, for example, with Adjara produce growers/exporters and Georgian greenhouse operators, were developed during business-to-business (B2B) meetings. Smaller group activities, such as participation in trade fairs and study tours, were described as very efficient for developing trust between participants that may lead to clustering activities. Unfortunately, the lack of trust among packaging companies still prevents them from taking concrete steps to jointly finance a testing laboratory – an initiative suggested with EPI help and which is clearly seen as necessary.

Beneficiaries greatly appreciated the B2B meetings organized by EPI because they resulted in increased sales for several companies. Moreover, as a result of EPI's work, the Legi Group – a Georgian box plant, has already received orders from five Georgian greenhouses and various fruit producers. Hopefully, these first orders will serve to establish a long term relationships because the greenhouses and fruit producers saw the benefits of packing their products in corrugated boxes.

EPI organized and co-financed the participation of two box plant representatives and a paper mill representative in two packaging fairs in Istanbul, Turkey and Kiev, Ukraine. The purpose of the trips was to study the regional market for corrugated paper, explore export opportunities and provide the private sector representatives with the chance to familiarize themselves with recent trends and new practices as well as to meet potential international buyers and suppliers. During the visit to Ukraine, EPI arranged meetings between Georgian companies and the Ukrainian Paperboard Association and the Ukrainian Paper and Pulp Association to help establish cooperation between Georgian companies and Ukrainian associations, paper and corrugated research institutions, and companies. Georgian companies agreed to cooperate closely with the associations on a wide range of issues, such as laboratory testing, staff training, and technical advisory sourcing.

5.4.3.3 Apparel

Finding 35. EPI identified growth opportunity for the apparel sector tied to the willingness of Turkish companies to move their production to Adjara. The rationale for selection of the apparel VC in the EPI project was Georgia's proximity to Turkey, which has a well-developed textile and apparel industry and is currently experiencing upward pressure on labor costs while also losing price competition with China. Turkish companies' investments in apparel enterprises in Adjara are showing a spillover effect and may play the role of an accelerator in the sector's growth if Georgian companies develop practices that meet the requirements of international buyers. EPI analyzed the major sector challenges and then developed an action plan designed to bring quick results for Georgia's textile producers. EPI also chose to emphasize the apparel sector as an efficient entry into light manufacturing that could have continuing returns beyond the EPI project.

There are a number of good reasons for apparel businesses to invest in Georgia, which probably supported optimistic expectations for the EPI's impact on FDI at its initial phase. There are two distinct cost advantages over similar factories in Turkey: lower labor costs and lower energy costs which are both, on average, about half of those in Turkey. There are also the advantages of lower and fewer taxes in Georgia. Georgia is widely recognized as an easy place to start a business because of its Free Trade Agreement with Turkey and CIS countries, and, as a result of the Generalized System of Preferences (GSP+), has no customs duty on goods exported to the EU, and reduced customs duty on those exported to the US, Canada, Switzerland and Japan.

Finding 36. All beneficiaries are optimistic about the results they expect in project years 3 and 4. Georgia's small textile industry has made it difficult for textile producers to receive sales orders from Turkish or European companies. As one of the owners rightly pointed out, it is a chicken and egg situation where as more apparel companies begin production, chances to attract more contracts increase, thus allowing for investment in the sector to grow. Several companies that did not have previous experience working with international buyers reported that their export sales were not affected by EPI's activities thus far, but they are convinced that implementation of Worldwide Responsible Accredited Production (WRAP) standards and certification, attending trade fairs and investor/buyer visits of their manufacturing facilities will eventually result in attracting outsourcing contracts. Currently, the margins on export contracts are low (about 10%) since

companies usually get second and third hand orders. Their hope is that through EPI, they will be able to access first hand orders and upgrade to middle price segment apparel brands. Only one company was presently working on orders for Moncler jackets, which are priced in an upscale category at \$700-1200 retail.

Finding 37. Beneficiaries highly value EPI's activities in addressing low productivity as a major impediment to success. The interviewed companies highly value EPI activities that lead to increased productivity. EPI has benchmarked the productivity of Georgian companies against Chinese and Turkish competitors and disseminated the information at stakeholder meetings. While none of the interviewed companies were able to quantify, in real terms, how much lower their productivity is when compared to Turkey, all agreed that when upgraded skills are coupled with newer technologies, their own productivity can increase. Georgian companies have the potential to increase their productivity through new technology transfer, introduction of new standards, and training their workforce. This information motivated managers to implement modern production techniques learned from the EPI technical experts, trade fairs and study tours.

To enhance productivity, EPI introduced 3 vocations (machine operators, machine mechanics, and quality control) and equipped four vocational schools, three of which were visited by the evaluation team, with apparel industrial machines, new technologically advanced JUKI sewing machines, and equipment for quality control classes. Company representatives attributed increased productivity to those workers who were trained on these machines. Only a few companies have the same technologically advanced equipment in their factories so vocational school graduates required time to adapt to old machinery. However, even with old machinery, vocational school graduates still demonstrated higher skills and productivity.

All interviewed companies are implementing WRAP. EPI made significant effort to convince companies to introduce standards required for integration into the global apparel value chain. 2012 was devoted to the introduction of the WRAP processes and its audit is expected to take place by the end of 2013. The managers expressed their appreciation of this component of the project and their willingness to introduce ISO standards in order to become competitive with the Turkish companies that demonstrate sector leadership in product quality and production culture, but that do not have the ability or incentive to share this information with Georgian enterprises.

Companies specifically emphasized and praised the assistance of international technical experts and EPI's efforts in organizing study tours and contacts with potential buyers and investors.

Finding 38. The social capital, or economic benefits derived from the cooperation between the value chain actors is low. Social capital can take a long time to develop unless there is the presence of strong leadership within the sector. EPI pointed out that there is no such leader in the Georgian apparel sector, due in part to its small size, undeveloped value chain, and the limited number of medium and virtual nonexistence of large companies. To address this situation, EPI facilitated the development of and is currently providing assistance to an Apparel and Footwear Association. More recently, EPI has conducted several stakeholder meetings in an effort to create networking activities and broaden the value chain. It was very difficult to derive from the interviews and group discussions the extent to which these meetings are valued, except for the networking possibilities. However, there are emerging linkages in the VC. For example, EPI's cooperation with Georgian Fashion Week was an attempt to develop links for the apparel companies with Georgian and foreign designers. They organized the first fashion apparel conference in Tbilisi and invited designers from Baltic States and Denmark. The experience of an EPI-invited Georgian footwear designer from Denmark, who later placed an order with a Kutaisi shoemaking company, served as a beneficial case study for apparel companies that said that they benefited by learning from the case study of the Tallinn experience.

5.4.3.4 Wine Tourism

Finding 39. EPI identified wine tourism as a high priority value chain at the sector selection phase because of its potential for increased competitiveness, its ability to generate rural employment and income, and its linkages to the wine industry. Wine tourism is the remnant of an initial focus on the wine VC, which was dropped from the project due to lack of support from the GoG. Wine tourism is a rapidly developing business worldwide, but in Georgia, it was a relatively new concept. The goal and strategy for the Georgian wine tourism VC were to strengthen Georgia's national image and brand as a high-end tourist destination with strong cultural, historical, and religious linkages. Since wine tourism is a

luxury industry, revenues would hopefully increase as Georgia improves the quality of its product and services. In addition to the long term impact of this initiative on the Georgian economy, immediate short term benefits that can be realized through increased productivity include employment and sales throughout service sector businesses such as transportation, accommodation, souvenir shops, and restaurants that can bring many benefits to rural regions.

Finding 40. EPI identified strong leadership in the private sector to carry this activity. In project year 1, EPI realized that there was strong leadership in the private sector, the Georgian Wine Association (GWA), the Georgian Incoming Tour Operators Association (GITO), and at various wineries. The commitment of the organizations is serious and they support the sustainability of the intervention. Immediately after EPI began, GWA and GITO developed two groundbreaking promotional initiatives which EPI agreed to support. The first initiative was the International Qvevri Symposium held at the 11th century Alaverdi Monastery (the oldest historical winemaking location in Georgia), which, according to some participants had an immediate and extensive effect in terms of introducing Georgia as a wine tourism destination. Organized by the GWA and supported by EPI, the event aimed to achieve international recognition of Georgia as the oldest winemaking country through presentations, movies and discussions held by leading international scientific, historical and cultural wine experts. The second important event supported by EPI was the 3rd International Wine Expo and Wine Award Ceremony, the first internationally recognized competition in Georgia. The wine competition judges, following the competition, wrote a number of articles in the European wine press and online.

Finding 41. EPI staff and consultants contributed useful ideas to the wine tourism efforts. EPI's own wine tourism initiatives included:

- Organizing and sponsoring a visit of the U.S. group Wine Shapers who are experts in winemaking and wine trade, top wine journalists, bloggers, and four Masters of Wine who studied the marketability potential of Georgian wine and wine tourism in the U.S. market. Wine Shapers produced reports, the first of their kind, which present summaries of their observations and recommendations for the Georgian wine and tourism industries and which were discussed by the group prior to their return home. Thanks to this initiative, a tangible result came in February 2012 when Chateau Mukhrani's Takveri Rose was recognized as the wine of the year in the U.S. *Sommelier Journal*.
- In partnership with the U.S. Department of Commerce and the GWA, co-financing a study tour for 15 Georgian winemakers, tour operators and associations to several of the U.S. wine tourism regions, which beneficiaries rated highly.
- In 2012, increasing the worldwide Georgian wine tourism destination awareness campaign. GWA was a Gold Sponsor of the International Wine Tourism Conference and Workshop in Italy. GNTA, GWA and GITO attended the conference and all valued the opportunity to present Georgia's wines and wine tourism opportunities to a broad international audience. The interest that was generated resulted in the decision by the organizational committee to hold its 2014 conference in Georgia. According to EPI beneficiaries who attended the conference, their strategy to brand Georgia as the cradle of wine was successful.

Finding 42. EPI was instrumental in organizing high level courses for the workforce development in wine tourism, namely a wine education certification program and a customer service certification program that left beneficiaries very grateful to the project. During project year 2, EPI contracted My Wine School, a U.S.-based provider that was approved to deliver the training of trainers' course for the Wine and Spirit Education Trust (WSET) to work with Georgian wine educators and members of the hospitality industry. The goal was to increase the institutional capacity of hotels and other organizations to deliver wine etiquette courses to the industry. At a group discussion with wine educators, it was stressed that the WSET courses: 1) helped to develop the educational programs for a wide range of audiences and non-professionals and to enhance their knowledge as seen through the prism of a wine tourist; 2) helped businesses operate these programs on a commercial basis and, therefore, ensure the sustainability of a workforce development activity; and 3) gave participants an opportunity to complete four levels of WSET courses and strive for the fifth level which confers an American Master of Wine degree. In project year 2, 14 wine educators passed the WSET Level II course, and 23 representatives of various Georgian hotels, restaurants, wine shops and GNTA successfully completed the test for the WSET Level I course.

Finding 43. The current status of the wine tourism VC in EPI's activities is ambiguous. No action plans for Wine Route development and for further VC development are uploaded on EPI's web site. Some planned activities have been postponed or dropped, including a promotional campaign undertaken in Tbilisi, the design of a wine tourism brochure, a Web portal for GWA and GITO, an inventory of wine tourism assets, identification of wine tourism source markets and distribution channels, and a wine tourism promotional plan. EPI management states that most suspended activities occurred in areas in which there was a lack of coordination between the public and private sectors and that other areas which have demonstrated high levels of collaboration will proceed.

5.4.3.5 Meetings, Incentives, Conferences, and Exhibitions (MICE) Tourism

Finding 44. Before EPI's involvement, MICE was not widely viewed as an area for development by the GoG or the tourism industry. EPI's main justification for an emphasis on MICE tourism is the higher revenues per MICE tourist compared to other tourists and therefore, the spillover effect it can have on other tourism segments. EPI is widely credited by GoG officials, GNTA leaders and private sector leaders of the tourism industry interviewed for this evaluation with increasing focus on this potential of the industry. It has received significant attention since the participation of the VC stakeholders at the Exhibition for the Incentive Business Travel and Meetings (EIBTM) exhibition in Barcelona on November 2011, which was organized and financed with significant contributions from EPI. The popularity of attending MICE tourism fairs has increased since then, as EPI's co-financing gradually decreased. An increasing number of tourist agencies see the potential and have made MICE services an important part of their businesses. However, given the underdeveloped infrastructure – lack of hotels and MICE event premises and lack of a trained convention management workforce – questions remain about the size of this potential and the sustainability of recent advances. ExpoGeorgia will address some of these questions by expanding and upgrading the main conference facility. Also, it is expected that 3,000 new hotel beds will be added in the Adjara coastal region in 2013.

Finding 45. With EPI help, GNTA declared MICE tourism as its priority segment and Georgia, for the first time, appeared as a MICE destination on the global map. With the significant financial support from the GoG, EPI co-funded promotional activities such as first time participation in major European MICE fairs, organized the first regional MICE conferences in Georgia, promoted Georgia's MICE industry in Ukraine, led familiarization trips for international Destination Management Companies (DMCs), etc. The private sector co-financed some of these activities as well as initiated its own promotional events.

Finding 46. Georgian DMCs and GNTA highly value EPI's contribution to Georgia's MICE tourism development, and are concerned about reduction or termination of EPI's financial support for the promotional activities in project years 3 and 4. The interviewed DMCs expressed their concern that Georgia will not participate this year in the –Worldwide Exhibition for Incentive Travel, Meetings and Events (IMEX)–Frankfurt, a decision that was taken by new GNTA leadership installed under the new government. They fear that if Georgia is not consistently represented as a country in important MICE exhibitions, its global competitive positioning will suffer and the country will not be taken seriously as a MICE destination. The DMCs and GNTA most appreciate the promotional activities organized and financed by EPI, attributed little significance to the development of a MICE action plan as it is not yet published on GNTA's website, and more importance to trainings for DMCs conducted by international experts.

5.4.3.6 Information and Communication Technology

Finding 47. EPI gradually transformed the approach taken at the initial phase of the project, namely, to improve the competitiveness of the ICT sector, to one focusing on the cross-cutting importance of ICT as a catalyst of economic development, and finally deciding on taking an opportunistic approach of finding potential entry points for intervention. Several sector analyses were conducted, such as the Georgian ICT Company Survey, Georgian IT Products and Services Audit and Gap Analyses, and the ICT Education survey. The analyses of Georgia's ICT sector revealed that the telecommunications sector did not require an intervention from EPI, but that the IT sector, which is small and fragmented, is emerging and faces fundamental impediments to its competitiveness, including an acute workforce shortage, high costs of skilled labor, inadequate education provided by universities in computer science, and unsophisticated demand in the local economy.

EPI found an underdeveloped IT value chain, but on the premise that adoption of IT improves business processes and boosts productivity and job creation in many other sectors, EPI focused on cross-cutting interventions in VCs. It was planned that ICT interventions and applications would be identified at the strategy stage for each VC. For example, EPI's assessment of IT in the T&L VC led to the development of the Trade Facilitation System. EPI did not follow the same approach for the other VCs for which it did not prepare IT assessments, and experienced difficulties identifying cross-cutting IT VC initiatives. Ultimately, seeing the GoG's strong drive in the development of e-Government products and services, EPI focused on active cooperation with the government on these topics.

Finding 48. EPI was instrumental in facilitating the private-public partnerships (PPP) that led to the involvement of IT companies in the development of some e-government products and services, such as e-ID applications and an e-registration system for Sakpatenti. Beneficiary companies were appreciative of EPI's PPP initiatives because they enhanced their business revenues and upgraded the workforce through trainings. Most of these products have been developed by the IT departments at the ministries with outside help provided by EPI. EPI demonstrated a productive partnership with the Ministry of Justice and Civil Registry Agency (CRA), resulting in one of EPI's most admired contributions – analysis of the Georgian eID program and the development of recommendations and an action plan for its expansion.

The eID card is a special smartcard issued by the CRA to Georgian citizens with the dual purpose of being used for real-world identification and for electronic authentication. The card can be used for accessing Internet-based services provided by the state as well as private enterprises, and it can also be used to provide digital signatures and electronic documents. Prior to EPI intervention, the CRA managed the eID program on its own and, in the absence of independent professional advice, learned from similar programs in Belgium, Estonia, and the Netherlands. CRA highly valued the technical consultancy conducted by EPI, the analyses of the progress made, and recommendations which were successfully implemented. Three software specialists were trained as trainers in the development of e-ID applications. The training was financed by EPI as was the training for those Georgian IT companies that were willing to develop competency in e-ID applications. The initiative proved to be sustainable because CRA hired trainers who are no longer on EPI's payroll. The interviewed companies positively valued EPI's support of the first conference on e-ID applications and training of six IT companies on the topic. Following this event, EPI assisted the Ministry of Justice and CRA to develop effective implementation of a middleware system, which enabled software developers to start working on new eID applications.

With the involvement of the CRA and the private sector, it was planned that 30 e-ID applications would be developed by the end of project year 2. However, only –the eID Login Applet to use eID card on Internet websites for access control, Citizen's Social Status Viewer application and e-wallet, and e-transport were completed due to challenges in finding a sufficient number of software developers. Three other e-government projects (TFS, Sakpatenti and the GoG eID) comprised a significant part of EPI's contribution to the ICT component and are discussed separately in other headings of this report.

Having the Worldwide Students' Competition (i.e. Microsoft Imagine Cup Competition) brought to Georgia is another example of a successful partnership facilitated by EPI. The Ministry of Education and Science, Microsoft Georgia, Singular Group (a local ICT company), and EPI have formed a partnership to implement Georgia's participation, for the first time, in the international Imagine Cup Competition, where the best team was awarded to travel to Australia for the next tour.

Finding 49. EPI's support of the IT Business Council (IBC) was appreciated by the beneficiaries and likely to have positive impacts on the sustainability of the business association. EPI developed the association's Action Plan, which can potentially upgrade its status in the business community since many companies are currently unaware of the organization and are thus not seeking membership. The IBC is the first professional association of software developers in Georgia, since 2009, to try to establish a leadership position in the sector. EPI conducted an analysis and developed an action plan for the association to define its mandate and develop a roadmap for sustainability. Key parts of the document present a set of activities, with concrete objectives and tasks associated with the four main functions of the Association. The document was developed based on international experiences and is of a practical value

to the association, which strives to assume sector leadership through activities that promote Georgia's ICT sector, supports capacity building for ICT companies and individuals, provides information and research on the ICT sector, delivers membership services, and advocates for regulation and policy reform. The action plan is a two year business model that provides a phased reduction of outside financial support for IBC as the council builds internal capacity over that period and is able to generate adequate resources on its own by increasing the value of membership.

Finding 50. EPI's selective interventions which aim towards the promotion of market linkages had ad hoc positive impacts on participating businesses. These activities included participation in a number of exhibitions and trade fairs, conferences and events to establish Georgian IT company contacts, becoming aware of new trends and technologies and increasing market knowledge with the final goal to identify a market niche for their businesses. EPI supported their visit to CEBIT Istanbul, GITEX Dubai, DigiTec Exhibition in Armenia, and the organization of the GITI Conference B2B in Tbilisi. Some of these events may produce tangible results. For example, EPI assisted the IBC and Delta Systems to participate at the First Black Sea ICT Conference, which aimed to enable Georgian companies to sell software products in other markets. With EPI facilitation, the companies held meetings with more than 10 Jordanian companies (leaders in the region) to discuss potential partnerships. EPI and the Jordanian ICT Council discussed potential partnership opportunities between Georgian and Jordanian ICT councils. Singular is planning to recruit Jordanian software developers for work in Georgia and is currently working on this project.

As a result of these networking opportunities, one Georgian software developer has established a relationship with MIMO, a foreign company that produces innovative smart boards, which are already used in schools.

Finding 51. Although many of EPI's planned networking initiatives were cancelled, they nonetheless represent an important part of the project's support. Georgia's IT sector is not a well-established community, therefore EPI's efforts to organize and support the networking events may not be fully appreciated by potential beneficiaries. The companies interviewed pointed out that the initial meetings at EPI's office provided them with a good understanding of the state of the IT sector in Georgia. The IT start-up Singular benefited from networking which resulted in the hiring of its workforce. According to Singular's founder, he managed to locate the companies from which he could recruit IT engineers. Some networking initiatives were cancelled such as a partnership with the Jordanian Center and Georgian IT companies, although Singular managed to benefit from the networking opportunity.

Finding 52. EPI conducted a feasibility study on the establishment of the IT Innovation Center in Georgia, but the activity was cancelled. Early in project year 2, EPI's survey on the ICT Product and Service Audit and Gap Analysis, as well as a similar survey focusing on universities and training centers providing ICT-related education, were used in the development of the ICT Innovation Center feasibility study. Similar successful USAID initiatives exist in other countries (e.g. Armenia). EPI expected to build its activities around the government's ongoing negotiations with Microsoft and HP to establish a research and development center in Georgia. EPI invited a consultant from Jordan who had experience with Jordan's successful Innovation Center. In project year 2, the plan was to have the Center established and prepared to provide products and services to 100 companies and to conduct trainings of trainers to increase the number of people qualified to deliver ICT training. EPI identified the potential for a partnership between the IBC and international vendors like Microsoft, HP, Cisco and Georgian Technical University. The project was supported by the MoESD and the Ministry of Education.

The major challenge faced was balancing the interests of the many stakeholders. After some effort made by EPI to facilitate stakeholder communication, the project was suspended and finally terminated when Microsoft decided to withdraw. Stakeholders believe the idea failed to materialize because of Microsoft's withdrawal and unwillingness to bear the potential risk of a project connected with the government change; the GoG's unwillingness to commit infrastructure to support the center following the government changeover; and the prematurity of the idea in the Georgian market.

5.5 COMPONENT 4: CROSS-CUTTING ACTIVITIES

5.5.1 High-Level Results for Component 4

Finding 53. Only minor impact on high level indicators is attributed to the CC component; most impact is attributed to other components. Subject to the same caveats expressed for high level results attributed to other project components, results for Component 4, as reported by EPI, are shown in Table 12 below. EPI reports results only for domestic investment/access to finance, as growth in all other high level indicators is attributed to other components

**Table 12: Aggregate High-Level Performance Indicators for Cross Cutting Activities
Component, End of Year 2**

Indicator	Project Target (All Components; Million \$)	CC Component Results (End of Year 2; Million \$)	CC as % of Project Target
FDI *	500	++	
Domestic Investment **	200	22.9	11.5%
Employment	N/A	++	N/A
Exports	150	++	

Source: EPI

* FDI targets are generally conceded to have been excessive. Direct activity in investment promotion is being phased out and this indicator has been eliminated from the project for its remaining term.

** EPI has folded the “Access to Domestic Finance” indicator into a “Domestic Investment” indicator.

+ No separate employment target for CC Component.

++ No gain attributed to CC; see other components.

The gain in domestic investment/access to finance is attributable to a very small number of loans made with EPI’s Financial Advisory Program (FAP) assistance and a doubling of the leasing portfolios of the 3 Georgian leasing companies in 2012 following the adoption of the new law, to which EPI made significant contributions. It is known that some amount of new jobs can be attributed to the workforce upgrading activities under this component. However, those are reported with the results for the M&S component.

5.5.2 Required Outputs and Targeted Results for Component 4

As with the other components, practically all lower level outputs have been achieved and most targeted results and benchmarks were also reached, with some qualifications. Tables showing the status of results are included in Annex 8.

5.5.3 Other Accomplishments of Component 4

5.5.3.1 Upgrading Workforce Skills - Youth & Women

Finding 54. EPI’s main activity in workforce development – upgrading the skills of garment sector workers through partnerships with vocational educators – is a cross cutting effort that may, in time, produce positive effects on employment, quality, investment promotion and export volumes. The two key activities of this sub-component were EPI internships in various segments of its work for Georgian students and vocational training for the apparel sector. The evaluation team did not review the internship program, considering it a minor part of EPI activities, but understands that it did result in a number of permanent positions in government and the private sector for interns.

The vocational education activities in the apparel industry are noteworthy for several reasons, not the least of which is the fact that this is EPI’s main activity for addressing women’s employment issues. Moreover, participation in apparel workforce training is comprised overwhelmingly of women. In addition, there is clear evidence that the training activities have resulted in new jobs and that demand for the trained workers in the industry remains high. Work with the vocational training institutions, which are predominantly state supported, is a good example of EPI’s ability to form PPPs. It also highlights EPI’s ability to create synergies among its various components, melding work on workforce upgrading and enhancement of employment opportunities for women with its work in improving the apparel value chain and promoting apparel exports.

The evaluation team visited three vocational schools that were all fully equipped with JUKI machinery and other equipment provided by EPI and all provided vocational programs with accreditation and authorization from the GoG. EPI supported teacher training on the new technology. The first classes of students graduated in 2012 and most were employed by apparel companies. The link between vocational schools and apparel manufacturers are strong and the schools have not experienced difficulties finding jobs for graduates.

All present participants in the program are unemployed workers who are new to the apparel industry. The interviews suggested that there is also a demand among manufacturers to upgrade skills in modern sewing techniques for employees and middle managers already working and who could lead trainings for new hires.

While considered by most stakeholders to have been successful thus far, there are some challenges to the vocational education program. EPI subsidizes both students and manufacturers by supporting the training, though most students are required to pay part of their tuition. Whether the companies would pay for such courses themselves remains an open question but there are indications from the manufacturers that if the trained workers demonstrate increased productivity and the price for training is reasonable, they might consider paying for it. One school located in a highly urban area noted that, in spite of an apparent demand in the industry for skilled workers, because of the low wages paid for apparel jobs, the demand among young people for training in the professions is low, especially for inspections and quality audit programs and sewing machine mechanics. While classes for professions like accounting and computer graphics, that require students to pay tuition, are filled, the tuition free classes for sewing operators are hard to fill. All of the schools noted the lack of demand for courses on maintenance and repair of sewing equipment. The message of these findings is that the training is better suited to middle aged women in more rural areas for whom other job possibilities are limited.

There are also indications that some of the vocational schools – that are financed by the Ministry of Education and survive largely on state subsidies - are passive recipients of the EPI assistance and not likely to develop and market for themselves for the apparel sector training, which may affect sustainability after the EPI program closes.

Finding 55. EPI reached out to women in the AG sector. EPI has included gender consideration in AG component work by engaging community outreach specialists as part of the agricultural teams in the regions who seek to assure the participation of women farmers in project trainings and in the creation of farmer groups which began at the close of project year 2. EPI identified the lack of business skills as one of key constraints for women farmers and trained more than 40 NGOs on curricula design for business education of women farmers and selected four NGOs to design VC specific business skill trainings that were then delivered to women farmers in the regions.

5.5.3.2 Increasing Access to Finance

For this topic also see the discussion of crop issuance and agricultural loans under section 5.3.3.3, above.

Finding 56. EPI's work on financial leasing has been useful and successful but the results for farmers are not yet visible and some significant challenges remain. The main activity under this sub-component was the development of the financial leasing market. The development theory was that leasing would provide an alternative means of finance for small farmers and other businesses –participating in EPI's selected agricultural value chains by providing a different and attractive way of collateralizing formal financing and avoiding what is perceived to be a flawed and inefficient secured transactions system. In addition, it is widely known that Georgian banks make few loans to farmers and SMEs, preferring other lines of investment. Moreover, when banks do lend, they demand extraordinarily high collateralization with real assets, which many small farmers and SMEs cannot or will not meet. Leasing was seen as a possible alternative to these circumstances.

Georgia appears at this time to be far behind neighboring countries (e.g. Russia, Azerbaijan) in developing the financial leasing market. Participants in the leasing market, of which there are only three firms at this time, two of which are bank-owned, credit EPI with raising the profile of the leasing business within the GoG and through its advocacy work, spurring adoption of amendments to the existing law and regulations in 2011, which reflected most international best practices. As in other project components, EPI is credited with making maximum use of its leverage to put the issues before the GoG and elicit a response. In addition, it supported and co-financed the

development of the law with the Leasing Association, providing international experts, whose skills and expertise were very highly regarded, to participate in an industry working group. The key players in the industry do not think the amendments to the law would have been adopted in the absence of EPI's support. From the perspective of industry members, results are shown by doubling leasing portfolios in 2012 following the adoption of the law, and the fact that large banks today view leasing as a potential growth sector.

Additional contributions by EPI to this effort included:

- Financial support for the participation of Georgian leasing executives in the U.S. leasing conference.
- Support for a mass media campaign to educate the business community and potential clients on the benefits of financial leasing.
- Extensive training sessions for bankers, lawyers, judges, farmers and other potential clients on the law and economics of leasing. EPI conducted 14 separate leasing trainings involving 274 individuals. In addition, important training on the tax aspects of leasing were provided to RS staff and other professionals.
- EPI supported the development of a tax manual on leasing (not yet issued).

The leasing industry still faces significant hurdles in Georgia. Most banks remain unwilling to finance leasing activities by lending to leasing companies. More importantly, from the perspective of EPI's original target clients i.e. small farmers, a VAT tax exemption on purchases by farmers with revenues under 100,000 GEL per annum is not passed through to leasing companies, making it more expensive for such farmers to use leasing rather than loans or cash purchase for equipment. This issue remains under discussion with EPI support.

Finding 57. EPI's work on financial advisory services resulted in minor increases in the volume of loans going to farmers and SMEs, but there remain many challenges to increase the flow of credit to agriculture and other small businesses. Mid-way through project year 2, EPI began a Financial Advisory Program (FAP) which was intended to match VC clients (farmer, SMEs) with the financial advisors (FAs) it had subcontracted to provide services, and the financial advisors with financial institutions (FIs). EPI extensively trained clients on the use of credit and FAs and FIs on the workings of the VCs. It also sought to obtain commitment from the FIs to entertain loan applications from VC participants assisted by EPI's FAs. By close of project year 2, the program had resulted in new loans of less than \$170,000 USD, though also a pipeline of clients and applications with expectations of increased volumes in project years 3 and 4. An actual result of this work is a matter for the final project evaluation.

The premise of this work is reasonable but perhaps does not take into account the very high barriers that exist for increased lending by Georgian banks, particularly to small agriculture. The demands of the banks for extremely high real collateral for conventional loans is off-putting to farmers and SMEs (4 enterprises that successfully obtained loan commitments eventually declined the offers). The banks' portfolio structures consider minimum conventional loan sizes to be in the range of 10,000-12,000 GEL, and sometimes as high as 20,000 GEL, which is typically more than small farmers need or can qualify for. To most banks, anything less than this level is considered microfinance, which is perhaps reflected in the increased number of bank-owned MFIs. Ultimately, most banks still distrust the agricultural market; only three or four Georgian banks presently make agricultural loans. They view the sector as underdeveloped and are concerned with issues like inefficiency, unsustainable farm sizes, lack of secondary infrastructure, and lack of technology and trained scientists in the sector.

There is, however, light in the horizon. Most banks that will provide agricultural lending are currently perceived as better educated about the sector. While agricultural lending makes up only 5% of the Bank of Georgia's loan portfolio, it is believed that its SME portfolio is among the best at the bank and it expects 50% growth in agricultural lending year-over-year. Nevertheless, in a primarily agricultural country, portfolios are likely to remain relatively small unless other issues in the sector are addressed.

5.5.3.3 Improving the Quality of Business and Economic Information in Georgia

The main initiative in this subcomponent was training Georgian journalists in business and economic reporting. The evaluation team did not review the results of this activity.

5.5.3.4 Creation of Sustainable Capacity of Georgian Organizations to Implement a Targeted Approach to Investment Promotion

Finding 58. EPI has made some contributions to the development of indigenous capacity in investment promotion, but there are mixed views and the concrete results of these efforts have not yet been realized. The project conducted an investment promotion sector assessment which was well received by GoG clients.²⁴ That study laid out an action plan for improvement of the institutional capabilities of the Georgian National Investment Agency (GNIA) that emphasizes investor aftercare that is currently lacking in GNIA. Subsequently, the GoG decided to place aftercare with a separate department of the MoESD where it remains.

Most of EPI's work in capacity development was with GNIA. Export promotion was a relatively new activity for the GoG, and the agency had previously lacked trained professional staff and had suffered from high turnover of staff and lack of continuity. EPI's work with GNIA was extremely hands-on, with EPI's investment promotion specialists working alongside GNIA's own staff to prepare an action plan, plan and implement national and international events, and pursue investors through contacts and site visits. Specific services provided by EPI to GNIA and confirmed by agency officials included:

- Preparation of sector assessments. EPI prepared broad assessments of Georgia's comparative advantage in various sectors. Though still referred to today as broad guides, the studies are acknowledged to be insufficient for attracting well capitalized, serious investors. Studies by internationally recognized consulting firms are commissioned from time to time to supplement the work done by EPI. In some cases there is a disagreement over the conclusion of EPI's assessment work, and specifically the recommendation for emphasis of FDI targets, but that ~~-might -be~~ expected given the many potential sectors for investment, the lack of detailed quantitative data on which to base analysis and competing interests of stakeholders.
- Training by experienced international consultants and introduction to best practice international models. EPI conducted five separate training events involving 50 participants from 18 organizations, including, for example, conducting successful international trade fairs. There is some sense among responsible officials that a good deal of the training was below the capabilities of the staff and delivered by experts who, while undoubtedly knowledgeable, did not know the Georgian context and offered only generalized recommendations. GNIA no longer takes training from EPI.
- Emphasis on the aftercare aspect of investment promotion. EPI's insistence on raising the profile of investor aftercare is recognized as a genuine contribution and it is being developed by the GoG today.
- Support for attendance at international investment promotion events. EPI supported the planning and facilitated the participation in international trade fairs and promotional events. That work is highly regarded and appreciated.
- Direct support for Turkish investment advisors. EPI supported retention of two Turkish investment advisers who promoted Georgian investment among Turkish businesses. The work of these advisors recently ended, with them having previously brought 30-40 potential Turkey investors to Georgia. There is a sense that many of these investors were simply trying to determine the extent to which the GoG was willing to provide investment incentives, and by the end of project year 2, no actual investments had been attributed to this activity. In addition however, the Turkish advisors have developed an extensive listing or pipeline of potential Turkish investors which has now been turned over to GNIA and there is a possibility of further investment being realized in the project's final years.

At this time, there are only a handful of investments that might be attributed to this investment promotion work and some stakeholders question whether those investments are really attributable to project efforts. Much of the evaluation of these efforts depends on the results from the pipeline of investors who have already been courted, many of whom have made site visits to Georgia. If actual investments arise from that pipeline, it may shed an entirely different light on the work with GNIA. At this time, EPI is phasing down its investment promotion work and the FDI high level indicator has been removed from EPI's PMP.

²⁴ See EPI, Assessment of Investment Promotion Capacity in Georgia, April 6, 2011.

6.0 CONCLUSIONS

Conclusions are organized below by the priority questions posed in the SOW.

6.1 PRIORITY QUESTION ONE

To what extent has the EPI project contributed to improving the business enabling environment in Georgia and the GOG's adoption of such improvements?

Conclusion 1. EPI has made or is in the process of making several important contributions to business climate improvement. The evaluation team believes this to be true, although as stated throughout this report, it is in many cases too early to determine what the concrete benefits of those contributions will be. This conclusion was reached notwithstanding the fact that Georgia was making strong progress on business climate reform long before EPI appeared and many of the reforms it has promoted have been percolating for years in the GoG and in earlier business climate projects supported by USAID and other donors. The contributions that the evaluation team would single out for attention include the TFS (see section 5.4.3.1, above), the Sakpatenti E-registration system and other work in raising the profile of IPR protection as an issue (see section 5.2.3.2, above), financial leasing reforms (see section 5.5.3.2 above), and the work on tax administration that is contributing to a more transparent and consistent system of business taxation (see section 5.2.2.4, above).

Conclusion 2. Most of EPI's major contributions have been assisting in the implementation of good policies already established, and particularly in providing concrete, tangible means of implementation that increase transparency and administrative efficiency, thereby increasing certainty and reducing transaction costs. Key EPI contributions have built upon ideas and policies that had been in development before the project began, thereby allowing EPI to maximize goodwill and increase its probability of success. These ideas include IPR protection, for which a new law was adopted in 2010; tax administration reform implemented under a modern law also adopted in 2010; development of the TFS, an objective of some private sector players and government officials before EPI; the GoG eID (section 5.4.3.6); and crop insurance plans, which had been tried (unsuccessfully) as early as 2000. Moreover, the success of these efforts emphasized the importance of focusing on implementation as an essential component of policy making.

Conclusion 3. EPI's emphasis on PPD has been instrumental in introducing a new way of conducting public business that can enhance the ability of the GoG to make good policy, although questions of sustainability remain. EPI is widely credited with enhancing PPD in Georgia and if it becomes an ongoing part of GoG practice, it can only result in better policy making. EPI efforts to promote dialog between government and the private sector have been noteworthy in the areas of financial leasing (section 5.5.3.2), crop insurance (section 5.3.3.4), MICE tourism (section 5.4.3.5), and trade and customs policy (section 5.2.2.4). There are some questions of sustainability because much of the current dialog is personality driven and largely dependent on EPI support and initiative. However, there are some steps that can be taken to institutionalize the practice of public-private consultation on important policy initiatives.

Conclusion 4. Moderate success in the promotion of useful laws and regulatory acts which may increase over the remaining project years. Inducing adoption of business climate reform legislation and regulatory acts is always difficult, particularly in unstable governments, but as shown in Table 4 in section 5.1, EPI has had a fair share of success in improving the legal framework, and even initiatives that have been stalled (e.g. the investment law) may yet be adopted over the remaining project term.

Conclusion 5. No formal training in policy analysis and development techniques. Most of EPI's contribution to policy development has been in the form of teaching by doing; providing international experts to work alongside country counterparts in the GoG to develop policy, laws, and regulatory acts; or demonstrating the efficacy of the consultative process by promoting the use of public-private dialog, working groups and stakeholder events. The evaluation team found no evidence that EPI worked with the GoG on developing technical skills in business environment analysis and reform. For example, while EPI uses techniques of cost-benefit analysis and regulatory impact analysis to support its work, most of this analysis is for internal use and it is not clear that these technical skills have been imparted

to GoG counterparts. Nor has the GoG adopted any particular requirements relating to the level of impact analysis that must be done prior to proposal of government regulations in the business sector, and that remains at an informal level.

6.2 PRIORITY QUESTION TWO

What are the main effects of the project on targeted agriculture and non-agriculture value chains and the business enabling environment, including on overall country-level competitiveness?

Conclusion 6. The main effects on the business enabling environment have been in increasing transparency and decreasing transaction costs of administrative processes and instilling more open communications through PPD. Secondary effects include modernization of some key laws and regulations. The most far reaching effects on the business environment will likely arise from EPI's major contributions to important administrative processes including: 1) TFS (see section 5.4.3.1); 2) Sakpatenti e-filing (see section 5.2.3.2, the GoG e-ID (see section 5.4.3.6); and 3) the work on facilitating and making more transparent tax audit procedures (see section 5.2.2.4) – all of which hold out strong promise for facilitating transactions and reducing transaction costs in several sectors. EPI's work on several important laws and regulatory acts in customs, leasing (see section 5.5.3.2), and warehouse management (see section 5.2.2.4) also had immediate impact.

Conclusion 7. Improvement in farming practices are visible, which, in time, would lead to better quality products and enhance country-level competitiveness. Improvements in agricultural practices in several of the targeted value chains were visible to the evaluation team and if sustained, should result in improved product quality and yields. More needs to be done (e.g. marketing, standardization, testing, packaging, sorting and storage, etc.) to translate those gains into increased competitiveness in international markets for export products such as nuts and mandarins, but a good foundation has been created which should eventually enhance the competitiveness of those crops.

The reinvigoration of greenhouse production is particularly evident in the adoption of current techniques and technology, and holds out significant promise for increases in import substitution. However, outcomes will likely be affected by the availability of financing for small operators. EPI has transferred all the relevant greenhouse-training materials to the Agrarian University so that they can continue using it for their students. EPI will continue to provide audit and benchmarking assessments for the industry to highlight annual challenges for the 30+ greenhouse operators and make recommendations for improvement.

The agricultural sector has been characterized by very low productivity which hampers overall competitiveness of the sector. EPI has therefore focused initially on improving productivity with large-scale extension programs in order to create the foundation for other VC interventions in marketing, quality standards, farmer group development, and access to finance.

EPI designed training programs based on information about gaps in production practices used by growers, which were identified through grower interviews and included improper no pruning/thinning, appropriate application of fertilizers (dosage, timing, placement), detection, monitoring, and taking measures against diseases and insects. The main objective of these training cycles has been behavioral change in agricultural practices among growers. Given low yields with a potential to increase, proper implementation of these practices could have a significant impact on productivity. In general, most of the practices addressed by EPI (pruning/thinning, frequency in fertilizer application, etc.) either have not been carried out at all or have been implemented minimally and improperly by growers in the past.

Most of the growers/trainees openly state that they were not aware of some practices or have not been using them for various reasons including minimum cultivation of mandarin orchards so as not to disturb the root zone, pruning of mandarin and hazelnut trees, etc. Practice of minimum cultivation was abandoned during the Soviet era when collective farms tended to report as high as possible man/day input, and pruning of mandarins was associated with the loss in marketable yields since all mandarins were marketed (regardless of size and appearance). Growers/trainees have now acknowledged that the prime focus should be on productivity without compromising quality.

In general, growers/trainees have become more quality conscious and interested in enhancing productivity without compromising quality. Harvest levels have frequently been associated with the implementation and adoption of practices. According to grower/trainee feedback, there has been a high rate of knowledge transfer (knowledge diffusion) from growers/trainees to fellow growers.

Conclusion 8. It is possible that one of the main effects on country level competitiveness in the agricultural sector will be realized indirectly through EPI's BEE work on the certification of agricultural testing laboratories. As noted, EPI's work on the certification of two agricultural testing laboratories was a simple concept with potentially far-reaching implications for the agricultural sector. Further development of testing capabilities will not only produce more confidence among foreign buyers, but will also induce domestic producers to raise the quality of their products to internationally accepted levels. Coupled with EPI's current efforts to achieve certification of certain exporters under the GlobalGAP system, these indirect impacts on improving quality of agricultural products may be significant over time.

Conclusion 9. EPI has made or is in the process of making important contributions towards establishing Georgia as a Caucasus Transit Corridor, which can have a direct impact on high level indicators and overall country competitiveness. There is a consensus that Georgia enjoys certain advantages as a regional T&L hub and transit corridor and EPI is widely credited with focusing the GoG on a comprehensive strategy to promote this concept (see section 5.4.3.1). EPI's work has gone far beyond the TFS, which can have very significant impact, and emphasizes the integrated nature of the VC and the need for both PPD and private-public cooperation in order to realize the full potential of the VC. EPI's emphasis on PPD has been instrumental in introducing new, important initiatives that can change business practices, increase productivity, and enhance the value of T&L companies. There are stakeholders who believe that TFS would not have proceeded without EPI's intervention, or at least would have been much longer in the making.

Conclusion 10. EPI was instrumental in supporting very important promotional activities, which were trend - setting for the wine tourism and MICE sectors in Georgia. Arguably, those activities put Georgia on the wine tourism and MICE maps for the first time. EPI's assistance to the wine sector (see section 5.4.3.4) and MICE tourism (see section 5.4.3.5) were important and could have long-lasting impacts. In the case of MICE tourism, EPI championed an idea that, heretofore, had not been high on the agenda of the tourism industry or GoG but is today, one of GNTA's highest priorities. Professional-level promotion has now become a central tenet of these tourism industries, in large part, due to EPI's support (wine) and leadership (MICE).

6.3 PRIORITY QUESTION THREE

With respect to EPI's targeted sectors, what has been and what will likely be the contribution of the project toward increasing the four high level results: Productivity, Employment, Access to Local Finance and Exports.

Conclusion 11. There are some short-term positive impacts on high level results, but likely not in the magnitudes suggested by EPI. Most impacts are very difficult to estimate and the project was not structured for high level evaluation. As discussed in sections 5.2.1, 5.2.1, 5.4.1 and 5.5.1, it is very difficult to attribute changes in high level indicators to EPI activities given the many extraneous variables and existing trends in these sectors before EPI began. More importantly, it is probably far too early to see the impact of changes in agricultural or manufacturing practices on higher level indicators. Nevertheless, some impacts have been observed, including:

- Participating farmers report increased yields and are confident that productivity will continue to rise.
- The logical connection between the agricultural technical assistance provided and increased employment was tenuous to begin with, and not much new employment was visible.
- Some new jobs and exports in the apparel sector can be attributed directly to EPI interventions in promoting trade contacts and networking in the value chain.
- Some new investments in fixed assets can be attributed to EPI activities in greenhouse production, T&L, and business climate reform (warehouses).
- Some new lending can be attributed to EPI work in crop insurance and financial advisory services.
- Increases in FDI are hard to identify and have not met expectations, though a pipeline of potential

investors may produce results in the future.

Conclusion 12. It is reasonable to expect medium and long term positive impacts on some high level indicators. The evaluation team believes that it is too soon to see significant effects on high level indicators, but believe that many EPI activities hold promise for enhancing performance of the value chains in the longer run. For example, it stands to reason that once TFS is fully implemented, productivity of all market participants will be enhanced, which should lead to growth in the sector as a regional trans-shipment corridor and increased jobs. Similarly, if remaining issues in industry structure and product quality are addressed, the increased quality and yields in nuts and mandarins should lead to increased exports. By improving paper quality and commencing production of the most desired packing paper varieties, Georgian paper mills should be able to increase sales in the domestic market and employment in the VC. The logical framework for most of these interventions remains sound.

Conclusion 13. Productivity should be broadly defined to include facilitation of administrative processes and reduction in transaction costs. Productivity can be in the shape of increased product per input as in some of the AG and M&S VCs, but some of EPI's likely impact on productivity will be in e-government and reducing the transaction time and costs of administrative processes i.e. more procedures will be completed in less time and at lower costs for the participants. TFS, E-Filing and eID are good examples.

6.4 PRIORITY QUESTION FOUR

As a result of EPI initiatives, have businesses changed business practices, increased productivity, and the value of their enterprises, thus contributing to the overall competitiveness of value chains and the Georgian private sector?

Conclusion 14. In the AG Component, few visible changes in business practice have been observed at this time. While agricultural practices have clearly changed (e.g. soil and plant management, greenhouse management, etc.), there has been no discernible change in business practices (factoring, sorting, business structures, marketing, etc.) among assisted farmers at this time. EPI's strategy was to focus on product quality and yields first, which are affected by agricultural practices. Some minor training in business topics was provided to women farmers, but the results of those trainings are not yet clear. In another case, some mandarin producers have adopted corrugated cardboard packaging based on networking promoted by EPI between producers and packaging firms, but that transition is also in an early stage. EPI has only recently begun to assist in the formation of new business structures for farmers through its work on farmer cooperatives, but these are in too early a stage to discern impact. More attention to the development of business practices will be paid in project years 3 and 4, particularly in connection with the work planned with farmer's cooperatives, which may be a more effective and sustainable approach to the development of good business practices than dealing with small farmers who lack incentives to change.

Changes in agricultural practices have been substantial, have been widely absorbed and disseminated, are likely to be sustainable, and should eventually have a notable impact on productivity and product quality, which could in turn affect the level of investment and exports. It is too early to estimate the magnitudes of these changes as most project lessons have only begun to take effect in 2012.

In the Mandarin VC, EPI promoted the adoption of new packing processes and has facilitated the first GlobalGAP certification for Georgian packagers. In that sense EPI activities have affected the business practices of one packing house and an associated farmer group as they connected to high-value markets in Ukraine for 700 tons for the first time in mandarin sector history, and EPI intends to use this model to work with an additional 10 packing houses in project year 3.

Conclusion 15. Changes to business practices are more visible in M&S VCs but even that take-up is slow and affected by a host of other variables, for example the availability of finance. It is possible that the businesses will change their practices if EPI continues, and perhaps intensifies, its support to some value chain enterprises. Changes to business practices in the M&S VC include:

- In the apparel VC, all assisted enterprises have adopted or will adopt WRAP standards (see section

5.4.3.3), which should eventually aid in increasing exports.

- Most apparel VC members have accepted the relationship with the vocational institutions for recruiting new employees.
- EPI's productivity benchmarking in the apparel VC, as well as support for attendance at international trade fairs, has resulted in several assisted enterprises adopting new manufacturing techniques and technologies.
- In the packaging VC, production of corrugated and water resistant cardboard boxes is becoming established as better linkages are established with AG value chain customers.
- Companies in the T&L VC are already adapting their business practices to the new TFS system, resulting in simplified procedures, increased efficiency and, ultimately, lower costs.
- EPI's work in wine tourism, and in particular the introduction of certificate courses, has had an impact on how restaurants and other tourist venues like hotels are treating food and wine service. Several dozen Georgia food service workers have already received certifications and are applying their knowledge in their businesses.
- In a limited number of cases, VC members have established their own relationships with BSPs and continue using consulting services to improve their businesses.

Given the interest and enthusiasm of project beneficiaries, real impact on business practices could be seen eventually if the business plans delivered to various enterprises by EPI supported consultants are implemented, but in some cases that might require more intensive work with the recipients who are not likely, and in fact might not be capable of, implementing the plans themselves. Some of the enterprises visited during the evaluation are in need of more intensive assistance. Many of EPI's recommendations require financial investments in company modernization and certification in WRAP and ISO standards, for example, and financing is difficult to find.

6.5 PRIORITY QUESTION FIVE

What are the constraints/challenges/issues that inhibit the project's contribution toward achieving high level results during the remaining term of the project?

Conclusion 16. The change in the government may put a hold on some projects but should not be considered a constraint that inhibits the achievement of EPI's high-level objectives during the remaining term. The change of government has had an effect on several ongoing EPI initiatives, mostly in terms of funding and delay, but EPI is making reasonable headway in establishing necessary relationships and the change should not be a major impediment, but rather may present new opportunities in several areas.

Conclusion 17. Sustainability of PPD, one of EPI's signature accomplishments, may depend on further institutionalization of the practice. Sustainability of PPD is problematic as much of what has been done is personality based or depends on particular champions in the government. Change in government or officials could have a negative impact as there are still few well-established institutions dedicated to PPD. For example, the ongoing public-private working group under the RS has now been recognized in a decree and a formal appointment process, but even that is at the whim of the Minister. EPI has been working with civil society institutions and business associations to develop their own capacities to represent their interests but some of these remain weak and lack the resources and economies of scale that are necessary to support long term representation. The largest among them, the Georgian Business Association, has only 60 members.

Conclusion 18. Sustainability of Georgia's apparel sector's competitive advantage, and therefore its long-term impact on economic growth, is questionable, although the medium term impact on the sector's economic indicators could be significant. EPI sees the Georgian apparel sector strategy as integration into the low value-added part of the global VC. The strategy offers short term increases in productivity, employment, exports and investments. The competitive advantage of the Georgian apparel sector is seen as low wages paid to worker compared to Turkey and China, while there is room to improve its competitive edge by increasing productivity relatively easily and quickly. The interviewed beneficiaries have high expectations that raising wages in other countries (e.g. Turkey), Georgia's proximity to European markets and cultures (contrary to South East Asia), and a certain ease of doing business in Georgia will sustain the sector's competitiveness in the long run. That strategy may not be sustainable as it is based on an assumption of low economic growth parameters in Georgia and excludes from competition Africa and South Asia's huge apparel sectors that are

already integrated into the global value chain with far lower wages than in Georgia. In the shorter term, there are already indications that increasing wages in the Turkish apparel sector is producing some employment and investment growth in the Georgian apparel sector.

Conclusion 19. The MICE tourism development component is considered successful by stakeholders, and judging by the data presented on MICE tourism and GNTA's interest to support the implementation of the action plan, the sector can be optimistic about its sustainability. To sustain this impact on MICE tourism, development support at the same order of magnitude as EPI has been providing may still be required as the private sector is still too weak to independently address serious challenges the sector is facing. With EPI support, GNTA is urging the private sector to jointly establish a Convention Bureau. If that proposal is well funded it could have a significant impact. However, the full implementation has been delayed at least until 2014, following the agreement on the governance structure and the recruitment of the Bureau's staff in the second half of 2013. Significant attention should be paid to MICE infrastructure development, capacity building, measures to address the high cost of air travel, the development of workforce and qualified management personnel, and physical facilities.

Conclusion 20. Sustainability of access to financing, in particular financing for small farmers and SMEs remains a significant obstacle in all value chains. The problems run far deeper than that EPI's financial advisory services or promotion of crop insurance and financial leasing can address. Georgian banks generally are highly conservative and their usual requirements for collateral are beyond what many farmers and small business owners are willing or able to provide. In addition, other loan requirements are also considered onerous. Large banks have too many alternative, less risky investments to pursue than small farmers and small businesspeople. Even the leasing companies have difficulty borrowing from their own parent banks and have abandoned that line of funding. Recent growth of some forms of lending, in particular microfinance, may hold out some hope for change.

Conclusion 21. Sustainability of investments with small farmers. While the AG component work has already shown early results in productivity and quality, there are undoubtedly going to be many structural changes in the agricultural sector over the coming years and there remains considerable skepticism regarding upgrading the capabilities of small farmers, who may not be in the business for the long term. As it happens, the mandarin and nut VCs that the project emphasizes have always been based on small farms and may in fact demonstrate long lasting impact. But, whether the model is transferable to other agricultural VCs remains an open question; far less success was seen in open field vegetables, which have now been abandoned. At the same time, a considerable effort was put into training of trainers who remain in the field and, with proper support, could carry on trainings with new entrants; however, the GoG still has no extension service to speak of. Examples include the relationship with AgriGeorgia on hazelnut training and the Agrarian University on greenhouse training. There will likely be a better feel for the longer term impacts at the end of the project.

Among various agricultural experts and senior public officials there remains skepticism that working with small Georgian farmers is a sound long-term strategy. There is a sense that many small farmers are not farmers by choice but for lack of other sources of employment, and will abandon their current activities given the opportunity. Also, there is a strong perception that most Georgian farmers are unwilling to invest in improving their farms, a point noted in EPI's own monitoring when farmers almost unanimously balked at purchasing certain types of inputs because of price. Finally, access to finance will always be limited for small operators as the size of the loans they can take are not actually considered small loans by the main financial institutions. Growth in MFIs, which is occurring, may address this point. EPI's own comprehensive assessment of the agricultural sector recommended more work with commercial mid-sized farms. EPI's original SOW emphasized work with farms of 5+ ha, which is considered substantial in Georgia. However, it soon became apparent that there were relatively few such farms and therefore, that directive conflicted with the contractor's obligation to train thousands of Georgian farmers. To accomplish that level of participants trained, smaller farms were admitted to achieve the volume objectives of the program.

EPI's theory is that it can convince the best small farmers among its trainees to become larger commercial operators and commit to the industry, perhaps contributing to much needed farm consolidation over time. EPI also points out that Georgia is characterized by failure to develop intermediary agribusinesses, and supports the premise that by increasing product quality and yields among small farmers it can instigate the

creation of agribusinesses and product aggregators, as well as other economic models, that will put small farms on a more sustainable economic basis. These are plausible development theories, but a long-term trend that cannot be confirmed after only one full year of activity. Creation of farmers' cooperatives, discussed below, is one answer to this challenge and EPI's main direction for the project's remaining time. However, many experts believe that significant barriers remain to creating larger farms, including not only the well-known issues related to land consolidation, but also underdevelopment of secondary infrastructure in the agricultural sector, including, for example, the availability of high quality inputs, cold storage, drying and warehousing, irrigation, financing and testing.

6.6 PRIORITY QUESTION SIX

What are the opportunities to improve impact and enhance the implementation and management of similar projects in the future; those that may address such issues as gender equity and sustainability?

This question relates to recommendations, which are provided under section 7.0, below.

7.0 RECOMMENDATIONS

7.1 GENERAL RECOMMENDATIONS

Recommendation 1. The analytical work could be done in a shorter period of time in order to start focusing on implementation in the earlier period of the project. Whether the amount of analytical work done at the start of the project was necessary and added value in all cases is debatable. Much of the work was appreciated by the clients and remains in use. It is the only work of its kind in Georgia, and may have been necessary because of the decision to structure the project as a "work in progress" for which key activities would be defined only following due diligence research. But new projects may need early, concrete contributions and accomplishments to avoid creating a sense of drift among clients.

Recommendation 2. Emphasize time of delivery. The project should invest resources to finish strong in those areas it has started, including for example TFS, Sakpatenti, the Customs Time Management Study, and the modernized tax payment system. Since overly long preparation and delays in delivery of products have been a complaint of some EPI clients, despite the ultimate quality of the work itself, ongoing initiatives should have sufficient resources devoted to guarantee timely completion.

Recommendation 3. Avoid distortion of activity selection caused by choice of performance indicators. Again perhaps because of the undefined nature of EPI activities at the start, while the project performance indicators have been largely defined, there is a sense that some project activities were selected because of their possible effects on achieving high level indicators rather than identified needs. One way this might be avoided is if activities are not fully defined at the start of the project, indicators should also not be defined.

Recommendation 4. Continue to work on good performance indicators. There has been a good deal of change in the original PMP as the defects in some indicators become more apparent. This work is probably not complete. The evaluation team would recommend downgrading all high level indicators to contextual indicators as it will never be possible to draw causal inferences between those and project activities, and request that EPI, henceforth, report possible impacts on high level indicators only if direct connections can be made between the project and the impact. For example, if students from the vocational education work actually obtain jobs in the apparel sector, or if mandarin producers gain contracts from an EPI supported trade fair, that is useful information. If EPI were following program farmers for 2 or 3 years, increases in their yields would be useful information, but not if they are following them only for the one year the farmers remain in program classes, which is what is currently happening. Downgrading the high level indicators should also mean eliminating high level performance targets in all areas, not just in FDI as has been recently done. Performance targets such as these often lead to embellishment, exaggeration, obfuscation and puffery in project reporting.

Going forward, we would recommend that for new projects with similar activities, a few structured evaluations with counterfactuals should be incorporated into the program. This could have been done with

the AG VC work, but was not. A few such studies would have more meaning and extrapolative value regarding the assistance models used than most of the data currently collected by EPI, and at a similar cost. We would also recommend increasing reliance on cost benefit and regulatory impact analyses to identify likely benefits from project activities.

Along these lines there may also remain several good possibilities for meaningful M&E prior to the end of the project if a research program is designed and steps are taken now to collect baseline data. For example, baseline time studies of IPR filings, various customs procedures that will ultimately fall under the TFS system and current tax payment procedures could provide useful insights into how those pending systems increase user productivity, once implemented. Various GoG actors may have to be enlisted for collecting this data, but this should be a normal part of their own M&E.

Recommendation 5. Emphasize flexibility of plan. Flexibility and rapid response are highly valued by EPI clients, and EPI has shown it is capable of both. It is advisable to set in reserve some resources for a “rapid response” to create functionality that can perform technical assistance on discrete, limited issues raised by the GoG and on which EPI brings expertise to bear and can complete quickly. EPI’s work in tax administration and customs was essentially this model, where EPI undertook over 20 separate activities, many in response to GoG requests for specific assistance.

7.2 COMPONENT 1: BUSINESS CLIMATE

Recommendation 6. Going forward, emphasize proven strengths and avoid or phase out less productive initiatives in business climate reform. Proven strengths are the use of data and ICT to increase transparency, improve administrative processes, and reduce transaction costs. Remaining resources should be devoted through to completion for major initiatives such as TFS and intellectual property protection, even to the extent of accelerating completion by allocation of more resources. New initiatives in the nature of high level policy, legal or regulatory development should be avoided unless extremely targeted and limited in scope and time. Initiatives that seek to develop new policy or laws should be avoided in favor of initiatives that seek to improve the implementation of the existing good policy or law. As a rule of thumb, any work that requires an additional sector “assessment” should be avoided, as should any work whose main product will be a new law. New initiatives that build on strengths that might be considered include: 1) the land registration work specifically requested by the government, after close scrutiny of cost-effectiveness and EPI’s ability to manage work in that sector; and 2) the inventory, asset management and software development work raised by the MoESD.

Recommendation 7. Emphasize institutionalization of PPD – Competitiveness Council, business associations, administrative procedure laws, etc. An emphasis should be placed on institutionalizing the level of PPD achieved by EPI. Creation of the proposed Competitiveness Council, a joint undertaking of EPI and the World Bank, could be important in that respect. Also important, is continuing work on creating, training and shoring up the capacities of business associations to represent their own interests once EPI is over. While the general recommendation is to avoid starting work on any new laws, some consideration might be given to proposing an administrative procedure law that requires government agencies to publish proposed regulatory acts in an official publication in general circulation (including the web), giving the public sufficient time and a clear mechanism for submitting views and comments, and requiring the sponsoring agency to respond publicly to main lines of public comment.

Recommendation 8. More training in policy analysis and development. More could be done to formally train GoG staff in analytical techniques and to incorporate those techniques into the policy development process. Formal training in cost benefit analysis, regulatory impact analysis and standard cost modeling could be provided to selected GoG staff. This formal training could be developed further with local universities.

Again, though it might be too late for EPI to start work on major regulatory changes, consideration might be given to developing a framework for integrating cost benefit and other analytical techniques into a mandatory procedure binding all GoG departments that suggest new regulatory enactments. Mandatory regulatory impact analysis of government proposals is a standard practice in OECD countries today.

7.3 COMPONENT 2: AGRICULTURAL SECTOR

Recommendation 9. Current initiatives in the AG Component should be continued at least at current levels. Overall, the Ag Component of EPI is on the right track: the current focus on improved access of grower groups to production inputs and product buyers/markets, design of innovative financial products, providing extension/advisory services to targeted VCs, and development of farmer groups should be maintained at least at current levels. Cooperation and coordination with the MoA should be maintained and strengthened further. If resources allow, project approaches/results should be replicated on a national level.

Recommendation 10. The project should concentrate on the last link of the VC – marketing – in order to organize better trading channels for farmers. Development of business skills has been emphasized less than agricultural skills. While the project has had some pilot successes in market development, for example in the mandarin sector, more needs to be done on this topic. The nut VC has barely begun to address issues of market development. Potato farmers are specifically requesting more assistance in market development.

EPI advises that by design, its AG work has focused to date, almost exclusively on raising yields and product quality by hands-on work with producers. As noted, processors have been involved to a lesser extent thus far, and mainly through trade facilitation events and financial advisory services. The evaluation team was not able to identify any particular changes in business practices due to project activities, and much remains to be done in that regard. Both processors and farmers request training in marketing and assistance in reforming market structures. For example, a pressing need in the hazelnut industry is working with farmers and collectors on product quality standards and product sorting. EPI suggests that most of this work will be done in project years 3 and 4, and in particular with the newly formed farmers' cooperatives.

Recommendation 11. Involve more agribusinesses in AG Component activities; develop special training needed for businesses. Based on its successful pilot program with the Subtropic Association, EPI is currently working with the GoG to scale up the program to include an additional 10 packing houses. This model can be extended to other AG VCS, including vegetables and nuts.

Recommendation 12. Elaborate workable schemes for formation of commercially oriented farmers' groups; define incentives and at the same time highlight the importance of obligations that they will have when joining such a group. Despite its early successes in forming tentative farmers groups (legal groups cannot be formed until the new law on agricultural cooperatives is adopted), a good deal of work remains to be done before groups can be created sustainably. Along those lines, the project should come up with a variety of membership models to appeal to farmers having different interests and concerns; a common property-based cooperative model is not likely to succeed. In addition, EPI should work in close cooperation with the EU European Neighborhood Program for Agriculture and Rural Development in Georgia - Small Farmers Co-operation component.

7.4 COMPONENT 3: MANUFACTURING & SERVICES

Recommendation 13. It is necessary to intensify assistance to some VC enterprises or risk losing the value of the work that has already been done. Implementation of the planning and action plan phase of assistance to enterprises may not succeed if the enterprises are left to their own devices. If the work already done should not go to waste, sufficient cross-cutting resources need to be devoted to this assistance to see results. If the project is having its own doubts about the effectiveness and return on investment in the BSP subcomponent, then it is advisable to phase it out right away rather than expend more resources in an inadequate effort.

Recommendation 14. Some companies require permanent daily assistance in management, yet remain skeptical of BSPs and a solution is needed. As noted in the findings (see Finding 33, Section 5.4.3.2) some of the companies require intensive assistance to introduce and use new management practices but are not trusting BSPs. Though EPI is covering up to 50% of the costs of the BSPs, there have been some indications that in some cases this will not be enough to convince enterprises to make use of the services. One proven

option²⁵ is the appointment of a team of young enthusiastic graduates under the leadership of EPI consultants to assist companies in the business plan implementation phase on a more intensive basis. The team should be individually assigned to one company only. The assistance should not be totally free; it should be co-financed by companies. Contracts should be developed, which clearly point out EPI teams' deliverables. The companies may not have the same trust issues with the team of students as they have with BSPs. The evaluation team understands that EPI has already begun to implement this model, starting with a team of 20 students from different business schools who will work with up to 10 beneficiary companies from various sectors (T&L, packaging, ICT and agribusiness) to develop business plans and market studies. In addition, up to 20 EPI interns with business backgrounds, under the supervision of the Georgian Business Development Center, will be assigned to assist the beneficiary enterprises for a period of up to 2 months. These are good initiatives that should be encouraged and monitored.

Recommendation 15. EPI should focus more on small scale networking activities than on the development of market linkages within the VC and the broadening and deepening of the VC. The social capital in some assisted VCs is low. At the next stages, it is advisable to de-emphasize large networking events and instead continue facilitation of B2B meetings and focus on organization of meetings in smaller groups with the agenda and interactive discussions on issues that impede VC competitiveness.

Recommendation 16. Emphasize private sector leadership. EPI has played a strong leadership role in many activities, for example investment promotion, MICE tourism and ICT VC. Now, emphasis should be placed on developing private sector leadership in all VCs, either through sustainable business associations or the identification and grooming of other leaders.

Recommendation 17. Rethink the apparel sector VC. It is advisable to re-think the apparel VC strategy, develop a new strategy aimed at moving the sector up in the VC to more customized and higher value products, which the evaluation team is advised is currently planned for project years 3 and 4. There has already been some movement in that direction. For example, EPI's cooperation with Georgian Fashion Week was an attempt to develop links between apparel companies with Georgian and foreign designers, and apparel companies said that they benefited from access to information, for example from the Tallinn case study.

7.5 COMPONENT 4: CROSS-CUTTING ACTIVITIES

Recommendation 18. Vocational schools should become market oriented. According to the interviewees, the impact on the productivity in beneficiary companies would be larger and more sustainable if training courses were available not only to teachers of vocational colleges but to their mid-level production managers as well. They praise the qualification of graduates they employ from the three interviewed vocational schools; however, companies are not sure that the graduates will necessarily become employees in the apparel sector. It is advised to help vocational schools develop sector company tailored crash courses for apparel middle management. The trained management will disseminate skills to the enterprise workers on a sustainable basis.

Recommendation 19. Look more closely at alternatives for access to finance. There is no doubt that finance remains a major impediment to farmers and businesses in the VCs. All of the financial initiatives have had limitations that have prevented them from serving large portions of the targeted beneficiaries. For example, leasing has tax issues for small farmers and businesses; crop insurance is too expensive for small operators; etc. The so-called Financial Advisory Services had only minor effect as of the close of project year 2 in terms of producing loans. In the time remaining it is possible to come up with some new ideas. We understand that EPI is presently working on a creative financing product and has established a commodity input finance and soil testing finance that hold promise, but this occurred after the evaluation period. Building upon the insurance concept that underlies the crop insurance work, it would be possible to introduce the concept of insured small business loans either directly insured by GoG or indirectly as GoG is now doing in the agricultural sector by large pass-through facilities provided to private banks. If the GoG is willing to go this far – and further, as it has recently advanced very substantial amounts to farmers damaged by last year's freak hail events even

²⁵ The World Bank implemented the Enterprise Rehabilitation Project in Georgia during the years 1999-2005, which used this approach and proved to be very successful.

without formal insurance policies – it might be willing to give a start to small business lending as well. In addition, creating deeper linkages between MFIs and the VCs is a possibility worth further examination.

ANNEXES

ANNEX I: STATEMENT OF WORK

Statement of Work

Performance Evaluation of Economic Prosperity Initiative Project

The contractor must conduct a performance evaluation of the Economic Prosperity Initiative Project (EPI). The purpose of evaluating this project is to assess its contributions toward achieving the USAID/Caucasus's Development Objective -"Inclusive and Sustainable Economic Growth." Specifically, the goal of evaluating EPI is to measure the effectiveness of EPI's interventions in targeted sectors and value chains. The USAID/Caucasus Economic Growth Office is currently changing its portfolio of activities and the results of this evaluation will be used to design future projects and adjust current projects if needed. Therefore, this evaluation is to identify "lessons learned," assess strengths and weaknesses of strategies and activities performed under these projects, and provide recommendations to USAID for project planning purposes for the next five years.

Summary of Specific Technical Requirements

The Contractor shall:

- Provide draft evaluation design and work plan for review and comment prior to arrival in country.
- Meet with USAID within three days of arrival in country and provide deliverables (final detailed evaluation design and the work plan).
- Conduct evaluation in accordance with the USAID-approved evaluation design and the work plan.
- Provide evaluation report to USAID in accordance with Reporting Guidelines.
- Meet with USAID for out brief.
- Develop draft and final evaluation reports.

1. Activities to be evaluated

In September 2010, USAID/Caucasus Mission awarded Contract No. AID-114-C-10-00004 to Deloitte Consulting LLP to fund the Economic Prosperity Initiative project. The goal of this project was to improve enterprise, industry, and country-level competitiveness by identifying and targeting key, external and internal factors to enhance the growth rates and productivity of enterprises in the economy, thereby enhancing the economic well-being of workers in the economy.

2. Background

A consortium of international and local organizations and independent experts led by Deloitte Consulting implements the EPI project. Deloitte's implementing partners include J.E. Austin Associates (responsible for Component 3), CNFA (responsible for Component 2), FLAG International, SSG Advisors, Making Cents International, Community Colleges for International Development, Policy and Management Consulting Group, UGT and other local and foreign

partners and international experts. EPI's activities are organized around the following four major components:

1. Business Enabling Environment (BEE) component: Activities under this component will expand and deepen Georgia's economic governance capacity to contribute to overall country-level competitiveness. The component addresses business regulation/licensing, strengthening property rights, investment sector economic governance, trade and customs economic governance, tax administration, procurement/privatization, and agricultural policy. BEE's key stakeholders and partners include the Revenue Service, Ministry of Economy and Sustainable Development, Georgian National Investment Agency, Ministry of Agriculture, Georgian Agriculture Corporation, Competition and State Procurement Agency, Data Exchange Agency, Ministry of Justice, Sakpatenti, Business Ombudsman, and relevant business associations.
2. Agriculture (AG) component: Activities under this component will improve competitiveness of agriculture sector. EPI conducted a value chain (VC) selection and identified hazelnuts, mandarins, greenhouse and open field vegetable crops as VCs with the greatest potential to achieve developmental impact. EPI designed technical assistance programs to benefit farmers and businesses. The assistance is provided by agricultural service and input providers, associations, agricultural vocational colleges, financial service providers and NGOs. The overall goal for this component is to expand exports and import substitution of the targeted VCs, resulting in increased revenues and employment of farmers. Agriculture component's key stakeholders are: the Ministry of Agriculture, Ministry of Agriculture of Adjara, Georgian Agriculture Corporation, Agricultural University, local authorities of Samtskhe-Javakheti, Kvemo Kartli, Samegrelo, Adjara and Guria, Ferrero and other private sector companies and relevant business associations.
3. Manufacturing and Services (M&S) component: Through sector and value chain assessments EPI selected transport and logistics, packaging, information and communication technology, apparel, wine and Meetings, Incentives, Conferences, and Exhibitions (MICE) tourism, and perlite products, as sectors to increase Georgia's export potential and competitiveness in the M&S by enhancing productivity, promoting investment and strengthening market linkages. EPI will achieve the goal, by taking Georgian VCs to the market – to investors, buyers and tourists –and by increasing skills and private sector capacity to meet market needs. The M&S key stakeholders are: the Ministry of Justice, Georgian National Investment Agency, Strategic Development Agency, ICT Business Council, National Tourism Agency, Partnership Fund, Universities, private sector companies and relevant business associations.
4. Cross-cutting (CC) activities: Under this component, EPI will provide relevant resources and tools to the AG, M&S and BEE teams to ensure efficient and effective program delivery. Critical constraints addressed by EPI CC activities include: upgrading workforce skills in target VCs, including better integrated youth/women into EPI's VCs; increasing access to finance for EPI's VCs; improving the quality of business

and economic information in Georgia; and creation of a sustainable capacity of Georgian organizations to implement a targeted approach to investment promotion, while attracting foreign investment in EPI VCs. The cross-cutting component's key stakeholders include: the Ministry of Education and Science, Georgian National Investment Agency, Tbilisi, Kutaisi, Batumi and Ozurgeti Vocational Schools, private sector companies and relevant business associations.

The EPI statement of work includes the following statement - USAID will measure the success of EPI as a whole by the attainment of the following five high-level results tracked by component, sub-component, and the targeted value chains, above baseline indicators:

1. Increased Productivity - Semi-annual increase in productivity in targeted sectors consistent with USAID-approved semi-annual targets (PMP indicator).
2. Increased Employment - Semi-annual increase in employment in targeted sectors consistent with USAID-approved semi-annual targets (PMP indicator).
3. Increased Foreign Debt and Equity Invested in Georgia- 10 major international investment transactions completed and attributable to assistance received from EPI;
\$500 million investment attributable to EPI assistance, \$100 million of this in the agricultural sector (PMP indicator).
4. Increased Access to Local Finance - \$200 million in capital attributable to EPI assistance lent to enterprises operating in targeted sectors.
5. Increased Exports - \$150 million in exports (i.e., goods and services) facilitated and attributable to EPI assistance (PMP indicator). 100 companies in targeted sectors have significantly enhanced capacities to export products and services (PMP indicator).

EPI also implements a grants program and uses various types of grants to achieve a timely, impactful, catalytic effect that contributes to the achievement of the above described purposes.

During the first two years of operation, EPI's assistance:

- stimulated demand and interest among investors, through its investment promotion activities, resulting in investments and planned commitments of USD 21.04 million in greenhouse operations and USD 21 million in cold storage facilities;
- achieved USD 80.7 million in domestic finance;
- increased foreign investment by USD 40.4 million;
- resulted in increased sales for local apparel companies to foreign markets and emergence of the first foreign investors to avail their resources, technology, managerial practices and market linkages to the Georgian apparel sector;
- achieved USD 65.7 million in exports and increased export capacity of 94 firms;
- successfully advocated a business-friendly solution for customs treatment of wastage left over from imported textiles used in the manufacture of apparel in Georgia, freeing wastage materials from being subject to import VAT;
- advocated a tax code amendment removing Georgian VAT over international cargo transportation and related services, bringing Georgia in line with international practice;
- proposed amendments to leasing regulation that the Parliament of Georgia approved in November of 2011;

- increased employment in targeted sectors by 1,408 new jobs;
- increased average revenue by 29% and 71% in agriculture and non-agriculture targeted sectors, respectively;
- trained 4,456 individuals, from which 3,722 are men and 734 women;
- provided assistance to 99 businesses for the improvement of their management practices.

3. Purpose of the evaluation and key evaluation questions to be addressed

The Economic Prosperity Initiative

The mid-term evaluation will review the progress of the project in improving the overall competitiveness of the Georgian private sector through consideration of the project's design, implementation to date, management, and consortium structure. Additionally, the evaluation will (1) assess the contribution of EPI's activities toward achieving the five high-level results, and (2) advise on the practicality of measuring "the success of EPI as a whole" on such results. The evaluation will cover the period of September 2010 through September 2012. The conclusions of the evaluation will be used by USAID/Caucasus to improve or design current and/or future interventions in the area of private sector development. With similar purpose, USAID will share the results of the study with other donors, host country government stakeholders and partners working in this area. The evaluation team should review and summarize the implementation and results achieved by this project to address the following purposes and answer the following key evaluation questions.

5. Evaluate the contribution of EPI's activities toward achieving the project's intended five high-level results. Discuss constraints/challenges/issues that inhibit the projects contribution toward achieving the five high-level results during the remaining term of project.
 - Q With respect to EPI's targeted sectors, what has been and what will likely be the contribution of the project toward increasing:
 - Productivity
 - Employment
 - Domestic and foreign debt and equity invested in Georgia
 - Access to local finance
 - Exports
6. Identify the main effects of the project on targeted agriculture and non-agriculture value chains and the business enabling environment, including on overall country-level competitiveness by answering the following questions:
 - Q Have businesses changed business practices, increased productivity, and the value of their enterprises, thus contributing to the overall competitiveness of value chains and the Georgian private sector?
 - Q To what extent has the project contributed to improving the business enabling environment in Georgia and the Government of Georgia's adoption of such improvements?
7. Identify opportunities to improve impact and enhance the implementation and management

of future similar projects such as gender equity and sustainability.

4. Methodology

The Methodology will be used as proposed in the Mendez England & Associates Technical Proposal as of January 31, 2013.

5. Work Location

Tbilisi and selected Georgian regions and the U.S.

The teams will travel outside the capital as needed (for EPI to Ajara, Kakheti, Shida Kartli, Imereti, Samegrelo, Samtskhe-Javakheti regions) in order to meet with key players in diverse parts of the country and to get a better sense of the overall context within Georgia.

6. Projects Documents for Review

The COR, through the Mission's Economic Growth office and respective projects AOR and COR will put the contractor in contact with its implementing partner and might provide help with a small number of meetings (such as meeting with USG agencies). To the extent Possible, relevant reports and other project documentation will be provided by the Mission to the contractor prior to travel to Georgia. These documents are:

1. Statement of Work for EPI
2. EPI annual and quarterly reports
3. EPI work plans
4. Studies/assessments produced under project. EPI produced about 40 different reports and assessments.
5. Other projects documents which will be provided by the EG office in Tbilisi

The Mission's EG Team will brief the evaluation team on their perceptions of political dynamics.

ANNEX 2: EVALUATION METHODOLOGY

Evaluation Methodology

Given EPI's extensive range and scope - with activities that cut across sectors, themes, and geographic areas – project preparation proceeded systematically. A comprehensive picture of all activities shaping the programs was developed. Preliminary consultations and work with the USAID mission prioritized the evaluation's focus on key component areas and to discuss with USAID the determination of objectives and indicators to be emphasized. The project's numerous sub-components and sub-sectors were identified and their activities, objectives, and targeted results and outcomes understood.

The evaluation was multidimensional, using a number of techniques to gather data. The data collection techniques that balance each other: literature review, quantitative vs. qualitative data, individual vs. group responses, focus groups, etc. These techniques captured the diversity of opinions and perceptions of beneficiaries and stakeholders about the projects' impact and their strengths and weaknesses, as well as the degree of their satisfaction from participation to date in the program. They were also designed to uncover unexpected positive or negative impacts of EPI, what has occurred because of the implementation of their activities, and what might have occurred in the absence of these activities.

The projects' interventions affect multiple institutions, groups and individuals, and the evaluation distinguishes between two principal levels of impact: 1) institutional; and 2) beneficiary. Because the project works with large diverse groups of people, e.g. government officials, NGOs, women, youth, farmers and businesspeople, the evaluation team worked from a standardized script of evaluation questions to assure uniformity of results.

The evaluation used primarily qualitative data collection techniques. Qualitative techniques cannot quantify the changes attributable to interventions, but were used to evaluate issues for which quantification is not feasible or practical, and to develop complementary and in-depth perspectives on changes induced by EPI activities. Data analysis was conducted using a triangulation method – comparison of responses from interviewees with different backgrounds and interests to similar questions - to increase reliability and validity of findings as well as ensure rigor and quality of the evaluation.

The evaluation team consisted of three professionals, including a team leader, having broad experience in development programs but different areas of specialization, including a business climate specialist, agricultural specialist and non-agricultural business and value chain specialist. To increase the number of interviews and provide USAID with a more cost effective evaluation, team members traveled to regions separately. The team members worked independently under the direction and guidance of the team leader, who held ultimate responsibility for quality control, data analysis and formulation of conclusions and recommendations.

The evaluation developed an Illustrative Evaluation Matrix, attached as Annex 5, that includes questions and sub-questions for each component, methods of data collection, and data sources.

Evaluation Design

The evaluation design was guided by USAID standards and norms for evaluations and consisted of three stages:

Stage I: Develop Evaluation Methodology. Upon receipt of the TO project management held a conference call with USAID/Georgia to verify the understanding of the evaluation task, discuss prospective methodologies for conducting the evaluation, and clarify roles, responsibilities and actions that needed to be taken to implement the evaluation. A second conference call was conducted between the evaluation team members and the USAID mission members. Based on both of these discussions, the evaluation prepared and submitted to USAID a draft work plan prior to arrival of the evaluation team leader in Georgia.

Deliverables for Stage I	Description
Final Work Plan	Overall project plan for conducting the evaluation
Interview and focus group scripts	Finalize interview and focus group scripts
Schedule of Site Visits, Interviews and Focus Groups	Prepare a detailed preliminary schedule of all site visits, recommended interviews and focus groups

Upon arrival of the team leader in Georgia the team leader provided a presentation and overview of the evaluation methodology to the USAID mission team, which was approved by USAID.

Prior to arrival of the team leader in Georgia EPI, in consultation with the USAID mission, began work on identifying project beneficiaries and stakeholders who might be consulted during the evaluation and compiled a preliminary list of site visits, interviews and discussion groups proposed to be conducted. Immediately upon arrival of the team leader in Georgia the evaluation team met with the EPI staff to discuss and refine and finalize the proposed schedule of meetings and interviews.

Interviewees were selected through consultations with EPI management, USAID staff and other key persons in the GoG and civil society based on their relationships to project activities. Efforts were made to include interlocutors having a wide range of relevant experience with project activities and outcomes. Randomized selection was not possible as it was necessary to assure some contact with persons having broad knowledge of the more than 50 separate project activities conducted by EPI, but the evaluation team did assure that persons having a wide range of views – for example members of the prior government – were represented.

During this period the evaluation team began to review project documentation provided by EPI and USAID to refine the research tools and research questions of the evaluation. Further relevant project documentation was identified and collected through discussion with EPI during the first days of the evaluation.

Stage 2: Data Collection. Data collection was aimed at primarily a qualitative evaluation informed by quantitative data provided by EPI through its ongoing project M&E as well as limited review of generally available socio-economic statistics in Georgia.

Qualitative Evaluation. The work for the qualitative evaluation primarily involved (1) conducting scripted, open-ended interviews with organizations and individuals, as well as other stakeholders and development partners, individually or in discussion groups, benefiting from or otherwise involved in the different activities of the EPI program, and (2) conducting a comprehensive review of information and reports pertaining to EPI's activities during the period under evaluation. Data was collected using the following methods:

- A critical desk-top review of materials related to the projects, including project reports and annual work plans, project performance management plan, project manuals, assessments and impact analyses, etc.
- Interviews with USAID mission staff.
- Interviews with EPI project staff.

In depth, semi-structured interviews with selected program beneficiaries and stakeholders (see Annex 3)	• Deliverables for Stage 2	• Description
	• Summaries of interviews and focus groups	• Generalized themes of interviews and focus groups will be summarized and put into a form accessible to USAID
	• Weekly Briefings	• Keep USAID current on the progress of the evaluation
	• Draft Outline for Report	• Present a draft outline for the Final Report of the Evaluation

of this report. Interviews were semi-structured, with all team members working from the same general scripts of pertinent questions.

- A series of discussion groups with various stakeholder communities, including farmers, manufacturers and trade associations to provide context and background on the data obtained through the individual interviews.
- Site visit meetings with key stakeholders in the regions, including Ajara, Kakheti, Shida Kartli, Imereti, Samegrelo, and Samtskhe-Javakheti.
- Direct observation to cross-check information (e.g. comparing statements to observed practice) and identification of factors not previously recognized.
- Interviews with development partners, including representatives of the international donor community working on related projects such as the World Bank and FAO, and cooperating USAID projects.

The main approaches to the qualitative data were:

- Standardization of interview and discussion groups scripts. Questions in scripts for interviews and discussion groups were standardized to the maximum extent feasible to allow identification of common threads and comparisons of opinion, perception and attitudinal data. Illustrative Interview/Discussion Group Scripts are included in Annex 4.

- Summary of literature, interviews and discussion groups. Key points of interviews and discussion groups were organized and summarized. Opinions were summarized without attribution. Findings and data of others relevant to evaluation of the projects gained from review of available literature were summarized and incorporated into the report as necessary.
- Critical synthesis of opinion data. Data gathered through interviews and group discussions were critically analyzed through a process of identifying inconsistencies, conflicts and possible bias arising from stakeholder interests. Data was synthesized to allow reasonable generalizations regarding main themes and research questions, while preserving noteworthy differences of opinion and perception.
- Resolution of conflicts, inconsistencies and ambiguities. Attempts were made to resolve any serious conflicts, inconsistencies or ambiguities in the data by re-contacting interlocutors to obtain clarification or additional information.
- Consultation with USAID and integration of comments. Though interviews and an out-briefing upon completion of field work the team's findings and conclusions were tempered by and integrated with the experience and perceptions of USAID/Caucuses gained from oversight of project implementation.

Quantitative Evaluation. Quantitative evaluation consisted of obtaining data primarily from GoG statistics, available research studies done by GoG and other international development partners, and the projects' ongoing monitoring and evaluation reporting. Given the limited time and resources available for the evaluations, no new quantitative data was developed through survey research, review of administrative records, or manipulation of available GoG statistics. The approach to quantitative data included:

- Review of program outputs and targeted results against objectives and performance indicators.
- Collecting and presenting a limited amount of relevant data from other available sources which provide insight into developments and trends in the Georgian economy that may be useful in planning project activities in the coming years.
- Analyzing project outputs and targeted results and verifying project reporting. A primary emphasis of the quantitative analysis will be to summarize the projects achievements with respect to outputs and targeted results whenever possible.

The Evaluation Team documented its observations noting the participants, their affiliation, and the time and date of the interviews. The Team took digital photographs of items of interest, as appropriate, provide the digital photographs as an appendix to the report. Team members spent a part of each day summarizing their notes and preparing a synthesis of their interviews and observations. The Team Leader reviewed the raw information to ensure the appropriate questions were being covered and the responses are providing the information needed.

To ensure the Final Report would comply with USAID/Georgia’s expectations, the Team Leader made an Outbriefing report to the assembled USAID mission upon completion of the field work.

Stage 3: Data Analysis and Report of Findings. Interview notes were recorded by team members for their own use and will remain confidential. The data collected was primarily qualitative, with some quantitative data regarding trends in economic indicators, e.g. employment, productivity and project outputs, e.g. regulations adopted, farmer’s trained, service organizations created). Different approaches will be taken to analyze the data collected depending on its characteristics.

Because data was gathered from a variety of sources, the team used cross-checking or triangulation – especially for qualitative data resulting from stakeholder interviews, where much of the evidence was anecdotal or inferred – to identify any inconsistencies and ensure reliability. Triangulation is here defined as a process of comparing and contrasting the opinions and perceptions of stakeholders having different interests and thus perspectives on project accomplishments,

including primarily project beneficiaries, project implementers and government officials. Triangulation assists the teams to identify and, if necessary, discount apparent biases as well as reduce the “response bias” in which respondents tend to tell the evaluators what they want to hear.

Deliverables for Stage 3	Description
Data Analysis Plan	Analysis plan including methodologies to be used
Presentation of Findings	Findings will be presented to USAID for discussion and clarification
Draft Final Report	Draft report for review by USAID/Georgia
Revised Final Report	Final report including revisions requested by USAID during review

Team members shared and compared notes, identified variations in the information provided by different stakeholders, and discussed their different expectations and opinions.

Evaluation findings were presented to USAID in an Outbriefing prior to the team leader’s departure from Georgia, before the draft reports was submitted to allow for discussion and clarification. A draft report, with findings from the evaluation and recommendations for future USAID interventions, will be submitted to the Mission for comment. The final report will be submitted to USAID after comments are fully integrated.

ANNEX 3: LIST OF PERSONS INTERVIEWED

List of Persons Interviewed

Name	Position	Organization
Abashidze, Guga	CEO	Cargotender Co.
Akhalaia, Giorgi	Component Leader	EPI
Aleksishvili, Aleksi	Chairman	Policy and Management Consulting Group (PMCG)
Alaverdeli, Bishop	Director	Alaverdi Monastery Wine Cellar
Balko, Douglas	Director, Office of Economic Growth	USAID Georgia
Begiashevili, Lili	Former Deputy Director	Revenue Service
Beruashvili, Natalia	Component Leader	EPI
Bogveli, Givi	Owner	Quanda Greenhouse LTD.
Bolkvadze, Bondo	Customs and Trade Manager	EPI
Caltrider, Luc	Investment Promotion	EPI
Chachkhiani, Nick	DCOP	EPI
Chitanaria, Merab	Head	General Affair Dept., Agrigeorgia
Danalia, Ekaterine	Deputy Chairman	National Agency of State Property
Datunashvili, Ilya	Manager	Shukhman Winery
Dolidze, Lasha	Agricultural Advisor	FAO
Dvali, Irakli	Director of Risk Management and Underwriting	GPI/Vienna Insurance Group
Egutia, Ekaterine	Deputy Chairman	Sakpatenti
Goderdzishvili, Nata	General Counsel	Data Exchange Agency
Gogolidze, Paata	General Director	Georgian Accreditation Center
Gorgisheli, Georgi	Financial Director	Legi Group Packaging
Gvenetadze, Irakli	Head of Agency	Data Exchange Agency, Ministry of Justice
Green, Ann	Tax Administration Advisor	U.S. Treasury
Ghudushauri, Nona	Director	Vocational College Mermisi
Gobejishvili, Tiko	CEO	Georgian Leasing Company
Gonliashvili, Nodar	Owner	Greenhouse Gongli LTD
Jadugishvili, Shorena	Head of Statistics and Reporting	Georgian Insurers Association
Japaridze, Tamar	Head, IPR Enforcement	Revenue Services
Jokhadze, Georgi	Project Manager	Sakpatenti
Jugeli, Georgi		JILAP
Kandaria, Irakli	Head of IT	APM Terminals Poti Sea Port Corporation
Kalandadze, Levan	Director	Multitest Laboratory
Khechinashvili, Devi	Chairman	Georgian Insurers Association
Kobakhidze, Kote	Component Leader	EPI
Koghuashvili, David	Tax Advisor	U. S. Treasury
Kukava, Aieti	CEO	Alliance Group Holding

Kumsishvili, Dimitri	First Deputy Minister Chairman	Ministry of Economy and Sustainable Development National Agency of State Property
Kverkhelidze, Georgi	Partner	ATA Advisory Tax Audit
Lejava, Vakhtang	Former Advisor	Office of the Prime Minister
Losaberidze, Tinatin	Head	Vocational College Iberia
Manjavidze, Paata	Co-Owner & Director	Georgian Paper
Mendelsohn, Tina	COP	EPI
Meladze, Akaki	CEO	Singular Corporation
Melikadze, Ana	Account Manager	ALDAGI, BCI
Menabde, Vazha	Head of SME Banking	Bank of Georgia
Meskhidze, Avtandil	Deputy Minister	Adjara Ministry of Agriculture
Mikashavidze, Nana	CEO	TBC Leasing
Misheladze, Georgi	Head of Legal Department	Ministry of Agriculture
Natadze, Irakli	Performance Monitoring Plan Manager	EPI
Natroskhvili, David	First Deputy Minister	Ministry of Agriculture
Ormotsadze, Revaz	Financial and Commercial Sector Advisor	USAID
Pertaia, Gioirgi	Director	Georgian National Investment Agency
Petriashvili, Vaza	Advisor	Revenue Services
Pipia, Soso		Delta Systems
Prigoshina, Angela	Country Sector Coordinator	World Bank
Putkaradze, Zaur	Minister	Ministry of Agriculture of Adjara
Ramer, Kirk	COP	NEO
Salukvadze, Ketik	Head of Transport Policy Department	Department of Transportation at the Ministry of Economic and Sustainable Development (MOESD)
Semiokhina, Ksenia	Deputy General Director, Insurance	ALDAGI, BCI
Shengelia, Zurab	Secretary General	Georgian Association of Freight Forwarders
Shubitidze, Giga	Head	Georgia ICT Business Council
Shvgulidze, Rati	Agribusiness Advisor	EPI
Simonidze, Maya	Owner	Apparel Factory Imeri
Siradze, Irakli	Partner	ATA Tax Audit
Sokhadze, Irakli	Owner	Greenhouse Menji
Tabagari, Ia	Head	Georgian Incoming Tour Operators Association (GITO)
Takaishvili, Ketik	Head	Transport Corridor Development Division, MoESD
Tkebuchava, Irakli	CEO	Alliance Energy
Tsikolia, Giorgi	Head of the department	Department of Investment and Export Policy, MoESD

Tsereteli, Maia	Executive Director	KEY Management Solutions (KMS)
Tsikoridze, Gogito	Owner	Greenhouse Geguti
Urdia, Samson	Chief	International Relations Department, Revenue Services
Urjumelashvili, Tato	Director	State Procurement Agency
Discussion Groups		
Wine Educators		
Women Hazelnut Farmers		
Potato Farmers; Crop Insurance Pilot Program		
Financial Leasing Companies and Association		
Crop Insurance Companies and Insurance Association		

ANNEX 4: SCRIPTS

Scripts

Background Information

Name of person interviewed

IDP?

Business of the interviewee (specifics with respect to agricultural crops)

Name of organization

Position of person interviewed within the organization

Region and district of the organization

Legal status of the organization (e.g. cooperative, limited company, partnership, etc.).

How long has the organization been in business

Nature of the organizations activity

Did this person have direct experience working with [EPI] [AMP]?

What was the nature of the interviewees relationship with [EPI] [AMP]?

What was the nature of the organization's relationship with [EPI] [AMP]?

Gender of the interviewee

EPI

Project Implementers/USAID Mission/Development Partners

In general, what was the role and impact of EPI on:

- Business climate reform;
- Agricultural productivity and competitiveness;
- Manufacturing and services productivity and competitiveness?

What are the key changes in conditions took place in these areas as a result of EPI activities?

With respect to EPI's targeted sectors, what evidence do you have for increases in the following indicators since the start of the project in:

- Productivity

- Employment
- Domestic and foreign debt and equity invested in Georgia
- Access to local finance
- Exports

With respect to any increases in these indicators: (1) which, if any, do you believe can be attributed to project activities? (2) what is the basis for your belief?

Is there any evidence for increases in selected WEF indicators? With respect to any increases in these indicators: (1) which, if any, do you believe can be attributed to project activities? (2) what is the basis for your belief?

In your opinion, is the multiple components structure of the project an efficient (in terms of time and cost) and effective (in terms of collaboration, leveraging funds, and expertise) model to program assistance to improve the competitiveness of the Georgian private sector? What is the basis for your opinion?

In your opinion, is the management structure and consortium approach of three primary implementing partners an efficient (in terms of time and cost) and effective (in terms of collaboration and leveraging funds and expertise) approach to implementation the EPI project? What is the basis for your opinion?

In your opinion, what are the opportunities to increase the impact and enhance the implementation and management of the project over its remaining term, if any.

Describe and provide current background information on any project grants made to facilitate institutional development, improved economic competitiveness, utilization of modern IT systems, and increased lending. In your opinion have these grants succeeded in their objectives? If not, why?

Direct Beneficiaries - Farmers

Have you experienced annual increases in farm revenues as a result of EPI assistance? What is the magnitude of those increases?

Have you seen a growth in agricultural service providers delivering services and training to farms and agribusinesses since project inception?

Has access to agricultural services, training and best practice information improved since inception of the EPI project? What part of that improvement do you think can be attributed to EPI project activities?

Have agricultural practices among directly assisted farmers improved since inception of the EPI project and what part of that can be attributed to project activities? Can you provide an example of a practice that you have adopted as a result of EPI activities?

Has productivity on your farm increased since inception of EPI and what part of that can be attributed to EPI activities?

Have there been improvements in legal and business structures of small land holders that can be attributed to EPI project activities? What is the nature of those improvements? Have you personally changed your business structure?

What is your overall perception of the EPI program?

- Did the program help to address important needs of farmers?
- What needs were not addressed?
- Were its benefits delivered to you efficiently?
- What would you change?
- Would you participate again?

In your opinion, was the assistance offered by EPI the assistance you needed most? Were its programs right on target?

In general, how effective was EPI in improving your farming business? Would you say:

- Extremely effective?
- Effective?
- Not very effective?

What were the main contributions of EPI to your business? If you had to choose, what would you say was the most important contribution of EPI to your business? Why?

What type of assistance did you wish for that EPI was not able to offer you?

Was there any aspect of EPI's program that you think was not as successful as others? Why was that?

Did you or members of your staff participate in any training events, seminars, etc.?

What training was received?

How effective was EPI training? What in your opinion were the best aspects of the EPI training?

In which areas would you like to see more training?

Direct Beneficiaries – Businesses and Business Associations

Has your business experienced annual increases in business revenues as a result of EPI assistance? What is the magnitude of those increases?

Have you seen a growth in business service providers delivering services and training to businesses since inception of the EPI program?

Have you seen increases in service providers delivering combination of individualized assistance and training courses benefitting enterprises in industrial and service sectors?

Has access to business services, training and best practice information improved since inception of the EPI project? What part of that improvement do you think can be attributed to EPI project activities?

Have business practices among directly assisted businesses improved since inception of the EPI project and what part of that can be attributed to project activities? Can you provide an example of an improved business practice that you have adopted as a result of EPI activities?

Has productivity of your business increased since inception of EPI and what part of that can be attributed to EPI activities?

What is your overall perception of the EPI program?

- Did the program help to address important needs?
- What needs were not addressed?
- Were its benefits delivered to you efficiently?
- What would you change?
- Would you participate again?

In your opinion, was the assistance offered by EPI the assistance you needed most? Were its programs right on target?

In general, how effective was EPI in improving your business? Would you say:

- Extremely effective?
- Effective?
- Not very effective?

What were the main contributions of EPI to your business? If you had to choose, what would you say was the most important contribution of EPI to your business? Why?

What type of assistance did you wish for that EPI was not able to offer you?

Was there any aspect of EPI's program that you think was not as successful as others? Why was that?

Did you or members of your staff participate in any training events, seminars, etc.?

What training was received?

How effective was EPI training? What in your opinion were the best aspects of the EPI training?

In which areas would you like to see more training?

Which specific improvements to the tourism sector adopted by the GoG do you think can be attributed to EPI project activities, and what is the basis of your opinion?

In your opinion are any positive changes to the tourism sector, including improved perceptions of tourism services and infrastructure, increased tourism expenditures, increased number of tourists, increased productivity of tourism sector and increased profits attributable to EPI project activities? What is the basis for your opinion?

In your opinion has any growth occurred in the ICT sector that may be attributable to EPI project activities?

How has the EPI project contributed to improving the business environment?

Which specific improvements to the regulatory and business environment adopted by the GoG can be attributed to project activities? What is the basis of that attribution?

Have you seen an increase in institutions and/or activities to promote greater dialog and inclusiveness between businesses and government on the reform agenda? Have you seen an increased knowledge of and support for reforms in the business community? Do you think EPI has contributed to these developments?

Are you aware of any institutional mechanisms which have been adopted with EPI project assistance to assure continuity and continuation in ongoing business climate and regulatory reforms?

Do you think the capacities of key government actors to identify, develop and implement regulatory and business environment reforms have been enhanced? If so, how?

Have property rights of citizens and businesses (including intellectual property rights) been enhanced by EPI project activities?

Are you aware of any specific improvements to property rights and protection of property rights that can be attributed to EPI project activities, and what is the basis of that attribution?

Are you aware of any specific improvements to the regulatory and business environment governing foreign and domestic investment that can be attributed to EPI project activities? What is the basis of that attribution?

Do you think the perceptions of foreign and domestic investors of Georgia have improved, and some part of that improvement can be attributed to EPI project activities?

Are you aware of any specific improvements to the legal and regulatory regime governing trade and customs that can be attributed to EPI project activities, and what is the basis of that attribution?

Are you aware of any specific improvements to the transparency, fairness and enforcement of tax policy and collections that can be attributed to the EPI project activities?

Are you aware of any specific improvements to the GoG procurement system, rules and procedures that have been made and are attributable to project activities? What is the basis of that attribution?

Are you aware of any specific improvements to the GoG privatization system, rules and procedures that have been made and are attributable to EPI project activities? What is the basis of that attribution?

Are you aware of any specific improvements to the transparency and inclusiveness of agricultural policy making by GoG that have been made and can be attributable to EPI project activities? What is the basis of that attribution?

In general, what was the role and impact of EPI on:

- Business climate reform;
- Agricultural productivity and competitiveness;
- Manufacturing and services productivity and competitiveness?

What are the key changes in conditions took place in these areas as a result of EPI activities?

Government Officials

What are the overall perceptions of beneficiaries of the EPI program? What level of engagement and ownership is demonstrated by beneficiaries?

In your opinion, is the multiple components structure of the project an efficient (in terms of time and cost) and effective (in terms of collaboration, leveraging funds, and expertise) model to program assistance to improve the competitiveness of the Georgian private sector? What is the basis for your opinion?

In your opinion, is the management structure and consortium approach of three primary implementing partners an efficient (in terms of time and cost) and effective (in terms of collaboration and leveraging funds and expertise) approach to implementation the EPI project? What is the basis for your opinion?

In general, what was the role and impact of EPI on:

- Business climate reform;
- Agricultural productivity and competitiveness;
- Manufacturing and services productivity and competitiveness?

What are the key changes in conditions that took place in these areas as a result of EPI activities?

Overall, would you say that the contribution of EPI to local development was:

- Essential?
- Highly Positive?
- Positive?
- Ineffective?

In general, how influential was EPI activity in developing government policy in its targeted areas?

Which policy areas in particular was EPI most helpful with? Why?

What type of assistance did you wish for that EPI was not able to offer you?

Was there any aspect of EPI's program that you think was not as successful as others? Why was that?

Did you or members of your staff participate in any training events, seminars, etc.?

What training was received?

How effective was EPI training? What in your opinion were the best aspects of the EPI training?

In which areas would you like to see more training?

Are there any specific improvements to the tourism sector adopted by the GoG which you think can be attributed to EPI project activities, and what is the basis of your opinion?

In your opinion has any growth occurred in the ICT sector that may be attributable to EPI project activities?

How has the EPI project contributed to improving the business environment?

Which specific improvements to the regulatory and business environment adopted by the GoG can be attributed to project activities? What is the basis of that attribution?

Have you seen an increase in institutions and/or activities to promote greater dialog and inclusiveness between businesses and government on the reform agenda? Have you seen an increased knowledge of and support for reforms in the business community? Do you think EPI has contributed to these developments?

Are you aware of any institutional mechanisms which have been adopted with EPI project assistance to assure continuity and continuation in ongoing business climate and regulatory reforms

Do you think the capacities of key government actors to identify, develop and implement regulatory and business environment reforms have been enhanced? If so, how?

Have property rights of citizens and businesses (including intellectual property rights) been enhanced by EPI project activities?

Are you aware of any specific improvements to property rights and protection of property rights that can be attributed to EPI project activities, and what is the basis of that attribution?

Are you aware of any specific improvements to the regulatory and business environment governing foreign and domestic investment that can be attributed to EPI project activities? What is the basis of that attribution?

Do you think the perceptions of foreign and domestic investors of Georgia have improved, and some part of that improvement can be attributed to EPI project activities?

Are you aware of any specific improvements to the legal and regulatory regime governing trade and customs that can be attributed to EPI project activities, and what is the basis of that attribution?

Are you aware of any specific improvements to the transparency, fairness and enforcement of tax policy and collections be attributed to the EPI project activities?

Are you aware of any specific improvements to the GoG procurement system, rules and procedures that have been made and are attributable to project activities? What is the basis of that attribution?

Are you aware of any specific improvements to the GoG privatization system, rules and procedures that have been made and are attributable to EPI project activities? What is the basis of that attribution?

Are you aware of any specific improvements to the transparency and inclusiveness of agricultural policy making by GoG that have been made and can be attributable to EPI project activities? What is the basis of that attribution?

What remains to be done?

ANNEX 5: EVALUATION MATRIX

Evaluation Matrix

EPI Evaluation Matrix				
No.	Research Question	Data Source	Methodology	Data Analysis
Priority Questions				
1	With respect to EPI's targeted sectors, what increases have been seen since the start of the project in: <ul style="list-style-type: none"> • Productivity • Employment • Domestic and foreign debt and equity invested in Georgia • Access to local finance • Exports 	<ul style="list-style-type: none"> • GoG reports and statistical data • Donor reports • Implementer reports 	<ul style="list-style-type: none"> • Document review • Quantitative data analysis 	<ul style="list-style-type: none"> • Analysis of project outputs and targeted results and verification of project reporting • Quantitative analysis of trends in targeted sectors • Charting
2	With respect to any increases found under question 1: (1) Which, if any, can be attributed to project activities? (2) What is the basis for the attribution?	<ul style="list-style-type: none"> • GoG Reports • Donor Reports • Implementer Reports • Stakeholder perceptions 	<ul style="list-style-type: none"> • Document review • Key stakeholder interviews • Quantitative data analysis 	<ul style="list-style-type: none"> • Critical synthesis and triangulation analysis of opinion data • Analysis of project outputs and targeted results and verification of project reporting.
3	What changes have occurred in the selected WEF indicators since project inception?	<ul style="list-style-type: none"> • WEF Surveys 	<ul style="list-style-type: none"> • Quantitative data analysis 	<ul style="list-style-type: none"> • Quantitative analysis • Charting
4	With respect to any changes to selected WEF indicators found under question 3: (1) Which, if any, can be attributed to project activities? (2) What is the basis for the attribution?	<ul style="list-style-type: none"> • GoG Reports • Donor Reports • Implementer Reports • Stakeholder perceptions 	<ul style="list-style-type: none"> • Document review • Key stakeholder interviews • Quantitative data analysis 	<ul style="list-style-type: none"> • Critical synthesis and triangulation analysis of opinion data • Analysis of project outputs and targeted results and verification of project reporting.
5	What are the overall perceptions of the	<ul style="list-style-type: none"> • GoG stakeholders and 	<ul style="list-style-type: none"> • Interviews 	<ul style="list-style-type: none"> • Critical synthesis and

EPI Evaluation Matrix				
No.	Research Question	Data Source	Methodology	Data Analysis
	program beneficiaries? What level of engagement and ownership is demonstrated by beneficiaries?	other program beneficiaries	<ul style="list-style-type: none"> Group interviews and focus groups 	triangulation analysis of opinion data <ul style="list-style-type: none"> Analysis of project outputs and targeted results and verification of project reporting.
6	Is the multiple components structure of the project an efficient (in terms of time and cost) and effective (in terms of collaboration, leveraging funds, and expertise) model to program assistance to improve the competitiveness of the Georgian private sector? ²⁶	<ul style="list-style-type: none"> USAID/EG staff Project proposal Project documentation Implementing partners Project beneficiaries 	<ul style="list-style-type: none"> Interviews Review of project documents and reports 	<ul style="list-style-type: none"> Analysis of project outputs and targeted results and verification of project reporting Critical synthesis and triangulation analysis of opinion data.
7	Is the management structure and consortium approach of three primary implementing partners an efficient (in terms of time and cost) and effective (in terms of collaboration and leveraging funds and expertise) approach to implement the EPI project? ²⁷	<ul style="list-style-type: none"> USAID/EG staff Project proposal Project documentation Implementing partners Project beneficiaries 	<ul style="list-style-type: none"> Interviews 	<ul style="list-style-type: none"> Analysis of project outputs and targeted results and verification of project reporting Critical synthesis and triangulation analysis of opinion data.
8	What are the opportunities to increase the impact and enhance the implementation and management of the project over its remaining	<ul style="list-style-type: none"> USAID/EG staff Project documentation Implementing partners 	<ul style="list-style-type: none"> Interviews Stakeholders focus groups 	<ul style="list-style-type: none"> Analysis of project outputs and targeted results and verification of project reporting

²⁶ As discussed under the section on limitations of the evaluation, as framed in the RFTOP in terms of comparative analysis with similar USAID projects this question may raise significant issues for completion of the evaluation and we are proposing to investigate this question solely on the basis of information collected in interviews and from project documentation.

²⁷ As discussed under the section on limitations of the evaluation, as framed in the RFTOP in terms of comparative analysis with similar USAID projects this question may raise significant issues for completion of the evaluation and we are proposing to investigate this question solely on the basis of information collected in interviews and from project documentation.

EPI Evaluation Matrix				
No.	Research Question	Data Source	Methodology	Data Analysis
	term, if any.	<ul style="list-style-type: none"> Project beneficiaries 		<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data.
Sub-questions Component I: Business Enabling Environment				
9	How has has the project contributed to improving the business environment under its 4 main components?	<ul style="list-style-type: none"> New laws/regulations GoG stakeholder perceptions Business/beneficiary stakeholder perceptions Implementer reporting 	<ul style="list-style-type: none"> Document review Legal review Key informant interviews Possible group interviews/focus groups 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting. Consultation with USAID and integration of comments.
10	Which specific improvements to the regulatory and business environment adopted by the GoG can be attributed to project activities? What is the basis of that attribution?	<ul style="list-style-type: none"> New laws/regulations GoG stakeholder perceptions Business/beneficiary stakeholder perceptions Implementer reporting GoG regulatory action plans 	<ul style="list-style-type: none"> Document review Legal review Key informant interviews Possible group interviews/focus groups 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
11	Have the capacities of key government actors to identify, develop and implement regulatory and business environment reforms been enhanced? If so, how?	<ul style="list-style-type: none"> GoG stakeholders GoG reports Implementer reports 	<ul style="list-style-type: none"> Key stakeholder interviews Document review 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification

EPI Evaluation Matrix				
No.	Research Question	Data Source	Methodology	Data Analysis
				of project reporting.
12	<p>How have property rights of citizens and businesses (including IP) been enhanced by project activities?</p> <p>Which specific improvements to property rights and protection of property rights can be attributed to project activities, and what is the basis of that attribution?</p>	<ul style="list-style-type: none"> GoG regulatory action plans New laws/regulations GoG stakeholder perceptions Business/beneficiary stakeholder perceptions Implementer reporting 	<ul style="list-style-type: none"> Document review Legal review Key informant interviews Possible group interviews/focus groups 	<ul style="list-style-type: none"> Critical legal analysis Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
13	<p>Which specific improvements to the regulatory and business environment governing foreign and domestic investment can be attributed to project activities? What is the basis of that attribution?</p>	<ul style="list-style-type: none"> GoG regulatory action plan New laws/regulations GoG stakeholder perceptions Business/beneficiary stakeholder perceptions Implementer reporting 	<ul style="list-style-type: none"> Document review Legal review Key informant interviews Possible group interviews/focus groups 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
14	<p>Have the perceptions of foreign and domestic investors improved, and can that improvement be attributed to project activities?</p>	<ul style="list-style-type: none"> GoG stakeholder perceptions Business/beneficiary stakeholder perceptions 	<ul style="list-style-type: none"> Key informant interviews Possible group interviews/focus groups 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data
15	<p>Can any specific improvements to the legal and regulatory regime governing trade and customs be attributed to project activities,</p>	<ul style="list-style-type: none"> GoG regulatory action plan New laws/regulations 	<ul style="list-style-type: none"> Document review Legal review Key informant 	<ul style="list-style-type: none"> Critical legal analysis Critical synthesis and triangulation analysis of opinion

EPI Evaluation Matrix				
No.	Research Question	Data Source	Methodology	Data Analysis
	and what is the basis of that attribution?	<ul style="list-style-type: none"> GoG stakeholder perceptions Business/beneficiary stakeholder perceptions Implementer reporting 	interviews <ul style="list-style-type: none"> Possible group interviews/focus groups 	data <ul style="list-style-type: none"> Analysis of project outputs and targeted results and verification of project reporting.
16	What specific improvements to the transparency, fairness and enforcement of tax policy and collections can be attributed to the project?	<ul style="list-style-type: none"> GoG regulatory action plan New laws/regulations GoG stakeholder perceptions Business/beneficiary stakeholder perceptions Implementer reporting 	<ul style="list-style-type: none"> Document review Legal review Key informant interviews Possible group interviews/focus groups 	<ul style="list-style-type: none"> Critical legal analysis Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
17	What specific improvements to the GoG procurement system, rules and procedures have been made and are attributable to project activities? What is the basis of that attribution?	<ul style="list-style-type: none"> GoG regulatory action plans New laws/regulations GoG stakeholder perceptions Business/beneficiary stakeholder perceptions Implementer reporting 	<ul style="list-style-type: none"> Document review Legal review Key informant interviews Possible group interviews/focus groups 	<ul style="list-style-type: none"> Critical legal analysis Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
18	What specific improvements to the GoG privatization system, rules and procedures have been made and are attributable to project activities? What is the basis of that attribution?	<ul style="list-style-type: none"> GoG regulatory action plans New laws/regulations GoG stakeholder perceptions Business/beneficiary stakeholder perceptions 	<ul style="list-style-type: none"> Document review Legal review Key informant interviews Possible group interviews/focus groups 	<ul style="list-style-type: none"> Critical legal analysis Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.

EPI Evaluation Matrix				
No.	Research Question	Data Source	Methodology	Data Analysis
		<ul style="list-style-type: none"> • Implementer reporting 		
19	What specific improvements to the transparency and inclusiveness of agricultural policy making by GoG have been made and can be attributable to project activities? What is the basis of that attribution?	<ul style="list-style-type: none"> • New laws/regulations • GoG stakeholder perceptions • Business/beneficiary stakeholder perceptions • Implementer reporting 	<ul style="list-style-type: none"> • Case studies • Key informant interviews • Possible group interviews/focus groups 	<ul style="list-style-type: none"> • Critical legal analysis • Critical synthesis and triangulation analysis of opinion data • Analysis of project outputs and targeted results and verification of project reporting.
20	What institutional mechanisms have been adopted with project assistance to assure continuity and continuation in other business climate and regulatory reforms?	<ul style="list-style-type: none"> • News laws, regulations, procedures • Business/beneficiary stakeholder perceptions • Implementer reporting 	<ul style="list-style-type: none"> • Case studies • Key informant interviews • Possible group interviews/focus groups 	<ul style="list-style-type: none"> • Critical legal analysis • Critical synthesis and triangulation analysis of opinion data • Analysis of project outputs and targeted results and verification of project reporting.
Sub-questions Component 2 – Improve the Competitiveness of Targeted Agriculture Sectors:				
21	What have been the average annual increases in revenues of farms and agribusinesses that have been direct recipients of project assistance?	<ul style="list-style-type: none"> • GoG reports and statistical data • Implementer reporting 	<ul style="list-style-type: none"> • Document review • Quantitative data analysis 	<ul style="list-style-type: none"> • Quantitative analysis • Charting • Critical synthesis and triangulation analysis of opinion data
22	What has been the growth of agricultural service providers delivering services and training to farms and agribusinesses since project inception?	<ul style="list-style-type: none"> • Implementer reporting 	<ul style="list-style-type: none"> • Interviews • Document review 	<ul style="list-style-type: none"> • Quantitative analysis • Charting • Critical synthesis and triangulation analysis of opinion

EPI Evaluation Matrix				
No.	Research Question	Data Source	Methodology	Data Analysis
				data
23	How has access to agricultural services, training and best practice information improved since project inception and what part of that improvement can be attributed to project activities?	<ul style="list-style-type: none"> GoG reports and data Implementer reporting Program beneficiaries 	<ul style="list-style-type: none"> Case studies Interviews Possible group interviews and focus group discussions 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
24	Has take-up of best practice among directly assisted farmers increased since project inception and what part of that can be attributed to project activities?	<ul style="list-style-type: none"> GoG reports and data Implementer reporting Program beneficiaries 	<ul style="list-style-type: none"> Case studies Interviews Possible group interviews and focus group discussions 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
25	Has farm productivity increased among directly assisted farmers and what part of that can be attributed to project activities?	<ul style="list-style-type: none"> GoG reports and data Implementer reporting Program beneficiaries 	<ul style="list-style-type: none"> Document review Quantitative data analysis Interviews 	<ul style="list-style-type: none"> Quantitative analysis Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
26	Have there been improvements in legal and business structures of small land holders that can be attributed to project activities? What is the nature of those improvements?	<ul style="list-style-type: none"> GoG reports and data Implementer reporting Program beneficiaries 	<ul style="list-style-type: none"> Case studies Document review Interviews 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
Sub-questions				

EPI Evaluation Matrix				
No.	Research Question	Data Source	Methodology	Data Analysis
Component 3: Improve the Competitiveness of Targeted Non-Agriculture Sectors:				
27	Increases in average revenues across small, medium, and large enterprises in targeted non-agriculture sectors.	<ul style="list-style-type: none"> GoG reports and data Implementer reporting 	<ul style="list-style-type: none"> Quantitative data analysis 	<ul style="list-style-type: none"> Quantitative analysis Charting
28	Increase in business service providers delivering high quality productivity-enhancing services to industries.	<ul style="list-style-type: none"> Implementer reporting Program beneficiaries 	<ul style="list-style-type: none"> Quantitative data analysis Interviews 	<ul style="list-style-type: none"> Quantitative analysis Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
29	Increases in service providers delivering combination of individualized assistance and training courses benefitting enterprises in priority industrial and service sectors.	<ul style="list-style-type: none"> Implementer reporting Program beneficiaries 	<ul style="list-style-type: none"> Quantitative data analysis Interviews 	<ul style="list-style-type: none"> Quantitative analysis Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
30	Which specific improvements to the tourism sector adopted by the GoG can be attributed to project activities, and what is the basis of that attribution?	<ul style="list-style-type: none"> Government action plans Business stakeholders Implementer reporting 	<ul style="list-style-type: none"> Document reviews Interviews 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
31	Are positive changes to tourism indicators, including improved perceptions of tourism services and infrastructure, increased tourism expenditures, increased number of tourists,	<ul style="list-style-type: none"> GoG reporting and data Implementer reporting Program beneficiaries 	<ul style="list-style-type: none"> Document and data review Interviews 	<ul style="list-style-type: none"> Quantitative analysis Critical synthesis and triangulation analysis of opinion data

EPI Evaluation Matrix				
No.	Research Question	Data Source	Methodology	Data Analysis
	increased productivity of tourism sector and increased profits attributable to project activities?			<ul style="list-style-type: none"> Analysis of project outputs and targeted results and verification of project reporting.
32	What growth has occurred in the ICT sector and is attributable to project activities?	<ul style="list-style-type: none"> GoG reporting and data Implementer reporting Program beneficiaries 	<ul style="list-style-type: none"> Document and data review Interviews 	<ul style="list-style-type: none"> Quantitative analysis Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
Sub-questions Component 4: Cross Cutting Activities				
33	Implementation of institutions/activities to promote greater dialog and inclusiveness on reform agenda; increased knowledge of and support for reforms.	<ul style="list-style-type: none"> Implementer reporting Program beneficiaries 	<ul style="list-style-type: none"> Document review Interviews 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
34	Implementation of high impact ICT interventions in targeted business sectors.	<ul style="list-style-type: none"> Implementer reporting Program beneficiaries 	<ul style="list-style-type: none"> Case studies Document review Interviews 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
35	Lasting partnerships established between Georgian education institutions and businesses or business sectors.	<ul style="list-style-type: none"> Implementer reporting Program beneficiaries 	<ul style="list-style-type: none"> Case studies Document review Interviews 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data

EPI Evaluation Matrix				
No.	Research Question	Data Source	Methodology	Data Analysis
				<ul style="list-style-type: none"> Analysis of project outputs and targeted results and verification of project reporting.
36	Project grants to facilitate institutional development, improved economic competitiveness, enable the utilization of modern IT systems, and increased lending.	<ul style="list-style-type: none"> Implementer reporting Grant recipients 	<ul style="list-style-type: none"> Case studies Document review Interviews 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.

ANNEX 6: LIST OF DOCUMENTS CONSULTED

List of Documents Consulted

EPI Documents:

Annual Report, Year 1, September 30, 2010 – September 30, 2011.

Annual Report, Year 2, October 1, 2011 – September 30, 2012.

Annual Workplan, Year 3, October 1, 2012 – September 30, 2013

Business Enabling Environment Policy Briefs, November, 2012.

Newsletter, Monthly Vols. December, 2011-February, 2013

Assessment of the Georgian State Procurement System, October, 2011.

Georgian Building Codes Assessment, November, 2011.

Customs Administration Reform Strategy, July, 2011.

Customs Post-audit Clearance Strategy, July, 2011.

Trade Exchange Action Plan, March, 2012.

Georgian Intellectual Property Registration Environment, May, 2011.

Roadmap for Improved Accreditation in Georgia, January, 2012.

State Property Management Framework Assessment, October, 2011.

Training Needs Assessment (Revenue Services), November, 2011.

Assessment of Investment Promotion Capacity in Georgia, April, 2011.

Economic Impact Analysis: Development of Internationally Accredited Private Laboratories and its Effect on the Georgian Hazelnut Industry, September 2012.

Economic Impact of IPR Infringement in Georgia, May 2011.

Impact Assessment: Implementation of International Building Codes, November, 2012.

Impact Assessment: The New Sakpatenti E-Filing System, July 2012.

EPI, Customs Administration Reform Strategy, July 18, 2011.

Customs Post-Clearance Audit Strategy, July 18, 2011.

USAID Documents:

Request for Proposal (RFP) No. SOL-114-10-000001 – GEORGIA ECONOMIC PROSPERITY INITIATIVE (EPI), July 12, 2010

Office of the Inspector General, Audit of USAID/Georgia's Economic Prosperity Initiative, Audit Report No. 9-114-13-001-P, December 26, 2012

ANNEX 7: WORK PLAN AND SCHEDULE

Work Plan and Schedule

MID-TERM PERFORMANCE EVALUATION OF THE GEORGIA ECONOMIC PROSPERITY INITIATIVE PROJECT (EPI)

FINAL WORK PLAN

Research Questions

The Evaluation Matrix attached as **Annex 5** and included in this work plan includes questions and sub-questions for each component, methods, and data sources. The evaluation team will be careful to pursue issues and situations that are identified as a result of the questions, observations, and documentation provided during the data gathering process.

The team has identified as the primary research questions of the evaluation the following:

- (1) **PQ1.** To what extent has the EPI project contributed to improving the business enabling environment in Georgia and the Government of Georgia's adoption of such improvements?
- (2) **PQ2.** With respect to EPI's targeted sectors, what has been and what will likely be the contribution of the project toward increasing the five high level results:
 - a. Productivity
 - b. Employment
 - c. Access to local finance
 - d. Exports
- (3) **PQ3.** What are the constraints/challenges/issues that inhibit the projects contribution toward achieving the five high-level results during the remaining term of the project.
- (4) **PQ4.** What are the main effects of the project on targeted agriculture and non-agriculture value chains and the business enabling environment, including on overall country-level competitiveness?
- (5) **PQ5.** As a result of EPI initiatives, have businesses changed business practices, increased productivity, and the value of their enterprises, thus contributing to the overall competitiveness of value chains and the Georgian private sector?
- (6) **PQ6.** What are the opportunities to improve impact and enhance the implementation and management of future similar projects such as gender equity and sustainability.

Overview of Evaluation Methodology

The objective of the evaluation will be to assess the contributions of the EPI project toward achieving the USAID/Caucasus's Development Objective, "Inclusive and Sustainable Economic

Growth.” The evaluation will be designed to: 1) measure the effectiveness of EPI’s interventions in targeted sectors and value chains; 2) assess strengths and weaknesses of the EPI project; and 3) identify lessons learned that can be used to inform USAID for future project designs.

The ME&A evaluation team will conduct the evaluation in a participatory manner in its design, implementation and analysis. A participatory evaluation will actively engage USAID/Georgia, and other stakeholders as needed, through all the phases of the evaluation’s implementation including: identifying questions; selecting appropriate modes of data collection; creating timelines; gathering and analyzing data; and reaching consensus about findings, conclusions, and recommendations. A participatory evaluation yields better results where there are questions about the program’s effect on beneficiaries. In addition, a participatory evaluation will allow us to determine the most important evaluation questions, the answers to which will help us provide USAID/Georgia with valuable recommendations for readjusting activities for the remainder of the program’s life, as well as recommendations for future program design based on lessons learned.

Given the projects’ lengthy period of performance and extensive range and scope, with activities that cut across sectors, themes, and geographic areas, implementation of the evaluation will proceed systematically.

- *First*, the evaluation team will develop a comprehensive picture of all activities shaping the program.
- *Second*, the team will work with USAID to prioritize the evaluation’s discussion on key component areas and discuss with USAID the objectives and indicators to be emphasized.
- *Third*, the team will evaluate projects by sub-components and sub-sectors emphasizing the required outputs, targeted results and outcomes established for the projects as expressed in PMP indicators.

The evaluation team will use a number of techniques to gather data. The evaluation will combine techniques that balance each other: literature review, quantitative vs. qualitative data, individual vs. group responses, and discussion groups (if possible). Such techniques will help capture the diversity of opinions and perceptions of beneficiaries and stakeholders about the projects’ impact and their strengths and weaknesses, as well as the degree of their satisfaction from participation in the program. They will also be designed to uncover unexpected positive or negative impacts of EPI, what has occurred because of the implementation of its activities, and what might have occurred in the absence of these activities.

Since the project’s interventions affect multiple institutions, groups and individuals, the evaluation will distinguish between two principal levels of impact: 1) institutional; and 2) beneficiary. Because the project works with a large diverse groups of people, e.g. government officials, NGOs, women, youth, and vulnerable groups, the evaluation will use standardized interview scripts to reach as many beneficiaries as possible. Interview and discussion group scripts will serve as guides for discussion rather than a detailed questionnaire of the type administered in an opinion survey. The team will work closely with USAID and the EPI project to ensure persons selected for interviews are reasonably representative of all stakeholders’ in

terms of experience with the project, having a broad range of experiences, interests and perspectives.

Throughout the evaluation, the team will collect, whenever possible, gender-disaggregated data and observe gender-sensitive indicators to measure impact on both genders. If a difference is noted, the team will examine what has caused it and seek to identify the barriers that have prevented men or women to realize equal outcomes from the project.

To collect data, the evaluation will use mixed methodology that will include qualitative and quantitative techniques. Qualitative techniques cannot quantify the changes attributable to interventions. However, they will be used to evaluate issues for which quantification is not feasible or practical, and to develop complementary and in-depth perspectives on changes induced by EPI activities reflected in the quantitative data, including PMP indicators.

In conducting data analysis the project team will use the triangulation method to increase reliability and validity of our findings as well as ensure rigor and quality of the evaluation. Though this method may yield convergent findings, findings are always open to question and the evaluation team will review findings with the USAID Mission and integrate their comments.

The evaluation team will be divided into at least two groups reflecting their backgrounds and experience. The team includes members with individual strengths in business climate reform, Georgian agriculture, and non-agricultural value chain analysis. Team members include:

- Stephen Butler Team Leader and Business Climate Specialist
- George Murvanidze Georgian Agricultural Specialist
- Nana Adeishvili Georgian Value Chain Specialist

Having team members lead discussion primarily on their individual strengths, subject to the overall supervision of the team leader, an experienced evaluator of USAID programs, will facilitate completion of more interviews with stakeholders, project implementers, USAID and government officials as well as more feasible travel logistics.

Team members will spend a part of each day summarizing their notes and preparing a synthesis of their interviews and observations. The Team Leader will review the raw information to ensure the appropriate questions are being covered and the responses are providing the information needed. The Team Leader will keep USAID informed on the current progress of the evaluation by providing weekly briefings.

The proposed schedule for the evaluation is included with this work plan.

Evaluation Design

The evaluation design is guided by USAID standards and norms for evaluations and consists of three stages:

Stage 1: Refine Evaluation Methodology. Stage I of the evaluation is underway now. The evaluation team held two conference calls with USAID/Georgia to verify the understanding of the evaluation task, discuss prospective methodologies for conducting the evaluation, and clarify roles, responsibilities and actions that need to be taken. One result of these discussions is the present work plan.

Deliverables for Stage I	Description
Final Work Plan	Overall project plan for conducting the evaluation
Interview and discussion group scripts	Finalize interview and discussion group scripts
List of Site Visits, Interviews and Discussion Groups	Prepare a detailed preliminary schedule of all site visits, recommended interviews and discussion groups
Literature Review	Review all project documents provided by USAID and EPI

The evaluation team is presently in the process, through consultation with USAID and the EPI staff, of identifying project beneficiaries and stakeholders and compiling a list of all site visits and interviews proposed to be conducted. Both lists will be approved by USAID. The evaluation team is also presently reviewing all project documentation provided by USAID.

At this stage the evaluation team will also begin to work with USAID and EPI staff to explore the feasibility of small discussion groups, identifying the themes, participants and locations.

Stage 2: Data Collection. Data collection will be completed through two sub-activities to be carried out simultaneously: a qualitative evaluation and a quantitative evaluation.

(I) Qualitative Evaluation.

The work for the qualitative evaluation primarily involves conducting scripted but essentially open-ended interviews

Deliverables for Stage 2	Description
Summaries of interviews and discussion groups	Generalized themes of interviews and discussion groups will be summarized and put into a form accessible to USAID
Weekly Briefings	Keep USAID current on the progress of the evaluation
Draft Outline for Report	Present a draft outline for the Final Report of the Evaluation

with those organizations and individuals, as well as other stakeholders and partners, involved in the different activities under the programs. Examples of scripts for interviews and discussion groups are attached as **Annex 4** and are included in this work plan, and a preliminary list of organizations and individuals for interviews is attached to this work plan.

In addition, the evaluation team will continue its comprehensive review of information and reports pertaining to EPI's activities since the beginning of the projects. This information will be analyzed and the results will be tailored to answer the main evaluation questions outlined in the Scope of Work. The review will also provide information on cross-cutting issues that must be addressed by the evaluation, such as gender, youth and vulnerable groups.

Data will be collected using the following methods:

- A critical desk-top review of materials related to the projects, as well as any material that will be provided by USAID such as project reports and annual work plans, project performance management plan, project grants manual, etc.
- Interviews with USAID staff.
- Interviews with EPI project staff.
- In depth, semi-structured interviews with selected program beneficiaries and stakeholders such as the Revenue Service, Ministry of Economy and Sustainable Development, Ministry of Education and Science, Georgian National Investment Agency, Ministry of Agriculture, Georgian Agriculture Corporation, Competition and State Procurement Agency, the Data Exchange Agency, Ministry of Justice, Strategic Development Agency, ICT Business Council, National Tourism Agency, Partnership Fund, Universities, as well as private sector companies, relevant business associations and representatives from political parties and non-governmental organizations (see Annex 4 for more). The team will use semi-structured interviews, which are a more appropriate and valuable technique under the circumstances because they will allow beneficiaries to present and explain points freely.
- If considered feasible, discussion groups in the regions, perhaps at the EPI resource centers, will allow collection of qualitative data necessary to provide context and background on the data obtained through the individual interviews. Discussion group events will be selected carefully to optimize use of project time and resources. Likely groups will include assisted farmers and businesses; representatives of assisted manufacturing sectors; and representatives of the tourism industry.
- Site visit meetings with key players in the Ajara, Kakheti, Shida Kartli, Imereti, Samegrelo, Samtskhe-Javakheti regions. Meeting and interviews in the regions will seek to include local officials, businesses and CSOs as necessary to develop a complete picture of project performance.
- Direct observation to cross-check information (e.g. comparing statements to observed practice) and identification of factors not previously recognized.
- Interviews with development partners, including representatives of the international donor community working on related projects such as the EU, World Bank and Food and FAO.
- Review of program required outputs and targeted results against objectives and PMP indicators.

The main approaches to the qualitative data will be:

- Standardization of interview and discussion groups scripts. Questions in scripts for interviews and discussion groups will be standardized to the maximum extent feasible to allow identification of common threads and comparisons of opinion, perception and attitudinal data. Interview/Discussion Group Scripts are included and in **Annex 4**.
- Summary of literature, interviews and discussion groups. The evaluation team will organize and summarize the key points of interviews and discussion group discussions under common themes and these summaries will be made part of the evaluation reports. To protect the privacy and identity of cooperating interlocutors, opinions will

be summarized without attribution. A review of literature and documents will summarize findings and data of others relevant to evaluation of the projects.

- Critical synthesis of opinion data. Data gathered through interviews and discussion group discussions will be critically analyzed through a process of identifying inconsistencies, conflicts and possible bias arising from stakeholder interests. Data will be synthesized to allow reasonable generalizations regarding main themes and research questions, while preserving noteworthy differences of opinion and perception.
- Resolution of conflicts, inconsistencies and ambiguities. If necessary, attempts will be made to resolve any serious conflicts, inconsistencies or ambiguities in the data by re-contacting interlocutors to obtain clarification or additional information.
- Consultation with USAID and integration of comments. Through periodic debriefing and reporting as called for in the RFTOP as well as the preliminary evaluation report, the team's findings and conclusions will be tempered by and integrated with the findings and perceptions of USAID/Caucuses gained from oversight of project implementation.

(2) Quantitative Evaluation. Quantitative evaluation will consist of obtaining data from a variety of sources, including GoG statistics and administrative data, available research studies done by GoG and other international development partners, and the projects' ongoing monitoring and evaluation reporting. Given the limited time and resources available for the evaluation, the team will not develop new quantitative data through survey research, in-depth review of administrative records, or manipulation of available GoG statistics. The main approach to quantitative data will include:

- Collecting and presenting relevant data from available sources. The team will select the available literature, databases, and reporting to gather data that is relevant to the projects and present the data in a user-friendly and uniform format. Criteria of relevance will include whether the data gives insight into developments and trends in the Georgian economy that may be useful in planning project activities in the coming years.
- Analyzing project outputs and targeted results and verifying project reporting. A primary emphasis of the quantitative analysis will be to summarize the projects achievements with respect to required outputs and targeted results whenever possible.
- Analysis of trends in targeted sectors. Developing sophisticated analytical models to determine if high-order project objectives have been met is beyond the level of resources devoted to this evaluation. The analysis will seek to describe trends in the targeted sectors and make plausible inferences in appropriate cases. If available data suggests differences in trends between sectors and areas that did and did not benefit from project interventions, or suggests "before and after" changes in trends, this will be noted in the analysis.

Stage 3: Data Analysis and Report of Findings. Opinion data from interviews will be recorded by team members. The data collected will be primarily qualitative, with some quantitative data regarding trends in economic indicators, e.g. employment, productivity and project outputs, e.g. regulations adopted, farmer's trained, service organizations created). Different approaches will be taken to analyze the data collected depending on its characteristics.

Responses to the questions will be recorded and summarized in a manner that will facilitate comparison of responses. Because data will be gathered

Deliverables for Stage 3	Description
Data Analysis Plan	Analysis plan including methodologies to be used
Presentation of Findings	Findings will be presented to USAID for discussion and clarification
Draft Final Report	Draft report for review by USAID/Georgia
Revised Final Report	Final report including revisions requested by USAID during review

from a variety of sources, the team will use cross-checking or triangulation – especially for qualitative data resulting from stakeholder interviews, where much of the evidence may be anecdotal or inferred – to identify any inconsistencies and ensure reliability. Triangulation is here defined as a process of comparing and contrasting the opinions and perceptions of stakeholders having different interests and thus perspectives on project accomplishments, including primarily project beneficiaries, project implementers and government officials. Triangulation will assist the team to identify and, if necessary, discount apparent biases as well as reduce the “response bias” in which respondents tend to tell the evaluators what they want to hear.

Throughout the analysis, the team members will share and compare notes taken during the interviews, identify any variations in the information provided by different stakeholders, and reveal their different expectations and opinions. Analysis will also focus on measuring the effectiveness of program strategy and approaches towards achieving program targeted results and outcomes.

Evaluation findings will be presented to USAID in an out-briefing before the draft reports are submitted to allow for discussion and clarification. After discussions are complete and issues (if any) are clarified and resolved, the ME&A Team will submit a draft report, with findings from the evaluation and recommendations for future USAID interventions, to the Mission for comment. The final report will be submitted to USAID after comments are fully integrated.

A preliminary outline of the format of the final report is included at the end of this work plan. As shown, depending on the type of data available and collected, in the final report the analysis of each subcomponent of each component will include discussion of, as applicable:

- Project Achievements
- Indicators
 - PMP Indicators
 - Required Outputs
 - Targeted Results
 - Outcomes
 - High Level Results
 - Productivity
 - Employment
 - Access to local finance
 - Exports
- Priority Questions

Given the wide range of topics, and the likelihood that not all information will be available for each subcomponent, not all of these topics may be relevant to each subcomponent.

Limitations

From the information provided in the SOW as well as our own research, there are several limitations on the scope of the evaluation requested including:

- **Difficulty of using high-order indicators.** The SOW states that the overall success of the EPI project will be determined on the basis of five high-order indicators over baseline measurements, including growth in productivity, employment, and exports, and assessment of these indicators included in the priority questions for EPI. However, high-order indicators such as these are affected by a host of variables, identified and un-identified, which are beyond the scope or control of the EPI project, and it is rarely possible to suggest causative links between these indicators and project activities. This is true even if the baseline data is available and reliable. While we will be able to report on movements in these indicators, it is our view that it would be more productive and informative to look more closely at the lower order outputs and targeted results defined in the original RFTOP for the projects. We believe over-reliance on the high-order quantitative indicators can both overstate and understate the actual accomplishments of the project; therefore, we suggest that our team also pays sufficient attention to lower order and qualitative indicators of accomplishments.
- **Use of World Economic Forum (WEF) Indicators.** Along the same lines as the previous comment on use of high-order indicators, using the WEF Global Competiveness Report indicators is also subject to many challenges. USAID is aware of the limitations of the WEF survey.²⁸ While updating selected indicators may present a useful picture of the status and trends of the Georgian economy and business climate, there is no possibility of establishing causal linkages between these indicators and project activities. As with the high-order indicators discussed in Limitation I above, movements in these indicators are influenced by a host of variables outside of EPI's scope of activities and they can be erratic, with the risk of both understating and overstating project accomplishments. As proposed by the SOW, the evaluation team may make reasonable inferences regarding these relationships.
- **Mid-term evaluations and lagging indicators.** It is still too early to determine concrete results of the EPI project, which is at the midpoint of implementation. Very little is known about the temporal relationships between these interventions and the expected results, and these indicators can lag the project interventions considerably. We will have a better picture of these relationships after we have an opportunity to see and analyze the available data.

²⁸ See Request for Proposal (RFP) No. SOL-I 14-10-000001 – GEORGIA ECONOMIC PROSPERITY INITIATIVE (EPI), July 12, 2010, at page 13.

- **Availability of data on targeted results and outputs.** Evaluation plans for EPI include review of a number of quantitative indicators of project performance with respect to targeted results and project outputs (e.g. growth in revenues of assisted farmers and businesses, creation of new service providers). We believe it is unlikely that GoG statistics will provide the required level of disaggregation needed to make significant analytical inferences, and given the resources available for this task order, it is not possible to gather new data on these indicators. The evaluation team will have to rely on data gathered by the projects' own M&E activities to track these indicators, but cannot attest to the quality of that data. Nevertheless, collection and review of available data can provide a useful check on opinion data gathered through interviews and other techniques. To assure the best result the team will carefully evaluate the relevance and quality of available data, considering how it was collected and its reliability in light of all of the other information collected.

Addressing Limitations and Biases

The evaluation team will necessarily have to rely on assistance from the EPI staff to: (1) identify key stakeholders and project beneficiaries; (2) arrange logistics of meetings and group interviews in the regions; and (3) organize regional discussion group discussions. Reliance on project implementers to identify potential interviewees and discussion group participants may suggest a selection bias in favor of persons with an interest in the success of the projects. Potential bias will be countered to the extent possible by having the evaluation team critically analyze the backgrounds and interests of stakeholders proposed for interviews, selection of a broad range of stakeholder participants, and where feasible having the evaluation team make selection of interviewees and discussion group participants from broader lists provided by the project teams.

Regarding the key person interviews and discussion groups, the main issues arise with respect to various data biases that are inherent in the techniques used. These include, for example, selection bias, response or recall bias and publication bias. Selection bias arises when the subjects from whom data is gathered are not randomly selected, as is the case in most performance evaluations, and therefore may have a unique perspective on the successes of the project. Selection bias will necessarily arise to some extent in the current evaluation because the evaluation team will have to rely on the project management to identify key stakeholders with knowledge of and experience with the project; there will not be a randomly selected sample of interlocutors. Similarly, it is likely that project management will be instrumental in identifying and enlisting the participation of project beneficiaries in discussion groups, and these persons are likely to constitute a self-selected group with unique experience of the project.

A response bias reflects the possibility that key interlocutors will have personal interests in the success of the project – that they will be personally “invested” in the project in some way. For example, this might include a government official who was in charge of project liaison or who was a champion of the project in the halls of government. This type of bias is practically inevitable in performance evaluations which rely primarily on qualitative data. While it is rare for interlocutors to deliberately mislead, there is frequently a tendency to overstate positives and understate negatives.

Recall bias is a variant of response bias in which respondents' answers to a question depend on their memory of a particular time or event, and how respondents answer a question is systematically affected by the nature of that memory. True recall bias is not likely to be a major issue in the key person interviews anticipated for this evaluation. More likely is that through the passage of time key interlocutors simply will have forgotten key information necessary for them to provide an accurate answer.

Finally, publication bias is the tendency of the evaluation team to highlight positive results, knowing that USAID has invested significantly in the project outcomes.

To minimize the various biases in data that may arise from the chosen methodologies a number of steps can be taken, including:

- As discussed earlier, use of different data collection techniques, including key person interviews, discussion group, literature review and analysis of quantitative data, provides different types and sources of data that can serve as a check on bias inherent in any one technique.
- To counter selection bias the evaluation team can work with project management and USAID to identify interlocutors having a wide range of interests in the project and likely to have a wide range of experience with it. The evaluation team will seek to understand the perspective and relationships of all interlocutors before an interview begins, thereby allowing identification of possible bias. In addition, interviews will provide ample opportunity for interlocutors to express negative as well as positive opinions.
- Discussion group participants can be selected on a random basis from lists of project participants or beneficiaries provided by project management.
- Implementation of a “triangulation” approach to data analysis, discussed earlier, allows the evaluation team to compare and contrast the data gathered from the 3 main data collection techniques and thereby to identify clear trends in opinions and eliminate outliers.
- Publication bias can be countered by establishing a firm understanding with USAID of the objectives of the evaluation, assuring that interviews include probing questions on negative as well as positive project outcomes, meticulously recording interview results, and diligently questioning interpretations of the data and the conclusions reached.

STATEMENT OF WORK

Performance Evaluation of Economic Prosperity Initiative Project

Summary

Name of the Project:	Economic Prosperity Initiative (EPI) Project
Number:	Contract No. AID-114-C-10-00004
Project Dates:	September 30, 2010 – September 30, 2014
Project Funding:	\$40,419,419 (total estimated cost plus fixed fee)
Implementing Organization/s:	Deloitte Consulting LLP
Contracting Officer's Representative (COR):	Revaz Ormotsadze

The contractor must conduct a performance evaluation of the Economic Prosperity Project (AMP). The purpose of evaluating this project is to assess its contributions toward achieving the USAID/Caucasus's Development Objective -"Inclusive and Sustainable Economic Growth." Specifically, the goal of evaluating EPI is to measure the effectiveness of EPI's interventions in targeted sectors and value chains. The USAID/Caucasus Economic Growth Office is currently changing its portfolio of activities and the results of this evaluation will be used to design future projects and adjust current projects if needed. Therefore, this evaluation is to identify "lessons learned," assess strengths and weaknesses of strategies and activities performed under these projects, and provide recommendations to USAID for project planning purposes for the next five years.

Summary of Specific Technical Requirements

The Contractor shall:

- Provide draft evaluation design and work plan for review and comment prior to arrival in country.
- Meet with USAID within three days of arrival in country and provide deliverables (final detailed evaluation design and the work plan).
- Conduct evaluation in accordance with the USAID-approved evaluation design and the work plan.
- Provide evaluation report to USAID in accordance with Reporting Guidelines.
- Meet with USAID for out brief.
- Develop draft and final evaluation reports.

I. Activities to be evaluated

In September 2010, USAID/Caucasus Mission awarded Contract No. AID-114-C-10-00004 to Deloitte Consulting LLP to fund the Economic Prosperity Initiative project. The goal of this project was to improve enterprise, industry, and country-level competitiveness by identifying and targeting key, external and internal factors to enhance the growth rates and productivity of enterprises in the economy, thereby enhancing the economic well-being of workers in the economy.

2. Background

A consortium of international and local organizations and independent experts led by Deloitte Consulting implements the EPI project. Deloitte's implementing partners include J.E. Austin Associates (responsible for Component 3), CNFA (responsible for Component 2), FLAG International, SSG Advisors, Making Cents International, Community Colleges for International Development, Policy and Management Consulting Group, UGT and other local and foreign partners and international experts. EPI's activities are organized around the following four major components:

8. Business Enabling Environment (BEE) component: Activities under this component will expand and deepen Georgia's economic governance capacity to contribute to overall country-level competitiveness. The component addresses business regulation/licensing, strengthening property rights, investment sector economic governance, trade and customs economic governance, tax administration, procurement/privatization, and agricultural policy. BEE's key stakeholders and partners include the Revenue Service, Ministry of Economy and Sustainable Development, Georgian National Investment Agency, Ministry of Agriculture, Georgian Agriculture Corporation, Competition and State Procurement Agency, Data Exchange Agency, Ministry of Justice, Sakpatenti, Business Ombudsman, and relevant business associations.
9. Agriculture (AG) component: Activities under this component will improve competitiveness of agriculture sector. EPI conducted a value chain (VC) selection and identified hazelnuts, mandarins, greenhouse and open field vegetable crops as VCs with the greatest potential to achieve developmental impact. EPI designed technical assistance programs to benefit farmers and businesses. The assistance is provided by agricultural service and input providers, associations, agricultural vocational colleges, financial service providers and NGOs. The overall goal for this component is to expand exports and import substitution of the targeted VCs, resulting in increased revenues and employment of farmers. Agriculture component's key stakeholders are: the Ministry of Agriculture, Ministry of Agriculture of Adjara, Georgian Agriculture Corporation, Agricultural University, local authorities of Samtskhe-Javakheti, Kvemo Kartli, Samegrelo, Adjara and Guria, Ferrero and other private sector companies and relevant business associations.
10. Manufacturing and Services (M&S) component: Through sector and value chain assessments EPI selected transport and logistics, packaging, information and communication technology, apparel, wine and Meetings, Incentives, Conferences, and Exhibitions (MICE) tourism, and perlite products, as sectors to increase Georgia's export potential and competitiveness in the M&S by enhancing productivity, promoting investment and strengthening market linkages. EPI will achieve the goal, by taking Georgian VCs to the market – to investors, buyers and tourists –and by increasing skills and private sector capacity to meet market needs. The M&S key stakeholders are: the Ministry of Justice, Georgian National Investment Agency, Strategic Development Agency, ICT Business Council, National Tourism Agency, Partnership

Fund, Universities, private sector companies and relevant business associations.

11. Cross-cutting (CC) activities: Under this component, EPI will provide relevant resources and tools to the AG, M&S and BEE teams to ensure efficient and effective program delivery. Critical constraints addressed by EPI CC activities include: upgrading workforce skills in target VCs, including better integrated youth/women into EPI's VCs; increasing access to finance for EPI's VCs; improving the quality of business and economic information in Georgia; and creation of a sustainable capacity of Georgian organizations to implement a targeted approach to investment promotion, while attracting foreign investment in EPI VCs. The cross-cutting component's key stakeholders include: the Ministry of Education and Science, Georgian National Investment Agency, Tbilisi, Kutaisi, Batumi and Ozurgeti Vocational Schools, private sector companies and relevant business associations.

The EPI statement of work includes the following statement - USAID will measure the success of EPI as a whole by the attainment of the following five high-level results tracked by component, sub-component, and the targeted value chains, above baseline indicators:

6. Increased Productivity - Semi-annual increase in productivity in targeted sectors consistent with USAID-approved semi-annual targets (PMP indicator).
7. Increased Employment - Semi-annual increase in employment in targeted sectors consistent with USAID-approved semi-annual targets (PMP indicator).
8. Increased Access to Local Finance - \$200 million in capital attributable to EPI assistance lent to enterprises operating in targeted sectors.
9. Increased Exports - \$150 million in exports (i.e., goods and services) facilitated and attributable to EPI assistance (PMP indicator). 100 companies in targeted sectors have significantly enhanced capacities to export products and services (PMP indicator).

EPI also implements a grants program and uses various types of grants to achieve a timely, impactful, catalytic effect that contributes to the achievement of the above described purposes.

During the first two years of operation, EPI's assistance:

- stimulated demand and interest among investors, through its investment promotion activities, resulting in investments and planned commitments of USD 21.04 million in greenhouse operations and USD 21 million in cold storage facilities;
- achieved USD 80.7 million in domestic finance;
- increased foreign investment by USD 40.4 million;
- resulted in increased sales for local apparel companies to foreign markets and emergence of the first foreign investors to avail their resources, technology, managerial practices and market linkages to the Georgian apparel sector;
- achieved USD 65.7 million in exports and increased export capacity of 94 firms;
- successfully advocated a business-friendly solution for customs treatment of wastage left over from imported textiles used in the manufacture of apparel in Georgia, freeing wastage materials from being subject to import VAT;
- advocated a tax code amendment removing Georgian VAT over international cargo transportation and related services, bringing Georgia in line with international practice;

- proposed amendments to leasing regulation that the Parliament of Georgia approved in November of 2011;
- increased employment in targeted sectors by 1,408 new jobs;
- increased average revenue by 29% and 71% in agriculture and non-agriculture targeted sectors, respectively;
- trained 4,456 individuals, from which 3,722 are men and 734 women;
- provided assistance to 99 businesses for the improvement of their management practices.

3. Purpose of the evaluation and key evaluation questions to be addressed

The Economic Prosperity Initiative

The mid-term evaluation will review the progress of the project in improving the overall competitiveness of the Georgian private sector. The evaluation will (1) assess the contribution of EPI's activities toward achieving the five high-level results, and (2) advise on the practicality of measuring "the success of EPI as a whole" on such results. The evaluation will cover the period of September 2010 through April 2013. The conclusions of the evaluation will be used by USAID/Caucasus to improve or design current and/or future interventions in the area of private sector development. With similar purpose, USAID will share the results of the study with other donors, host country government stakeholders and partners working in this area. The evaluation team should review and summarize the implementation and results achieved by this project to address the following purposes and answer the following key evaluation questions.

6. Evaluate the contribution of EPI's activities toward achieving the project's intended five high-level results. Discuss constraints/challenges/issues that inhibit the project's contribution toward achieving the five high-level results during the remaining term of project.

Q With respect to EPI's targeted sectors, what has been and what will likely be the contribution of the project toward increasing:

- Productivity
- Employment
- Access to local finance
- Exports

7. Identify the main effects of the project on targeted agriculture and non-agriculture value chains and the business enabling environment, including on overall country-level competitiveness by answering the following questions:

Q Have businesses changed business practices, increased productivity, and the value of their enterprises, thus contributing to the overall competitiveness of value chains and the Georgian private sector?

Q To what extent has the project contributed to improving the business enabling environment in Georgia and the Government of Georgia's adoption of such improvements?

8. Identify opportunities to improve impact and enhance the implementation and management of future similar projects such as gender equity and sustainability.

4. Methodology

The Methodology will be used as proposed in the Mendez England & Associates Technical Proposal as of January 31, 2013.

5. Work Location

Tbilisi and selected Georgian regions and the U.S.

The teams will travel outside the capital as needed (for EPI to Ajara, Kakheti, Shida Kartli, Imereti, Samegrelo, Samtskhe-Javakheti regions) in order to meet with key players in diverse parts of the country and to get a better sense of the overall context within Georgia.

6. Projects Documents for Review

The COR, through the Mission's Economic Growth office and respective projects AOR and COR will put the contractor in contact with its implementing partner and might provide help with a small number of meetings (such as meeting with USG agencies). To the extent Possible, relevant reports and other project documentation will be provided by the Mission to the contractor prior to travel to Georgia. These documents are:

1. Statement of Work for EPI
2. EPI annual and quarterly reports
3. EPI work plans
4. Studies/assessments produced under project. EPI produced about 40 different reports and assessments.
5. Other projects documents which will be provided by the EG office in Tbilisi

The Mission's EG Team will brief the evaluation team on their perceptions of political dynamics.

Research Matrix

EPI Evaluation Matrix				
No.	Research Question	Data Source	Methodology	Data Analysis
Priority Questions				
1	With respect to EPI's targeted sectors, what increases have been seen since the start of the project in: <ul style="list-style-type: none"> • Productivity • Employment • Access to local finance • Exports 	<ul style="list-style-type: none"> • GoG reports and statistical data • Donor reports • Implementer reports 	<ul style="list-style-type: none"> • Document review • Quantitative data analysis 	<ul style="list-style-type: none"> • Analysis of project outputs and targeted results and verification of project reporting • Quantitative analysis of trends in targeted sectors • Charting
2	With respect to any increases found under question 1: (1) Which, if any, can be attributed to project activities? (2) What is the basis for the attribution?	<ul style="list-style-type: none"> • GoG Reports • Donor Reports • Implementer Reports • Stakeholder perceptions 	<ul style="list-style-type: none"> • Document review • Key stakeholder interviews • Quantitative data analysis 	<ul style="list-style-type: none"> • Critical synthesis and triangulation analysis of opinion data • Analysis of project outputs and targeted results and verification of project reporting.
3	What changes have occurred in the selected WEF indicators since project inception?	<ul style="list-style-type: none"> • WEF Surveys 	<ul style="list-style-type: none"> • Quantitative data analysis 	<ul style="list-style-type: none"> • Quantitative analysis • Charting
4	With respect to any changes to selected WEF indicators found under question 3: (1) Which, if any, can be attributed to project activities? (2) What is the basis for the attribution?	<ul style="list-style-type: none"> • GoG Reports • Donor Reports • Implementer Reports • Stakeholder perceptions 	<ul style="list-style-type: none"> • Document review • Key stakeholder interviews • Quantitative data analysis 	<ul style="list-style-type: none"> • Critical synthesis and triangulation analysis of opinion data • Analysis of project outputs and targeted results and verification of project reporting.
5	What are the overall perceptions of the program beneficiaries? What level of	<ul style="list-style-type: none"> • GoG stakeholders and other program 	<ul style="list-style-type: none"> • Interviews • Group interviews and 	<ul style="list-style-type: none"> • Critical synthesis and triangulation analysis of opinion

EPI Evaluation Matrix				
No.	Research Question	Data Source	Methodology	Data Analysis
	engagement and ownership is demonstrated by beneficiaries?	beneficiaries	focus groups	data <ul style="list-style-type: none"> Analysis of project outputs and targeted results and verification of project reporting.
6	What are the opportunities to increase the impact and enhance the implementation and management of the project over its remaining term, if any.	<ul style="list-style-type: none"> USAID/EG staff Project documentation Implementing partners Project beneficiaries 	<ul style="list-style-type: none"> Interviews Stakeholders focus groups 	<ul style="list-style-type: none"> Analysis of project outputs and targeted results and verification of project reporting Critical synthesis and triangulation analysis of opinion data.
Sub-questions Component I: Business Enabling Environment				
7	How has the project contributed to improving the business environment under its 4 main components?	<ul style="list-style-type: none"> New laws/regulations GoG stakeholder perceptions Business/beneficiary stakeholder perceptions Implementer reporting 	<ul style="list-style-type: none"> Document review Legal review Key informant interviews Possible group interviews/focus groups 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting. Consultation with USAID and integration of comments.
8	Which specific improvements to the regulatory and business environment adopted by the GoG can be attributed to project activities? What is the basis of that attribution?	<ul style="list-style-type: none"> New laws/regulations GoG stakeholder perceptions Business/beneficiary stakeholder perceptions Implementer reporting GoG regulatory action 	<ul style="list-style-type: none"> Document review Legal review Key informant interviews Possible group interviews/focus groups 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.

EPI Evaluation Matrix				
No.	Research Question	Data Source	Methodology	Data Analysis
		plans		
9	Have the capacities of key government actors to identify, develop and implement regulatory and business environment reforms been enhanced? If so, how?	<ul style="list-style-type: none"> GoG stakeholders GoG reports Implementer reports 	<ul style="list-style-type: none"> Key stakeholder interviews Document review 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
10	How have property rights of citizens and businesses (including IP) been enhanced by project activities? Which specific improvements to property rights and protection of property rights can be attributed to project activities, and what is the basis of that attribution?	<ul style="list-style-type: none"> GoG regulatory action plans New laws/regulations GoG stakeholder perceptions Business/beneficiary stakeholder perceptions Implementer reporting 	<ul style="list-style-type: none"> Document review Legal review Key informant interviews Possible group interviews/focus groups 	<ul style="list-style-type: none"> Critical legal analysis Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
11	Which specific improvements to the regulatory and business environment governing foreign and domestic investment can be attributed to project activities? What is the basis of that attribution?	<ul style="list-style-type: none"> GoG regulatory action plan New laws/regulations GoG stakeholder perceptions Business/beneficiary stakeholder perceptions Implementer reporting 	<ul style="list-style-type: none"> Document review Legal review Key informant interviews Possible group interviews/focus groups 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
12	Have the perceptions of foreign and domestic investors improved, and can that improvement be attributed to project activities?	<ul style="list-style-type: none"> GoG stakeholder perceptions Business/beneficiary stakeholder perceptions 	<ul style="list-style-type: none"> Key informant interviews Possible group interviews/focus groups 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data
13	Can any specific improvements to the legal	<ul style="list-style-type: none"> GoG regulatory action 	<ul style="list-style-type: none"> Document review 	<ul style="list-style-type: none"> Critical legal analysis

EPI Evaluation Matrix				
No.	Research Question	Data Source	Methodology	Data Analysis
	and regulatory regime governing trade and customs be attributed to project activities, and what is the basis of that attribution?	<ul style="list-style-type: none"> plan New laws/regulations GoG stakeholder perceptions Business/beneficiary stakeholder perceptions Implementer reporting 	<ul style="list-style-type: none"> Legal review Key informant interviews Possible group interviews/focus groups 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
14	What specific improvements to the transparency, fairness and enforcement of tax policy and collections can be attributed to the project?	<ul style="list-style-type: none"> GoG regulatory action plan New laws/regulations GoG stakeholder perceptions Business/beneficiary stakeholder perceptions Implementer reporting 	<ul style="list-style-type: none"> Document review Legal review Key informant interviews Possible group interviews/focus groups 	<ul style="list-style-type: none"> Critical legal analysis Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
15	What specific improvements to the GoG procurement system, rules and procedures have been made and are attributable to project activities? What is the basis of that attribution?	<ul style="list-style-type: none"> GoG regulatory action plans New laws/regulations GoG stakeholder perceptions Business/beneficiary stakeholder perceptions Implementer reporting 	<ul style="list-style-type: none"> Document review Legal review Key informant interviews Possible group interviews/focus groups 	<ul style="list-style-type: none"> Critical legal analysis Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
16	What specific improvements to the GoG privatization system, rules and procedures have been made and are attributable to project activities? What is the basis of that attribution?	<ul style="list-style-type: none"> GoG regulatory action plans New laws/regulations GoG stakeholder perceptions 	<ul style="list-style-type: none"> Document review Legal review Key informant interviews Possible group 	<ul style="list-style-type: none"> Critical legal analysis Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and

EPI Evaluation Matrix				
No.	Research Question	Data Source	Methodology	Data Analysis
		<ul style="list-style-type: none"> Business/beneficiary stakeholder perceptions Implementer reporting 	interviews/focus groups	targeted results and verification of project reporting.
17	What specific improvements to the transparency and inclusiveness of agricultural policy making by GoG have been made and can be attributable to project activities? What is the basis of that attribution?	<ul style="list-style-type: none"> New laws/regulations GoG stakeholder perceptions Business/beneficiary stakeholder perceptions Implementer reporting 	<ul style="list-style-type: none"> Case studies Key informant interviews Possible group interviews/focus groups 	<ul style="list-style-type: none"> Critical legal analysis Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
18	What institutional mechanisms have been adopted with project assistance to assure continuity and continuation in other business climate and regulatory reforms?	<ul style="list-style-type: none"> New laws, regulations, procedures Business/beneficiary stakeholder perceptions Implementer reporting 	<ul style="list-style-type: none"> Case studies Key informant interviews Possible group interviews/focus groups 	<ul style="list-style-type: none"> Critical legal analysis Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
19	What have been the average annual increases in revenues of farms and agribusinesses that have been direct recipients of project assistance?	<ul style="list-style-type: none"> GoG reports and statistical data Implementer reporting 	<ul style="list-style-type: none"> Document review Quantitative data analysis 	<ul style="list-style-type: none"> Quantitative analysis Charting Critical synthesis and triangulation analysis of opinion data
20	What has been the growth of agricultural service providers delivering services and training to farms and agribusinesses since project inception?	<ul style="list-style-type: none"> Implementer reporting 	<ul style="list-style-type: none"> Interviews Document review 	<ul style="list-style-type: none"> Quantitative analysis Charting Critical synthesis and triangulation analysis of opinion data

EPI Evaluation Matrix				
No.	Research Question	Data Source	Methodology	Data Analysis
21	How has access to agricultural services, training and best practice information improved since project inception and what part of that improvement can be attributed to project activities?	<ul style="list-style-type: none"> GoG reports and data Implementer reporting Program beneficiaries 	<ul style="list-style-type: none"> Case studies Interviews Possible group interviews and focus group discussions 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
22	Has take-up of best practice among directly assisted farmers increased since project inception and what part of that can be attributed to project activities?	<ul style="list-style-type: none"> GoG reports and data Implementer reporting Program beneficiaries 	<ul style="list-style-type: none"> Case studies Interviews Possible group interviews and focus group discussions 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
23	Has farm productivity increased among directly assisted farmers and what part of that can be attributed to project activities?	<ul style="list-style-type: none"> GoG reports and data Implementer reporting Program beneficiaries 	<ul style="list-style-type: none"> Document review Quantitative data analysis Interviews 	<ul style="list-style-type: none"> Quantitative analysis Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
24	Have there been improvements in legal and business structures of small land holders that can be attributed to project activities? What is the nature of those improvements?	<ul style="list-style-type: none"> GoG reports and data Implementer reporting Program beneficiaries 	<ul style="list-style-type: none"> Case studies Document review Interviews 	<ul style="list-style-type: none"> Critical synthesis and triangulation analysis of opinion data Analysis of project outputs and targeted results and verification of project reporting.
25	Increases in average revenues across small, medium, and large enterprises in targeted	<ul style="list-style-type: none"> GoG reports and data Implementer reporting 	<ul style="list-style-type: none"> Quantitative data analysis 	<ul style="list-style-type: none"> Quantitative analysis Charting

EPI Evaluation Matrix				
No.	Research Question	Data Source	Methodology	Data Analysis
	non-agriculture sectors.			
26	Increase in business service providers delivering high quality productivity-enhancing services to industries.	<ul style="list-style-type: none"> • Implementer reporting • Program beneficiaries 	<ul style="list-style-type: none"> • Quantitative data analysis • Interviews 	<ul style="list-style-type: none"> • Quantitative analysis • Critical synthesis and triangulation analysis of opinion data • Analysis of project outputs and targeted results and verification of project reporting.
27	Increases in service providers delivering combination of individualized assistance and training courses benefitting enterprises in priority industrial and service sectors.	<ul style="list-style-type: none"> • Implementer reporting • Program beneficiaries 	<ul style="list-style-type: none"> • Quantitative data analysis • Interviews 	<ul style="list-style-type: none"> • Quantitative analysis • Critical synthesis and triangulation analysis of opinion data • Analysis of project outputs and targeted results and verification of project reporting.
28	Which specific improvements to the tourism sector adopted by the GoG can be attributed to project activities, and what is the basis of that attribution?	<ul style="list-style-type: none"> • Government action plans • Business stakeholders • Implementer reporting 	<ul style="list-style-type: none"> • Document reviews • Interviews 	<ul style="list-style-type: none"> • Critical synthesis and triangulation analysis of opinion data • Analysis of project outputs and targeted results and verification of project reporting.
29	Are positive changes to tourism indicators, including improved perceptions of tourism services and infrastructure, increased tourism expenditures, increased number of tourists, increased productivity of tourism sector and increased profits attributable to project activities?	<ul style="list-style-type: none"> • GoG reporting and data • Implementer reporting • Program beneficiaries 	<ul style="list-style-type: none"> • Document and data review • Interviews 	<ul style="list-style-type: none"> • Quantitative analysis • Critical synthesis and triangulation analysis of opinion data • Analysis of project outputs and targeted results and verification of project reporting.
30	What growth has occurred in the ICT sector	<ul style="list-style-type: none"> • GoG reporting and data 	<ul style="list-style-type: none"> • Document and data 	<ul style="list-style-type: none"> • Quantitative analysis

EPI Evaluation Matrix				
No.	Research Question	Data Source	Methodology	Data Analysis
	and is attributable to project activities?	<ul style="list-style-type: none"> • Implementer reporting • Program beneficiaries 	<ul style="list-style-type: none"> • review • Interviews 	<ul style="list-style-type: none"> • Critical synthesis and triangulation analysis of opinion data • Analysis of project outputs and targeted results and verification of project reporting.
31	Implementation of institutions/activities to promote greater dialog and inclusiveness on reform agenda; increased knowledge of and support for reforms.	<ul style="list-style-type: none"> • Implementer reporting • Program beneficiaries 	<ul style="list-style-type: none"> • Document review • Interviews 	<ul style="list-style-type: none"> • Critical synthesis and triangulation analysis of opinion data • Analysis of project outputs and targeted results and verification of project reporting.
32	Implementation of high impact ICT interventions in targeted business sectors.	<ul style="list-style-type: none"> • Implementer reporting • Program beneficiaries 	<ul style="list-style-type: none"> • Case studies • Document review • Interviews 	<ul style="list-style-type: none"> • Critical synthesis and triangulation analysis of opinion data • Analysis of project outputs and targeted results and verification of project reporting.
33	Lasting partnerships established between Georgian education institutions and businesses or business sectors.	<ul style="list-style-type: none"> • Implementer reporting • Program beneficiaries 	<ul style="list-style-type: none"> • Case studies • Document review • Interviews 	<ul style="list-style-type: none"> • Critical synthesis and triangulation analysis of opinion data • Analysis of project outputs and targeted results and verification of project reporting.
34	Project grants to facilitate institutional development, improved economic competitiveness, enable the utilization of modern IT systems, and increased lending.	<ul style="list-style-type: none"> • Implementer reporting • Grant recipients 	<ul style="list-style-type: none"> • Case studies • Document review • Interviews 	<ul style="list-style-type: none"> • Critical synthesis and triangulation analysis of opinion data • Analysis of project outputs and

EPI Evaluation Matrix				
No.	Research Question	Data Source	Methodology	Data Analysis
				targeted results and verification of project reporting.

Project Schedule

~ March 2013 ~						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
24	25	26	27	28	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27 Phone Call w/USAID/Georgia Review Materials Evaluation and Data Analysis Plan Preparation Home	28 Review Materials Evaluation and Data Analysis Plan Preparation Home	29 Review Materials Evaluation and Data Analysis Plan Preparation Home	30

◀ December 2012 ~ April 2013 ~ February 2013 ▶						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
31	1 Review Materials Evaluation and Data Analysis Plan Preparation Possible phone call with COR to discuss details of design Home	2 Review Materials Evaluation and Data Analysis Plan Preparation	3 Review Materials Evaluation and Data Analysis Plan Preparation Submit EPI Draft Work Plan to USAID Home	4 Review Materials Evaluation and Data Analysis Plan Preparation	5 Review Materials Evaluation and Data Analysis Plan Preparation	6
7	8 Team Leader departs for Georgia	9 Team Leader Arrives <i>Holiday (Georgia's Independence Restoration Day)</i>	10 In-Briefing with USAID for EPI Work Plan and Evaluation Design Discussion and Finalization Tbilisi	11 Meeting with USAID Work Plan and Evaluation Design Finalized and Submitted Afternoon Meetings and Interviews with Stakeholders Tbilisi	12 Meetings and Interviews with Stakeholders Review materials while in-country Tbilisi	13 Meetings and Interviews with Stakeholders Tbilisi
14 Tbilisi	15 Meetings and Interviews with Stakeholders Kakheti (LC1) Tbilisi (TL, LC2)	16 Meetings and Interviews with Stakeholders Kakheti (LC1) Tbilisi (TL, LC2)	17 Meetings and Interviews with Stakeholders Kvemo Kartli (LC1) Tbilisi (TL, LC2)	18 Meetings and Interviews with Stakeholders Shida Kartli (LC1) Ajara (TL, LC2)	19 Meetings and Interviews with Stakeholders Shida Kartli (LC1) Ajara (TL, LC2)	20 Meetings and Interviews with Stakeholders Travel to Imereti (LC1) Ajara
21	22 Meetings and Interviews with Stakeholders Imereti (LC1) Samtskhe-Javakheti (TL, LC2)	23 Meetings and Interviews with Stakeholders Samegrelo (LC1) Samtskhe-Javakheti (TL, LC2)	24 Meetings and Interviews with Stakeholders Samegrelo (LC1) Samtskhe-Javakheti (TL, LC2)	25 Follow up Interviews and Meetings with Stakeholders Prepare for Out briefing Tbilisi	26 Oral Out-Briefing with USAID and Submission of Outline of the Report Tbilisi	27 Team Leader Departs

◀ December 2012 ~ April 2013 ~ February 2013 ▶						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
28	29 Write Draft Report	30 Write Draft Report	1	2	3	4

◀ December 2012 ~ May 2013 ~ February 2013 ▶						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
28	29	30	1 Write Draft Report	2 Write Draft Report	3 Write Draft Report	4
5	6 Write Draft Report	7 Submit Draft Report to USAID	8	9	10	11
12	13	14	15	16	17	18
19	20	21 Comments from USAID	22	23 Integration of USAID Comments	24 Integration of USAID Comments	25

◀ December 2012 ~ May 2013 ~ February 2013 ▶						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
26	27 Integration of USAID Comments	28 Submit Final Report to USAID	29	30	31	1

INTERVIEW SCRIPTS

Background Information

Name of person interviewed

Business of the interviewee (specifics with respect to agricultural crops)

Name of organization

Position of person interviewed within the organization

Region and district of the organization

Legal status of the organization (e.g. cooperative, limited company, partnership, etc.).

How long has the organization been in business?

Nature of the organizations activity

Did this person have direct experience working with [EPI] [AMP]?

What was the nature of the interviewees relationship with [EPI] [AMP]?

What was the nature of the organization's relationship with [EPI] [AMP]?

Gender of the interviewee

Project Implementers/USAID Mission/Development Partners

1. In general, what was the role and impact of EPI on:
 - Business climate reform;
 - Agricultural productivity and competitiveness;
 - Manufacturing and services productivity and competitiveness?
2. What are the key changes in conditions took place in these areas as a result of EPI activities?
3. With respect to EPI's targeted sectors, what evidence do you have for increases in the following indicators since the start of the project in:
 - Productivity
 - Employment
 - Access to local finance
 - Exports

4. With respect to any increases in these indicators: (1) which, if any, do you believe can be attributed to project activities? (2) what is the basis for your belief?
5. Is there any evidence for increases in selected WEF indicators? With respect to any increases in these indicators: (1) which, if any, do you believe can be attributed to project activities? (2) what is the basis for your belief?
6. In your opinion, what are the opportunities to increase the impact and enhance the implementation and management of the project over its remaining term, if any.
7. Describe and provide current background information on any project grants made to facilitate institutional development, improved economic competitiveness, utilization of modern IT systems, and increased lending. In your opinion have these grants succeeded in their objectives? If not, why?

Direct Beneficiaries - Farmers

1. Have you experienced annual increases in farm revenues as a result of EPI assistance? What is the magnitude of those increases?
2. Have you seen a growth in agricultural service providers delivering services and training to farms and agribusinesses since project inception?
3. Has access to agricultural services, training and best practice information improved since inception of the EPI project? What part of that improvement do you think can be attributed to EPI project activities?
4. Have agricultural practices among directly assisted farmers improved since inception of the EPI project and what part of that can be attributed to project activities? Can you provide an example of a practice that you have adopted as a result of EPI activities?
5. Has productivity on your farm increased since inception of EPI and what part of that can be attributed to EPI activities?
6. Have there been improvements in legal and business structures of small land holders that can be attributed to EPI project activities? What is the nature of those improvements? Have you personally changed your business structure?
7. What is your overall perception of the EPI program?
 - Did the program help to address important needs of farmers?
 - What needs were not addressed?
 - Were its benefits delivered to you efficiently?
 - What would you change?
 - Would you participate again?

8. In your opinion, was the assistance offered by EPI the assistance you needed most? Were its programs right on target?
9. In general, how effective was EPI in improving your farming business? Would you say:
 - Extremely effective?
 - Effective?
 - Not very effective?
10. What were the main contributions of EPI to your business? If you had to choose, what would you say was the most important contribution of EPI to your business? Why?
11. What type of assistance did you wish for that EPI was not able to offer you?
12. Was there any aspect of EPI's program that you think was not as successful as others? Why was that?
13. Did you or members of your staff participate in any training events, seminars, etc.?
14. What training was received?
15. How effective was EPI training? What in your opinion were the best aspects of the EPI training?
16. In which areas would you like to see more training?

Direct Beneficiaries – Businesses and Business Associations

1. Has your business experienced annual increases in business revenues as a result of EPI assistance? What is the magnitude of those increases?
2. Have you seen a growth in business service providers delivering services and training to businesses since inception of the EPI program?
3. Have you seen increases in service providers delivering combination of individualized assistance and training courses benefitting enterprises in industrial and service sectors?
4. Has access to business services, training and best practice information improved since inception of the EPI project? What part of that improvement do you think can be attributed to EPI project activities?
5. Have business practices among directly assisted businesses improved since inception of the EPI project and what part of that can be attributed to project activities? Can you provide an example of an improved business practice that you have adopted as a result of EPI activities?

6. Has productivity of your business increased since inception of EPI and what part of that can be attributed to EPI activities?
7. What is your overall perception of the EPI program?
 - Did the program help to address important needs?
 - What needs were not addressed?
 - Were its benefits delivered to you efficiently?
 - What would you change?
 - Would you participate again?
8. In your opinion, was the assistance offered by EPI the assistance you needed most? Were its programs right on target?
9. In general, how effective was EPI in improving your business? Would you say:
 - Extremely effective?
 - Effective?
 - Not very effective?
10. What were the main contributions of EPI to your business? If you had to choose, what would you say was the most important contribution of EPI to your business? Why?
11. What type of assistance did you wish for that EPI was not able to offer you?
12. Was there any aspect of EPI's program that you think was not as successful as others? Why was that?
13. Did you or members of your staff participate in any training events, seminars, etc.?
14. What training was received?
15. How effective was EPI training? What in your opinion were the best aspects of the EPI training?
16. In which areas would you like to see more training?
17. Which specific improvements to the tourism sector adopted by the GoG do you think can be attributed to EPI project activities, and what is the basis of your opinion?
18. In your opinion are any positive changes to the tourism sector, including improved perceptions of tourism services and infrastructure, increased tourism expenditures, increased number of tourists, increased productivity of tourism sector and increased profits attributable to EPI project activities? What is the basis for your opinion?
19. In your opinion has any growth occurred in the ICT sector that may be attributable to EPI project activities?

- 20.** How has the EPI project contributed to improving the business environment?
- 21.** Which specific improvements to the regulatory and business environment adopted by the GoG can be attributed to project activities? What is the basis of that attribution?
- 22.** Have you seen an increase in institutions and/or activities to promote greater dialog and inclusiveness between businesses and government on the reform agenda? Have you seen an increased knowledge of and support for reforms in the business community? Do you think EPI has contributed to these developments?
- 23.** Are you aware of any institutional mechanisms which have been adopted with EPI project assistance to assure continuity and continuation in ongoing business climate and regulatory reforms
- 24.** Do you think the capacities of key government actors to identify, develop and implement regulatory and business environment reforms have been enhanced? If so, how?
- 25.** Have property rights of citizens and businesses (including intellectual property rights) been enhanced by EPI project activities?
- 26.** Are you aware of any specific improvements to property rights and protection of property rights that can be attributed to EPI project activities, and what is the basis of that attribution?
- 27.** Are you aware of any specific improvements to the regulatory and business environment governing foreign and domestic investment that can be attributed to EPI project activities? What is the basis of that attribution?
- 28.** Do you think the perceptions of foreign and domestic investors of Georgia have improved, and some part of that improvement can be attributed to EPI project activities?
- 29.** Are you aware of any specific improvements to the legal and regulatory regime governing trade and customs that can be attributed to EPI project activities, and what is the basis of that attribution?
- 30.** Are you aware of any specific improvements to the transparency, fairness and enforcement of tax policy and collections be attributed to the EPI project activities?
- 31.** Are you aware of any specific improvements to the GoG procurement system, rules and procedures that have been made and are attributable to project activities? What is the basis of that attribution?

- 32.** Are you aware of any specific improvements to the GoG privatization system, rules and procedures that have been made and are attributable to EPI project activities? What is the basis of that attribution?
- 33.** Are you aware of any specific improvements to the transparency and inclusiveness of agricultural policy making by GoG that have been made and can be attributable to EPI project activities? What is the basis of that attribution?
- 34.** In general, what was the role and impact of EPI on:
- Business climate reform;
 - Agricultural productivity and competitiveness;
 - Manufacturing and services productivity and competitiveness?
- 35.** What are the key changes in conditions that took place in these areas as a result of EPI activities?

Government Officials

1. What are the overall perceptions of beneficiaries of the EPI program? What level of engagement and ownership is demonstrated by beneficiaries?
2. In general, what was the role and impact of EPI on:
 - Business climate reform;
 - Agricultural productivity and competitiveness;
 - Manufacturing and services productivity and competitiveness?
3. What are the key changes in conditions that took place in these areas as a result of EPI activities?
4. Overall, would you say that the contribution of EPI to local development was:
 - Essential?
 - Highly Positive?
 - Positive?
 - Ineffective?
5. In general, how influential was EPI activity in developing government policy in its targeted areas?
6. Which policy areas in particular was EPI most helpful with? Why?
7. What type of assistance did you wish for that EPI was not able to offer you?
8. Was there any aspect of EPI's program that you think was not as successful as others? Why was that?

9. Did you or members of your staff participate in any training events, seminars, etc.?
10. What training was received?
11. How effective was EPI training? What in your opinion were the best aspects of the EPI training?
12. In which areas would you like to see more training?
13. Are there any specific improvements to the tourism sector adopted by the GoG which you think can be attributed to EPI project activities, and what is the basis of your opinion?
14. In your opinion are any positive changes to the tourism sector, including improved perceptions of tourism services and infrastructure, increased tourism expenditures, increased number of tourists, increased productivity of tourism sector and increased profits attributable to EPI project activities? What is the basis for your opinion?
15. In your opinion has any growth occurred in the ICT sector that may be attributable to EPI project activities?
16. How has the EPI project contributed to improving the business environment?
17. Which specific improvements to the regulatory and business environment adopted by the GoG can be attributed to project activities? What is the basis of that attribution?
18. Have you seen an increase in institutions and/or activities to promote greater dialog and inclusiveness between businesses and government on the reform agenda? Have you seen an increased knowledge of and support for reforms in the business community? Do you think EPI has contributed to these developments?
19. Are you aware of any institutional mechanisms which have been adopted with EPI project assistance to assure continuity and continuation in ongoing business climate and regulatory reforms
20. Do you think the capacities of key government actors to identify, develop and implement regulatory and business environment reforms have been enhanced? If so, how?
21. Have property rights of citizens and businesses (including intellectual property rights) been enhanced by EPI project activities?
22. Are you aware of any specific improvements to property rights and protection of property rights that can be attributed to EPI project activities, and what is the basis of that attribution?

- 23.**Are you aware of any specific improvements to the regulatory and business environment governing foreign and domestic investment that can be attributed to EPI project activities? What is the basis of that attribution?
- 24.**Do you think the perceptions of foreign and domestic investors of Georgia have improved, and some part of that improvement can be attributed to EPI project activities?
- 25.**Are you aware of any specific improvements to the legal and regulatory regime governing trade and customs that can be attributed to EPI project activities, and what is the basis of that attribution?
- 26.**Are you aware of any specific improvements to the transparency, fairness and enforcement of tax policy and collections be attributed to the EPI project activities?
- 27.**Are you aware of any specific improvements to the GoG procurement system, rules and procedures that have been made and are attributable to project activities? What is the basis of that attribution?
- 28.**Are you aware of any specific improvements to the GoG privatization system, rules and procedures that have been made and are attributable to EPI project activities? What is the basis of that attribution?
- 29.**Are you aware of any specific improvements to the transparency and inclusiveness of agricultural policy making by GoG that have been made and can be attributable to EPI project activities? What is the basis of that attribution?
- 30.**What remains to be done?

ILLUSTRATIVE EPI STAKEHOLDERS LIST

Main Implementers

Deloitte (Prime)
J.E. Austin
CNFA
FLAG International
SSG Advisors
Making Cents International
Community Colleges for International Development
Policy and Management Consulting Group (PMCG)
UGT

Stakeholders for Business Enabling Environment (BEE) Component:

Revenue Service
Ministry of Economy and Sustainable Development (MoESD)
Georgian national Investment Agency
Ministry of Agriculture
Georgian Agriculture Corporation
Competition and State Procurement Agency
Data Exchange Agency
Ministry of Justice
Sakpatenti(Georgia's IPR registration body)
Business Ombudsman
Georgian Accreditation Center (GAC)
Prime Minister's Office
Parliamentary Committee for Economic Policy and Sector Economy
Data Exchange Agency (DEA)
Testing Lab: Multitest

Stakeholders for Agriculture (AG) Component:

Ministry of Agriculture
Ministry of Agriculture of Adjara
Georgian Agriculture Corporation
Agriculture University
Ferrero/AgriGeorgia
Shabo-Georgia Ltd Knowledge Center in Misaktsieli
Bolnisi farm service center
Agrarian University

Stakeholders for Manufacturing and Services (M&S) Component:

Ministry of Justice
Civil Registry Agency (CRA)
Georgian National Investment Agency
ICT Business Council
Georgian National Tourism Administration (GNTA)
Partnership Fund
Miller & Company
MID-TERM PERFORMANCE EVALUATION OF EPI

Imeri
GEC Developments
ADB
Tbilisi Logistics Center
Georgian Logistics Associations (GLA)
Freight-Forwarders Association
Georgian Wine Association (GWA)
Georgian Incoming Tour Operator Association (GITO)

Stakeholders for the Cross-cutting (CC) Activities Component:

Ministry of Education and Science
Georgian National Investment Agency
Vocational Schools of Tbilisi, Kutaisi, Batumi and Ozurgeti
USDA
Association of Young Economists of Georgia (AYEG)
Georgian Business Development Center (GBDC)/Sense Selection
Civil Development Agency (CIDA)
Georgian Association of Women in Business (GAWB)
Free University
Adjara Textile
BTM Textile
Batumi vocational college
Ozurgeti vocational college
Aldagi BCI insurance company
Bank of Georgia

Additional Stakeholders:

Government of Georgia (GOG)
American National Standards Institute (ANSI)
Georgian National Investment Agency (GNIA)
Georgian National Agency for Standards, Technical Regulations and Metrology (GEOSTM)
European Bank of Reconstruction and Development (EBRD) Business Advisory Service
Program (BAS)
Ministry of Education and Science (MoES)
National Center for Educational Quality Enhancement
UNDP
World Bank
GIZ's Private Sector Development Programme South Caucasus
USAID Judicial Independence and Legal Empowerment (JILEP) Program
USAID HIPP
USAID NATELI
USAID Job Counseling Project
GEC Development
ABCO
GlobalGap

PRELIMINARY OUTLINE OF FINAL REPORT

EXECUTIVE SUMMARY

I.0 EVALUATION PURPOSE AND PRIORITY QUESTIONS

- I.1 Purpose
- I.2 Priority Questions

PQ1. To what extent has the EPI project contributed to improving the business enabling environment in Georgia and the Government of Georgia's adoption of such improvements?

PQ2. With respect to EPI's targeted sectors, what has been and what will likely be the contribution of the project toward increasing the five high level results:

- Productivity
- Employment
- Access to local finance
- Exports

PQ3. What are the constraints/challenges/issues that inhibit the projects contribution toward achieving the five high-level results during the remaining term of the project.

PQ4. What are the main effects of the project on targeted agriculture and non-agriculture value chains and the business enabling environment, including on overall country-level competitiveness?

PQ5. As a result of EPI initiatives, have businesses changed business practices, increased productivity, and the value of their enterprises, thus contributing to the overall competitiveness of value chains and the Georgian private sector?

PQ6. What are the opportunities to improve impact and enhance the implementation and management of future similar projects such as gender equity and sustainability.

2.0 PROJECT BACKGROUND

- 2.1 Historical Context
- 2.2 EPI Objectives

3.0 EVALUATION METHODOLOGY

4.0 EVALUATION LIMITATIONS

5.0 FINDINGS

5.1 General

- WEF Indicators

5.2. Component One: Business Climate

5.2.1 Business regulation/licensing

- Project Achievements
- Indicators
 - PMP Indicators
 - Required Outputs
 - Targeted Results
 - Outcomes
 - High Level Results
 - Productivity
 - Employment
 - Access to local finance
 - Exports
- Priority Questions

5.2.2 Strengthening property rights

5.2.3 Investment sector economic governance

5.2.4 Trade and customs economic governance

5.2.5 Tax administration

5.2.6 Procurement/privatization

5.2.7 Agricultural policy.

5.3. Component Two: Agricultural Sector

5.3.1 Hazelnuts

- Project Achievements
- Indicators
 - PMP Indicators
 - Required Outputs
 - Targeted Results
 - Outcomes
 - High Level Results
 - Productivity
 - Employment
 - Access to local finance
 - Exports
- Priority Questions

5.3.2 Mandarins

5.3.3 Greenhouse vegetables

5.3.4 Open field vegetables

5.4. Component Three: Non-agricultural Sector

5.4.1 Transport and logistics

- Project Achievements
- Indicators
 - PMP Indicators
 - Required Outputs
 - Targeted Results
 - Outcomes
 - High Level Results
 - Productivity
 - Employment
 - Access to local finance
 - Exports
- Priority Questions

5.4.2 Packaging

5.4.3 Information and communication technology

5.4.4 Apparel

5.4.5 Wine

5.4.6 Meetings, Incentives, Conferences, and Exhibitions (MICE) tourism

5.4.7 Perlite products

5.5. Cross-cutting Activities

5.5.1 Upgrading workforce skills-youth & women

- Project Achievements
- Indicators
 - PMP Indicators
 - Required Outputs
 - Targeted Results
 - Outcomes
 - High Level Results
 - Productivity
 - Employment
 - Access to local finance
 - Exports
- Priority Questions

5.5.2 Increasing access to finance

5.5.3 Improving the quality of business and economic information in Georgia

5.5.4 Creation of a sustainable capacity of Georgian organizations to implement a targeted approach to investment promotion

6.0 CONCLUSIONS

- 6.1 General Conclusions
- 6.2 Component One: Business Climate
- 6.3 Component Two: Agricultural Sector
- 6.4 Component Three: Non-agricultural Sector
- 6.5 Component Four: Cross-cutting Activities

7.0 RECOMMENDATIONS

- 7.1 General Recommendations
- 7.2 Component One: Business Climate
- 7.3 Component Two: Agricultural Sector
- 7.4 Component Three: Non-agricultural Sector
- 7.5 Component Four: Cross-cutting Activities

- Annex Detailed Methodology
- Annex List of Persons Interviewed
- Annex List of Documents Consulted
- Annex Work Plan and Schedule

ANNEX 8: OUTPUTS AND RESULTS TABLES

Outputs and Results Tables

**TABLE I
BUSINESS ENABLING ENVIRONMENT REQUIRED OUTPUTS TABLE**

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
Regulatory Environment and Licensing		
Completion of approved annual action plans to direct reforms in the regulatory environment and licensing systems, including clear benchmarks and targets.		Completed.
	Regulatory Impact Assessment – ANSI Accreditation	Completed
	At least 1 Georgian CAB accredited by ANSI	2 private labs have been accredited by ANSI; GAC, the national accreditation body, has not yet been recognized internationally but that is expected within 2 years.
	At least 15 persons from laboratories trained in Proficiency Testing and Measurement of Uncertainty	Completed
	At least 10 persons from GAC trained on ISO/IEC Guide 65 on Standards for Product Certification Bodies	Completed
	Georgia's conformity assessment system representatives trained on accreditation procedures	GAC personnel participated in the lab accreditation processes and in study tour to ANSI headquarters to the US, and consider themselves to be proficient in ANSI accreditation procedures; 3 GAC official are certified as ANSI assessors.
	At least 3 persons from GAC trained on ISO 17025 on Quality Management of Laboratories	Completed
	Building Code regulatory impact assessment; Assessment in the area of Building Codes and Construction Standards	Completed
	Action plan for elaboration of building codes and construction standards	Completed
	Best practice Building Code (Non-Structural and Structural parts) developed and submitted for the	Incomplete; Non-Structural Part of IBC has been translated; the draft of a Structural Part of IBC has

**TABLE I
BUSINESS ENABLING ENVIRONMENT REQUIRED OUTPUTS TABLE**

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
	GoG's approval; building codes compliant with international best practices	not been completed; the work has been suspended pending GoG review of direction.
	Trainings to central and local government and private sector representatives on new Building Code delivered	Partially completed; further work on construction codes suspended pending GoG reassessment
Strengthen Property Rights		
Completion of approved annual action plans to improve understanding of, and compliance with, international property rights in Georgia, including clear benchmarks and targets.		Completed
	Completion of the system's requirements for the Sakpatenti e-filing system	Completed
	Procurement to develop an e-filing software system, including quality assurance of the software development process	Completed
	Linkage established between the Customs' IPR registration and the Sakpatenti's e-filing system	System not yet implemented; in testing phase
	IPR Business Outreach campaign	Completed; trainings to lawyers, judges and other legal professionals
	Assessment of the IPR enforcement processes by customs offices of the Revenue Service (RS)	Completed
	IPR enforcement reform strategy	Completed
	Investors Guide: How to Buy Land in Georgia	Incomplete
Enhance Investment Sector Economic Governance		
Completion of approved annual action plans to strengthen Georgia's legal and regulatory environment conducive to foreign and domestic investment, including clear benchmarks and targets.		Completed
Assistance to the GoG to develop an investment promotion action plan.		Completed
A mechanism to link private enterprise to financial investors is established or strengthened		Substantially completed; capacity building technical assistance provided to the Georgian National

**TABLE I
BUSINESS ENABLING ENVIRONMENT REQUIRED OUTPUTS TABLE**

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
		Investment Agency (GNIA)
	Investment sector economic governance and investment promotion capacity assessment	Completed
	Investment sector economic governance reform strategy	Completed
	Investment promotion capacity reform strategy	Completed
	Best practice investment promotion workshop	Completed
	Investment promotion network design	Completed
	Investment promotion network member training on core functions	Completed
	Investment promotion targeting action plan/strategy	Completed
	Revised set of investment laws	Incomplete; draft investment law still under consideration
	Reviewed Accounting and Auditing Law	Completed
	Recommendations to streamline the AAL that envisions simplified reporting standards for SMEs	Incomplete; recommendations submitted but no action taken
	New GNIA Charter adopted	Incomplete
	Investment sector economic governance and investment promotion capacity assessment	Completed
	Investment sector economic governance reform strategy	Completed
	Investment promotion capacity reform strategy	Completed
	Best practice investment promotion workshop	Completed
	Investment promotion network design	Completed
	Investment promotion network member training on core functions	Completed
	Workshop for private sector on accounting and auditing standards	Cancelled
	PPD on sector priorities in investment promotion	Completed; various stakeholder events on investment promotion
Enhance Economic Governance in the Area of International Trade and Customs		
Completion of approved annual action plans to improve customs operations, training, compliance,		Completed

**TABLE I
BUSINESS ENABLING ENVIRONMENT REQUIRED OUTPUTS TABLE**

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
revenue collection efficiency, and dispute resolution, including clear benchmarks and targets.		
Analysis of current customs systems, codes, procedures, compliance, appeals, and dispute resolution processes including government satisfaction with and business perceptions of customs systems.		Completed
Development of a methodology to institutionalize yearly customs time and cost measurement studies.		Methodology complete; first study to be completed 2013 with aid of WCO consultant
Analysis of regional trade flows and opportunities including the feasibility of, and steps needed to develop a regional single window and operations.		Completed
Facilitation of regional government to government dialogue on customs operations.		Incomplete; target for project year 3
	Customs administration reform strategy	Completed
	Post clearance audit capacity action plan	Completed
	Customs curriculum development workshop	Incomplete
	Benchmarking: customs procedures	Completed
	BPR assessment and design of TradeNet or similar system	Completed; currently known as TFS
	Customs cargo release time measurement institutionalized at the RS	Delayed until year 3
	Tax code commentary provisions on Customs drafted in coordination with JILEP	Completed
	TFS implementation plan adopted by the GoG	Completed
	TFS-related business processes documented and reengineered	Completed
	CTC public outreach campaign implemented	Completed – EPI co-organized a regional Trade Facilitation Conference where specific competitiveness issues of the corridor were discussed.
	Study tour on the TFS	Completed
Strengthen Tax Systems		

**TABLE I
BUSINESS ENABLING ENVIRONMENT REQUIRED OUTPUTS TABLE**

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
A comprehensive assessment of Georgia's current tax collection procedures and systems.		Completed
Completion of approved annual action plans to strengthen Georgia's tax systems, including clear benchmarks and targets.		Completed
	Tax administration reform strategy initiated	Completed
	Risk based audit capacity action plan	Completed
	Curriculum development workshop	Dropped
	Risk-based Audit activities developed including the following:	
	• Enhancement of risk ranking and audit selection	Completed
	• Tax audit procedures manual	Completed
	• Curriculum to train auditors on audit methodologies and increase skills and techniques of auditors	Completed
	Tax appeals activities conducted including the following:	Tax appeals dropped after initial activity; work picked up by EU
	• Assessment of current tax dispute resolution process	Completed
	• Study tour on independent tax tribunal design	Completed
	• Action plan for improvement of tax dispute resolution system	Completed
	Risk-based tax audit procedure manual developed	Completed
	10 RS Tax Audit Department personnel trained in Transfer Pricing Rules	Completed
	10 RS Tax Audit Department personnel trained in Audit Procedure Methodology	Completed
	30 RS Tax Audit Department personnel trained in advanced auditing and accounting techniques	Completed
	Review of tax penalty regime and proposed	Completed

**TABLE I
BUSINESS ENABLING ENVIRONMENT REQUIRED OUTPUTS TABLE**

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
	amendments to tax legislation	
	Tax penalty regulatory framework developed and proportional tax penalty system introduced	Completed
	Automated system based on risk selection criteria methodology adopted	Completed
	Streamlined tax audit operations and procedures in place supporting voluntary compliance for the RS	Substantially complete
	Improved perception of taxpayers on tax system, measured by the taxpayer/household perception survey	Incomplete; survey done before tax changes took effect
	Streamlined tax audit operations and procedures in place supporting voluntary compliance for the RS	Completed
	Simplified tax payment system	Incomplete; system expected Fall 2013
Develop Procurement and Privatization Systems		
Completion of approved action plan to assist with implementation of an improved, transparent, and efficient procurement and privatization systems, including clear benchmarks and targets.		Completed; Georgian procurement law was adopted and e-procurement system was designed and implementation had begun before EPI; the Agency for State Property acknowledges receipt and usefulness of strategy for state property management.
	Procurement and privatization assessments and recommendations	Completed
	Procurement and privatization improvement action plans	Completed
	Develop business supplier guide to the CSPA	Completed
	Trainer-based sessions implemented in 12 different municipalities for a total of 120 persons trained in e-procurement	Completed
	SPM e-system design and implementation	Suspended; the inventory and electronic system was to be developed in house by the Agency for State Property; with change of government

**TABLE I
BUSINESS ENABLING ENVIRONMENT REQUIRED OUTPUTS TABLE**

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
		discussions are continuing
	Inventory of state property subject to privatization	Suspended; the Agency for State Property took development of the inventory in-house and has proceeded with several pilot districts; with change of government discussions are continuing
Improve Agricultural Policy Environment		
A comprehensive assessment of the current agricultural policy environment, and a detailed list of targeted interventions to implement needed reforms in the agricultural policy environment.		Completed
Completion of approved action plan to improve agricultural policy, including clear benchmarks and targets.		Completed
	Facilitation of agricultural policy dialog between GoG, business associations, NGOs, donors, and other sector stakeholders	
	Legislative amendments to the Tax Code bio asset regime	Incomplete
	Focus group meetings with farmers	Completed (3)
	Concept on collaboration of smallholder farmers	Completed – developed by AG component
Establish a Core Team of Local Specialists to Assist with Implementing Reforms		
Reforms team established; operational guidelines agreed upon with GoG counterparts.		The core team consists primarily of EPI staff ad consultants; operational agreements with the GoG with respect to use of the team is ad hoc and base upon specific project proposals.

TABLE 2
BUSINESS ENABLING ENVIRONMENT TARGETED RESULTS AND OUTCOMES TABLE

Targeted Results and Outcomes – SOW	Targeted Results and Outcomes- PMPs	Status as of End of project year 2 – September, 2012
Regulatory Environment and Licensing		
Priority reforms drafted and approved through a consultative process.		EPI's BEE work was characterized by a high level of PPD and inclusiveness; PPD in policy development is a key achievement of the project, but there are some questions regarding sustainability
Capacity of appropriate GoG personnel developed sufficiently to implement and enforce targeted reforms.		GoG personnel were typically trained on the policy reforms being implemented with EPI assistance and the training was generally considered to be useful and effective. Examples include training of RS auditors in connection with tax audit reforms and training of RS IPR border enforcement agents in detection of IPR violations.
GoG has the capacity to independently identify priority regulatory and licensing reforms and to develop associated action plans. This in turn results in clearly defined annual action plans for regulatory and licensing reforms; clearly defined roles for the GoG; and a clear understanding of and ownership by the GoG, parliament, and citizens of the regulatory reform process.		Capacities and inclinations of GoG agencies still differ widely, and there are no indications that annual action plans for regulatory reform have become a standard practice of GoG, though individual agencies may differ. Capacities of agency personnel with regard to policy analysis and development also differ widely. Standard analytical techniques such as cost benefit and regulatory impact analysis are not widely used and certainly are not required by GoG. EPI activities have had a positive effect on raising participation of private sector in policy making and perhaps increasing expectations that such participation will become a standard practice, though institutionalization has not progressed very far at this point.
	Level playing field for construction business created	Since the building code was not adopted there are no discernible impact of the project on the construction sector to date.
Strengthen Property Rights		
Property rights of businesses, individuals and investors are strengthened through improvements in legal framework and enforcement of new and or		There have been no changes to intellectual property laws made with EPI assistance; all current IPR laws were adopted before EPI began.

TABLE 2
BUSINESS ENABLING ENVIRONMENT TARGETED RESULTS AND OUTCOMES TABLE

Targeted Results and Outcomes – SOW	Targeted Results and Outcomes- PMPs	Status as of End of project year 2 – September, 2012
revised laws.		
Capacity of appropriate GoG personnel developed sufficiently to implement and enforce targeted reforms.		IPR Customs enforcers in RS headquarters and at border posts have been trained in IPR law and violation detection techniques and responsible officials have noted an immediate uptick in violations identified following the trainings. GoG personnel in Sakpatenti, the Georgian patent and trademark office, have been trained in the new digital registration system created with EPI support
GoG and private sector comply with international property rights, including IPR.		There are indications of increasing respect for IPR but no formal study or data. Registrations of rights are increasing, which may be a precursor of better enforcement. The GoG has improved enforcement of IPR rights at borders by customs officials mainly with the support of EPI.
	Increased number of IPR registrations	There were an increased number of IPR registrations following EPI public education campaigns which project stakeholders attribute to heightened awareness in the legal community, but there has been no formal analysis of that increase made to rule out other causes.
Enhance Investment Sector Economic Governance		
Foreign and domestic investment flows in Georgia increase in response to improved economic governance and targeted investment promotion by the GoG.		There is limited evidence that FDI increased as a result of direct EPI interventions in the investment promotion sector per se. Some investments can be tied to regulatory changes sponsored by EPI (warehouse management) and targeting of foreign investors (cold storage facilities). Some forms of domestic investment (greenhouses) have expanded due to EPI training of owners.
Capacity of appropriate GoG personnel developed sufficiently to implement and enforce targeted reforms.		Staff of both the GNIA and the staff of MoESD's Investment and Export Policy Department have received some training through EPI and are largely self-sufficient at this point.
Private sector able to reach potential investors.		EPI has included private enterprises and regional/municipal officials in trainings; private firms

TABLE 2
BUSINESS ENABLING ENVIRONMENT TARGETED RESULTS AND OUTCOMES TABLE

Targeted Results and Outcomes – SOW	Targeted Results and Outcomes- PMPs	Status as of End of project year 2 – September, 2012
		have participated in EPI sponsored trips to trade fairs
Georgia's investment regulatory environment is viewed by both domestic and international investors as modern, efficient, effective, and friendly to both small and large scale direct and indirect investors. The Georgian government has in place the staff, capacity, and plan to capitalize on this perception and to successfully promote investment opportunities. Georgian private sector attracts investment.		Perception data on Georgian investment promotion capacity is not available. Georgian institutions are today self-sufficient and capable of attracting and working with foreign investors. Georgia has shown a moderate but steady growth in FDI since the global economic downturn in 2008-2009, with some reversals in 2012, the last year for which data is available.
Enhance Economic Governance in the Area of International Trade and Customs		
Lower cost to trade goods across borders as a result of USAID assistance.		No data is available at this time.
Reduction in year on year number of calendar days to trade goods across borders.		There is substantial anecdotal opinion that time for import and export transactions has decreased due in part to modifications to administrative procedures promoted by EPI, but no formal study has been done documenting these improvements.
Customs cost and time studies institutionalized.		Incomplete. The costs and time studies are a work in progress for completion during project year 3 with the assistance of WCO consultants.
Public and private sector officials trained in relevant trade areas.		EPI conducted trainings for public and private participants in trade related topics, including international quality certification and standards. Much of the training was done in connection with development work for specific value chains, for example mandarins and apparel, participants in which were introduced to international quality standards.
The government has both the capacity to maintain and drive continual improvements in domestic and regional customs operations. The time and cost to businesses for completing Georgian and regional customs operations are globally competitive, and businesses perceive customs operations as both		The TFS system once completed can have a major impact on modernizing the Georgian customs regime and reducing costs of market participants; the system is modeled on the most modern and efficient systems in place in the world today.

TABLE 2
BUSINESS ENABLING ENVIRONMENT TARGETED RESULTS AND OUTCOMES TABLE

Targeted Results and Outcomes – SOW	Targeted Results and Outcomes- PMPs	Status as of End of project year 2 – September, 2012
fair and highly efficient.		
Strengthen Tax Systems		
Sustainable mechanism to provide information to the private sector on tax issues implemented.		Incomplete. EPI contributed to commentaries on the tax code that are in general use. It is supporting development of a publication system for RS public tax rulings which should be implemented in 2013. The public-private working group established in the RS with EPI support has been formalized by decree of the Minister and may serve as an ongoing avenue of communications.
Improved tax climate for SMEs.		EPI contributed to certain improvements to tax administration that benefit all taxpayers, not just SMEs. EPIs recommendations on simplification of accounting and audit standards for SMEs in particular have not been adopted by the GoG.
Improved tax code implemented.		EPI has contributed to implementation of certain aspects of the 2010 Tax Code, adopted before start of the project, including primarily Transfer Pricing regulations, promotion of voluntary compliance and development of guides and rules for risk based tax audit. Other implementation measures for the 2010 tax code are ongoing in project years 3 and 4.
Tax revenues collection efficiency increased.		The indicators of efficiency have not been defined and there is no data to measure this result.
Improved transparency of tax systems and enforcement methodologies.		There is a consensus that transparency of tax audit has been considerably improved with EPI's assistance. Important contributions were also made to increasing transparency of transfer pricing rules and development of a simplified tax payment system for citizens which should be implemented in 2013.
Decrease in average time required to file taxes.		There is no data available to measure this result.
Increase in voluntary tax compliance rate.		There is no data available to measure this result. Impressions of public officials and international tax

**TABLE 2
BUSINESS ENABLING ENVIRONMENT TARGETED RESULTS AND OUTCOMES TABLE**

Targeted Results and Outcomes – SOW	Targeted Results and Outcomes- PMPs	Status as of End of project year 2 – September, 2012
		advisors are that voluntary compliance has been established and compliance will increase on a steady trend.
Improved perception of taxpayers that the process is efficient.		There is no data to measure this result; EPI survey were conducted prior to implementation of most ax reforms.
Tax law, regulations, codes, operations, enforcement, and dispute resolution serve the revenue collection needs of the GoG, while not being prohibitive to foreign and direct investment and the operations of SMEs in the formal sector.		EPI has made positive contributions to implementation of the tax code that ultimately should benefit SMEs. EPI has also successfully sponsored change to tax laws affecting specific value chains such as apparel that will benefit businesses.
	Improved perception of taxpayers on tax system, measured by the taxpayer/household perception survey	Data is not yet available to measure this indicator; would need final household survey.
	Increased independence of a tax dispute resolution system	EPI work on the tax dispute resolution system was suspended; the work has been picked up by the EU and is not complete.
	Simplified tax payment system	Work on the simplified tax payment system is ongoing not expected to be completed until project year 3.
Develop Procurement and Privatization Systems		
Transparent procurement and privatization systems established and functioning.		EPI provided a high level privatization strategy to the State Property Agency that is acknowledged to be influential in the Agency's current work to improve the system. EPI continues to discuss with the MoESD further development of privatization systems, in particular inventory of state property, decision rules for asset classification and appropriate electronic MIS systems.
Public sector officials trained to maintain and use the system.		Public sector procurement officials were trained by GoG on the e-procurement system developed by it. The state property management system has not yet been designed and implemented and remains under discussion.
GoG procurement and privatization systems and		The GoG e-procurement system is arguably one of

TABLE 2
BUSINESS ENABLING ENVIRONMENT TARGETED RESULTS AND OUTCOMES TABLE

Targeted Results and Outcomes – SOW	Targeted Results and Outcomes- PMPs	Status as of End of project year 2 – September, 2012
procedures are transparent, well designed, and well implemented. Required human capacity and maintenance programs are in place to sustain and modify systems as needed in the future.		the most advanced in the world, and one of only a small handful that is fully web based. The system is exceptionally transparent and well maintained. The privatization system has not yet been developed.
	Methodology for state property inventory developed	Completed
	Pilot inventory project action plan for MoESD	Suspended; first pilots are being carried out by MoESD without EPI participation
	Inventory of state property for privatization in target (pilot) municipality	Suspended; under discussion
	An automated State Property Management system for the MoESD	Suspended; under discussion
Improve Agricultural Policy Environment		
Agricultural policy is improved by the GoG through a consultative process with the business community.		There has been a limited amount of agricultural policy development to date. To the extent that development of crop insurance is considered to be agricultural policy development, EPI has promoted dialog between insurers and the GoG regarding GoG's role in such a system. The anticipated law on farmers' cooperatives is a policy initiative for which EPI sought the views of farmers. EPI has performed a well-regarded assessment of agricultural policy which incorporates the views of key stakeholders.
	Concept on collaboration of smallholder farmers	Completed
Small holders establish viable legal groupings to more efficiently participate in growing agriculture sector.		EPI began its work with farmer's groups only in the last months of the evaluation period; further work on forming legal groups may depend in enactment of the new law on agricultural cooperatives in 2013.
Regulatory and policy constraints to agricultural development are removed, small holders are established actors in the agriculture sector.		Incomplete; regulatory constraints still exist – for example there are tax constraints on formation of farmers' cooperative until the new law on

**TABLE 2
BUSINESS ENABLING ENVIRONMENT TARGETED RESULTS AND OUTCOMES TABLE**

Targeted Results and Outcomes – SOW	Targeted Results and Outcomes- PMPs	Status as of End of project year 2 – September, 2012
		cooperatives is adopted. Small farmers are discouraged from using equipment leasing because VAT tax exemptions for small farmer are not passed through to leasing companies. Etc. EPI is assisting in upgrading the capacities of small holders in several value chains, but that is a long term process.
	Legislative amendments to the Tax Code bio asset regime	Incomplete
	Three focus group meetings with farmers	Completed

**TABLE 3
CROSS CUTTING ACTIVITIES COMPONENT OUTPUTS TABLE**

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
Recurring dialogues in and between the government, businesses and citizens fosters greater cooperation and support to further improve economic governance.		One of EPI's strengths has been in promoting PPD in all of its components through working groups, focus groups and roundtable discussions. In some areas – tax and customs for example – dialog seems well established at this time. There are some questions regarding sustainability as institutionalization of the PPD has not been extensive.
High-impact partnerships that will greatly enhance the ability of the project to meet its targeted results and achieve sustainability		By the close of project year 2 EPI had enlisted in project activities over 300 local partners in various aspect of project work, including government agencies, private companies, international development partners, NGOs and various consultancies and business service providers. Key

**TABLE 3
CROSS CUTTING ACTIVITIES COMPONENT OUTPUTS TABLE**

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
		partners include Ferrero/Agrigeorgia; GNIA; GNTA; Bank of Georgia; Georgian Insurance Association; and APM Terminals/Maersk.
At least \$6 million in sub-awards are made in order to achieve core results of EPI and develop appropriate financial services mechanisms.		The grant program has been reduced to \$600,000, about half of which has already been advanced. Funds are being allocated through subcontracts as necessary.
Gender and Youth		
	Women Integration Action Plan	Completed
	Youth Integration Action Plan	Completed
	EPI Internship Program Implemented	Completed; ongoing; 70 interns engage in all aspects of EPI program
	Women Entrepreneurs networking events	Completed
	40+ EPI business service providers trained in gender and youth issues	Completed
	100+ women entrepreneurs trained	Cancelled
	EPI NGOs trained on delivering agricultural business development training; 200 women farmers trained in basic business skills	Completed
Increasing Economic Knowledge		
	Draft Economic Journalism Strategy	Completed
	Assistance to Our Farm TV shows	Cancelled
	Assistance of ten print/broadcast media	Completed
	Nine training seminars for journalists	Completed
	At least 10 journalists trained	Completed
	8 VC on-site visits for journalist	Partially completed (4)
	Twelve training seminars to Parliamentary committees and think-tanks	Incomplete
	Assistance to seven economic data generating/processing entities	Incomplete
	Four Georgia Development Alliances	1 Completed, others cancelled
	Improving Economic Knowledge Action Plan	Cancelled
	180 media products supported by EPI assistance	Completed
	6 large-scale trainings conducted together with G-Media and PMCG	In Progress – 4 trainings conducted with more to be provided in Year 3
	12 “Coffee and Conversation” sessions	Incomplete – 8 sessions in total

TABLE 3
CROSS CUTTING ACTIVITIES COMPONENT OUTPUTS TABLE

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
	conducted	
	At least 4 areas of EPI focus addressed in publications by at least 3 think-tanks, universities or associations	Completed – With EPI support, 6 organizations (PMCG, ACT, Free University, BIRG, Atlantic Council, EPRC) issued publications on relevant EPI topics
	Think tank bidders conference and concept for collaboration between USAID G-PAC/EPI, think tanks and GoG informal group established	Completed – In collaboration with USAID G-PAC, a think tank was selected Creation of informal group cancelled
	An increased percentage of citizens knowledgeable about key reforms and policies based on baseline survey and survey completed in March 2012	Completed – 59.9% of citizens knowledgeable about reforms (a target – 55%)
	24 public events/outreach campaigns on key economic issues	Completed
	Professional relationships formed between Georgian economic analysis institutions and international organizations	Completed – As part of EPI/USAID G-PAC mentorship program, G-PAC and EPI will provide mentorship to ISET
	1 EPI Stakeholder Forum held	Completed
	4 “EPI Impact Fund” grants issued to think tanks, research centers, universities and associations to conduct business and economic analysis	Completed
Building Partnerships		
	Inventory of Potential Georgian Partner Institutions	Completed
	Four Global Development Alliances established	Partially Completed – Hazelnut Program GDA signed with Ferrero, GDA for trade facilitation system in progress
	Establish additional alliances and partnerships to leverage or cost-share funds	Completed – 4 alliances established for apparel training program (vocational colleges), crop insurance pilot project (Bank of Georgia and Aldagi BCI), BDS providers (13 companies) and Free University (business plan development competition)
	Georgia Development Alliances Action Plan	Cancelled
	Two Georgia-US university/college partnerships	Incomplete
Access to Finance		

**TABLE 3
CROSS CUTTING ACTIVITIES COMPONENT OUTPUTS TABLE**

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
	Survey of bank credit constraints: supply and demand	
	Access to Finance Action Plan: Banks	
	Access to Finance Action Plan: MFIs	
	Mapping of Financial BDS Services	
	Mapping of SME Compliance with Financier Requirements	
	15 EPI financial advisors trained	Completed
	25+ bank loan officers trained on VCs in January	Completed
	8 trainings on AG and M&S VCs delivered to FIs and financial advisors	Completed
	3 matchmaking events involving 10 financial institutions and 100 companies	Completed
	40+ businesses receive assistance from EPI financial advisors	Incomplete – 7 businesses assisted.
	30 businesses have successfully accessed finance from FIs with the amount around USD 1.5 million	Incomplete – 3 businesses obtained USD 149,000 from FIs.
	Total facilitated investment for 30 companies of around USD 3 million	Incomplete – 3 companies with total investment of USD 157,656.
	Access to Finance Action Plan: Banks	Completed
	Access to Finance Action Plan: MFIs	Completed
	Mapping of Financial BDS Services	Completed
	Mapping of SME Compliance with Financier Requirements	Completed
	Agriculture and Pension Assessment	Completed
	Agriculture Insurance Action Plan	Completed
	Pension Reform Action Plan	Completed
	New Policy and Legal Framework for Financial Leasing	Completed
	4 leasing related laws amended	Completed
	2 leasing related law amendments adopted	Completed
	Training on funding solutions to Alliance Leasing	Completed
	Training on internal legal processes to Georgian Leasing	Completed
	Training on strategic adjustment to TBC Leasing	Completed

TABLE 3
CROSS CUTTING ACTIVITIES COMPONENT OUTPUTS TABLE

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
	Workshop on new leasing legal environment to National Bank of Georgia (NBG), the MoF and to audit companies	Completed
	Competitiveness "Promoting Leasing" communication campaign	Completed
	Investment promotion concept for leasing sector developed	Completed
	50+ individuals from relevant institutions trained on leasing	Completed
	Cost-share for a corporate GEL-denominated bond placement	Cancelled
	Training and presentations to 500 farmers on leasing instruments	Completed
	Agriculture Insurance Action Plan	Completed
	Training program developed for agricultural insurance	Completed –courses developed for insurance companies, lending institutions and farmers
	At least 350 farmers trained on functionalities of crop insurance	Completed
	5 Georgian Insurance Association (GIA) trainers trained n crop insurance	Completed
	40 insurance company officers and staff trained by EPI and GIA trainers	Partially completed - 22 additional officers will be trained in project year 3..
	Agro insurer within the pilot project using modern tools in risk assessment and underwriting, such as pre-acceptance worksheets, farming calendars, farms practices monitoring reports, yield report	Completed
	Sustainable agro insurance training course established at GIA	Completed
	Commonly used clauses, terms and conditions in agro insurance contracts and their standard (uniform) definitions to be adopted by all agro insurers	Completed
	New potato insurance product developed	Completed
	New onions insurance product developed	Completed
	New legal procedures for lending and insurance institutions developed	Completed

TABLE 3
CROSS CUTTING ACTIVITIES COMPONENT OUTPUTS TABLE

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
	2,000 insurance policies issued out of which 300 are linked to agro credit as part of pilot project in EPI AG VCs and upgrading capacity of insurance industry	Substantially Completed – 1,963 policies issued out of which 38 are linked to agro credit as part pilot project.
	USD 1.2 million mobilized in agro credit as part of pilot project	Incomplete – USD 107,258 was mobilized
	Crop insurance policy basic provisions, the declaration and the application forms for the crop insurance contracts for 5 annual and 2 perennial crops developed	Partially completed – 2 annual crops
	Awareness activities for pilot project of co- shared crop insurance premium conducted	Completed – Adjara and Akhalkalaki Planned in Year 3 - Shida Kartli and Kakheti
	Final report and recommendations to GoG and other stakeholders on pension reform	Completed; work on pension reform subsequently terminated
Investment Promotion		
	Develop an initial GoG investment promotion action plan	Completed
	Develop specific investment promotion strategy for Develop apparel, agriculture, packaging, and transport and logistics sector investment promotion strategies	Completed – Investment promotion strategies were developed for all 4 sectors.
	PPD on sector priorities in investment promotion	Completed – focus groups
	Execution of 10-15 investment promotion events in apparel, agricultural, packaging, and transport and logistics sectors	Incomplete – 5 events completed
	Attend and promote investment opportunities at 5-6 VC-specific shows, fairs and conferences	Completed
	Travel to Turkey for 5 investment outreach missions to meet with potential investors and investor groups	Substantially completed – 4 outreach missions
	Support 10-15 investment transactions within the AG and M&S VCs and GNIA	10 investment transactions completed, 9 investments have been committed, and 40 are in progress.
	Coordinate site visits for 50 investors	Partially completed - site visits for 30 investors
	Provide 7 pre-feasibility studies to high-probability	Incomplete - one pre-feasibility study for leveraged

**TABLE 3
CROSS CUTTING ACTIVITIES COMPONENT OUTPUTS TABLE**

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
	investors	leasing facility completed.
	Develop and distribute 7 EPI sector brochures	Incomplete – one brochure (apparel) completed.
	Provide ongoing investment promotional trainings to 15-20 Georgian Investment Promotion Partnership (GIPP) member organizations (including investment promotion agencies, municipalities, government ministries, business associations and private firms) and 12-16 interns	Completed – 5 trainings to more than 50 participants from 18 organizations
	Implement an internal EPI system to (1) identify potential investors and (2) manage the investment facilitation process for each investor	Completed
	Best practice investment promotion workshop	Completed
	Investment promotion network design	Completed
	Investment promotion network member training on core functions	Completed
	Investment promotion targeting action plan/strategy	Completed
	Revised set of investment laws	Completed but not yet adopted; may be adopted in 2013
Workforce Development		
	Workforce Development Action Plan	Completed
	3 new vocational programs introduced and accredited	Completed – 3 vocational programs obtained accreditation and authorization
	4 vocational colleges' technical capacity upgraded	Completed – JUKI machinery and other equipment installed at four vocational colleges
	20 apparel trainers (ToT) trained in apparel best practices	Completed– 10 apparel trainers in Sewing Machine Operators course and 7 trainers in Sewing Machine Mechanics course completed the ToT on August 29, and 9 trainers in 100% Inspection and Quality Audit course completed
	100 apparel students trained by 4 vocational colleges	Completed
	60 apparel students hired by apparel companies	Partially complete – 20 apparel students hired by Adjara Textile, with plans to hire additional 40 students upon graduation
	12 + WSET certified wine educators	Completed – 14 WSET Level II certified trainers.

TABLE 3
CROSS CUTTING ACTIVITIES COMPONENT OUTPUTS TABLE

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
	50+ SMEs receiving training from service providers in wine tourism	Completed – A total of 80 SMEs trained: 70 SMEs received Service PLUS training; and 10 SMEs trained in wine etiquette
	5+ service providers to have enhanced training delivery capacity	Completed – 7 service providers trained in wine etiquette
	100 + hospitality staff trained in wine education	Completed – A total of 115 staff trained in wine education (15 WSET Level II, 23 WSET Level I and 77 FHC on Georgian and International wines
	200 + hospitality staff certified Service PLUS	Completed – 205 hospitality staff from 70 hospitality businesses certified

Table 4
CROSS CUTTING ACTIVITIES COMPONENT TARGETED RESULTS AND OUTCOMES TABLE

Targeted Results and Outcomes - SOW	Targeted Results and Outcome - PMPs	Status as of End of year 2 – September, 2012
Sustainable mechanisms to analyze and provide economic information established, leading to enhanced capacity within media, parliament, and partner organizations to analyze and provide information on economic reforms and developments		<p>EPI implemented a journalism training course which was generally highly regarded but there is no data available to assess its actual results; it was not reviewed by the evaluation team.</p> <p>In addition, EPI conducted numerous trainings and informal discussion events, many of which addressed economic policy and policy reform. Over 100 informal events – focus groups, roundtables and discussions – involving over 3,000 participants were held. The effects of these events on developing capacity to analyze, communicate and report economic information has not been measured.</p>
High-impact ICT interventions are implemented and utilized to achieve program target results.		EPI has implemented or is in the process of implementing several high impact ICT interventions, including the TFS system, the Sakpatenti e-filing system, the GoG eID and the tax payment simplification system. All are considered to be quality projects that will have high impact on improving administrative efficiency and lowering transaction costs.
The ICT sector is recognized and performs as a competitive solution provider to Georgian enterprises and the GoG.		The Georgian ICT sector remains underdeveloped. EPI has contributed to developing marketing opportunities for Georgian ICT companies with the private sector at home and abroad and has contracted with Georgian providers in its e-government work with the GoG. EPI has provided some development assistance to the

Table 4
CROSS CUTTING ACTIVITIES COMPONENT TARGETED RESULTS AND OUTCOMES TABLE

Targeted Results and Outcomes - SOW	Targeted Results and Outcome - PMPs	Status as of End of year 2 – September, 2012
		Georgian ICT Business Council, but that organization has not yet taken charge. EPI's strategy with respect to the ICT sector has changed from broad value chain development to integration of Georgian ICT firms into its government work as showcase opportunities.
Long-term sustainable partnerships are formed between businesses and educational institutions that promote demand driven curriculum, skills and technology development.		EPI's work with vocational educational institutions in the apparel sector has created training curricula for apparel workers that are much in demand by Georgian apparel manufacturers, and has resulted in a significant number of job placements thus far. EPI's work in greenhouse technology has been passed on to the Agrarian University which will incorporate it into its agricultural curriculum.

TABLE 5
AGRICULTURAL COMPONENT OUTPUTS TABLE

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
Value Chains Generally		
	Targeted eight VCs for future development	Initial targeting completely revised at end of year one; reduced to 4 value chains, which by end of year 2 had been reduced to 3
	Identified AgroService as a major vector for EPI resources to agro-SMEs	Completed
	Regulatory issue of double-taxation of cooperatives and LLCs identified	Identified, but not resolved by end of year 2; awaiting adoption of cooperatives law
	Action plans development for three VCs, including root crop vegetables, fresh vegetables, and processed vegetables initiated	Completed; processed vegetables subsequently canceled
	The following action plans completed and in implementation:	
	Wine	Canceled
	Hazelnuts	Completed
	Berries	Canceled
	Fresh fruit	Canceled
	Processed fruit	Canceled
	Root crop vegetables	Canceled
	Fresh vegetables (Greenhouses)	Completed
	Processed vegetables	Canceled
	Mandarins	Completed
	Participation in Fruit Logistica 2011 resulting in market linkages for Kula	Completed
	Farmers linked to Bazi cannery through forward contracts	Completed
	Vegetable Production Budget Handbook	Completed
	Hazelnut Production Guide	Completed
	Hazelnut market linkage development	Completed
	Feasibility studies completed in the following areas:	
	• Fruit tree nursery	Canceled
	• Berry farms	Canceled
	• Berry nursery	Canceled
	• Heated greenhouse	Completed
	• Root crops cold storage facility	Canceled
	Attendance at International Nut Congress	Completed

TABLE 5
AGRICULTURAL COMPONENT OUTPUTS TABLE

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
	Market assessments in the following areas:	
	• Vegetables	Completed
	• Hazelnuts	Completed
	• Blueberries and other berries	Canceled
	Blueberry Production Guide produced	Canceled
	Production training in the following areas:	
	• Hazelnut	Completed; ongoing
	• Vegetables	Completed; ongoing
	• Fruits	Canceled
	• Blueberries and other berries	Canceled
	• Kiwis	Canceled
	Commodity Price Information System defined and under development	Canceled
	Non-Price Information Action Plan	Canceled
	AgroService Convention	Completed
	Training for Pesticide Evaluation Report and Safer Use Action Plan (PERSUAP)	Completed
	Assessments in the following areas:	
	• Business assessment of AgroService and the various input providers	Completed
	• Any relevant agriculture consulting companies or groups like ABCO	Completed
	Capacity assessment of the Agrarian University	Canceled
	Capacity assessment of the Vocational and Educational Trainers	Completed
	Soil testing training to encourage fertilizer applications	Completed
	Anthropological survey of Georgian farmers	Canceled
	Farmer Needs Assessment Survey	Canceled
	MSHG Action Plan	Canceled
	Active inter-agency groups focusing on consolidation	Canceled
	Communication campaigns promoting:	
	The Sustainable Access to Support Services	Canceled
	The Small Holder Group Model	Canceled
Hazelnuts		
	4 hazelnut KPs established providing assistance to 680	Substantially Completed – EPI established 5 KPs,

TABLE 5
AGRICULTURAL COMPONENT OUTPUTS TABLE

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
	farms and 15 hazelnuts processors	trained approximately 897 farmers; work with processors planned for year 3
	MoUs signed with approximately 680 farmers	Completed – 914 farmers
	Detailed production, post-harvest handling (PHH), and training guides and materials developed and delivered to the farmers	Completed
	Formalized alliance with Ferrero/Agrigeorgia	Completed
Mandarins		
	4 KPs established to provide assistance to approximately 720 farms	Completed – EPI established 4 KPs and trained 1,030 farmers
	Provide targeted assistance to at least 1 agribusiness on market linkages, grading/sorting/packing or quality standards	Completed
	GlobalGAP assessment developed for a select group of mandarin producers	Completed
	MoU's signed with approximately 720 farmers and four service providers	Partially Completed – EPI signed the “Agreement with a Farmer” with 982 farmers; MoUs with a service provider (FSC) and 4 KP owners expected to be signed in Year 3
	Detailed production, PHH, and training guides and materials developed and delivered to the farmers	Completed – Training materials for Mandarin Pruning and Orchard Floor Management, Integrated Pest Management harvesting and post-harvest handling technologies
Greenhouses		
	1-3 KCs established providing assistance to 150 greenhouse producers	Completed – EPI established 1 KC, providing training to 150 representatives from 38 greenhouse operators, educational institutions, investors and other stakeholders
	MoU's signed with 15 agribusinesses, 150 farmers and 5 service providers	Completed – MoU signed with 150 representatives from 38 greenhouse operators, educational institutions, investors and other stakeholders

TABLE 5
AGRICULTURAL COMPONENT OUTPUTS TABLE

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
		Partially Completed – EPI signed an agreement with 1 service provider to lease its greenhouse as a training facility
	Detailed greenhouse production, PHH, and training guides and materials developed and delivered to farmers	Completed – Detailed training materials on fertility, climate control, integrated pest management, and grafting tomatoes have been developed and used at training sessions
Field Vegetables		
	8 KPs established delivering assistance to 1,680 farms and 30 agribusinesses in field vegetables	Completed – EPI established 9 KPs in Samtskhe-Javakheti and Kvemo Kartli Regions and trained a total of 3,093 farmers and 104 agribusinesses
	MoUs signed with 12 service providers, 1,680 farmers, and 30 agribusinesses	Partially Completed – EPI signed the “Agreement with a Farmer” with 3,093 farmers and 104 agribusinesses; no MOUs signed with service providers
	Open field vegetable production, PHH, and training guides and materials developed and delivered to the farmers	Completed – The training materials for onions, garlic, carrots, and potatoes production covering seed selection, fertility, soil preparation, integrated pest management and pre- and post-harvest handling issues were developed
Miscellaneous		
	8 agronomists trained at KCs and KPs	Completed – 52 agronomists were trained and 7 field coordinators were hired by EPI to participate in KP training
	4 Training films developed	Incomplete
	Agricultural service providers trained in marketing topics	Completed – Partner Farm Service Centers were trained in securing appropriate inputs and better marketing their inputs to producers
	Agricultural services providers, farmers and agribusinesses professionals are trained in financial management	Partially Completed – 200 women farmers trained in basic business skills; training of agricultural service providers and agribusinesses postponed to year 3
	Agricultural service providers delivering assistance and training to 8,000 farmers	In Completed – 92 service providers reached indirectly 32,600 farmers and

**TABLE 5
AGRICULTURAL COMPONENT OUTPUTS TABLE**

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
		6,208 agri-businesses
	Potential for establishment and support of small holder groups is identified and recommendations are developed for their support	Completed
	Focus group of farmers on small holder groups conducted jointly with the BEE team	Completed
	Small holder unified group model to be developed in collaboration with the MoA (legally recognized farmers associations, cooperatives, producer organizations)	In progress

**TABLE 6
AGRICULTURAL COMPONENT TARGETED RESULTS AND OUTCOMES TABLE**

Targeted Results and Outcomes – SOW	Targeted Results and Outcomes - PMPs	Status as of End of year 2 – September, 2012
Efficiency in agriculture markets is sustainably improved by access to near real-time demand and pricing information.		Incomplete; work on market information canceled
Farmers have access to affordable service providers to increase on-farm productivity and improve post-harvest handling techniques		Through end of year 2 EPI engaged 93 agricultural service providers, including Farm Service Centers, which have provided services and training to 32,600 farmers and 6,208 agribusinesses.

TABLE 6
AGRICULTURAL COMPONENT TARGETED RESULTS AND OUTCOMES TABLE

Targeted Results and Outcomes – SOW	Targeted Results and Outcomes - PMPs	Status as of End of year 2 – September, 2012
Sustainable provision of needed services and information to farmers and agribusiness.		Sustainability of the agricultural BSP concept should be a topic for final project evaluation; too soon to determine whether EPI subsidized services will be retained by assisted farmers at their own cost.
Farmers and agribusiness professionals trained.		Substantially completed
Increased hectares utilizing improved agricultural practices		Substantially completed; EPI reported 3,858 additional hectares under improved technology or management practices as a result of EPI assistance.
Increased market efficiency due to productivity increases.		To be determined; there are early signs of increased productivity (yields) among EPI farmers in Hazelnuts, mandarins and greenhouse vegetables. Market efficiency may depend as much or more on development of secondary market infrastructure such as storage, factoring and collection, market development, transportation, etc.
Production processes more sophisticated		There is good evidence that best practices taught in EPI farmer trainings have had very high take up and dissemination rates, and are having impact on yields and quality.
University-industry collaboration in extension activities improved.		Limited progress; Agrarian university has picked up EPI training in greenhouse production and made it a part of the curriculum.
Small holders establish viable legal groupings to more efficiently participate in growing agriculture sector		Work on farmers' groups began only at end of year 2; groups have been recruited and informally established but legal formation may await adoption of the new law on farmers' cooperatives in 2013; viability of cooperatives concept may depend on a number of factors.
Small holders are established actors in the agriculture sector		Work in progress; remains to be seen whether small holders trained by EPI will become long term participants and important players in the agricultural sector, though small holding is an

TABLE 6
AGRICULTURAL COMPONENT TARGETED RESULTS AND OUTCOMES TABLE

Targeted Results and Outcomes – SOW	Targeted Results and Outcomes - PMPs	Status as of End of year 2 – September, 2012
		acceptable model in nut and mandarin value chains emphasized by EPI. Small holder still lack finance and access to markets; much may depend on the success of planned farmers' cooperatives.
	Average revenues across 3,000 farms (primarily 5 hectares and more) and 100 agribusinesses increased by a minimum of 20% as a result of the direct assistance received through EPI by 18 months; the increase must be sustainable.	Through end of year 2 EPI beneficiaries reported an average revenue increase of 27% (from USD 44.5 million in 2011 to USD 56.3 million in 2012) across 5,666 farms and 212 agribusinesses.
	At least 40 agricultural and enterprise service providers delivering assistance and training benefitting a minimum of 30,000 farms and 300 agribusinesses by 30 months, and continued assistance for the life of the project.	EPI engaged 93 agricultural service providers which have provided services and training to 32,600 farmers and 6,208 agribusinesses.

TABLE 7
M&S COMPONENT VALUE CHAIN REQUIRED OUTPUTS TABLE

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
General		
	Priority VCs/sectors identified	Completed
	<i>Policy/regulatory issues identified, including:</i>	
	• Building codes and construction materials standards	Completed
	• IPR	Completed
	• Targeted investment promotion	Completed
	• Various customs-related issues	Completed

TABLE 7
M&S COMPONENT VALUE CHAIN REQUIRED OUTPUTS TABLE

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
	<ul style="list-style-type: none"> Government tendering and procurement processes 	Completed
	<ul style="list-style-type: none"> Waste management and recycling 	Completed; subsequently dropped
	<ul style="list-style-type: none"> Private sector involvement in legislation drafting 	Completed
	<i>Action plans developed for the following areas:</i>	
	<ul style="list-style-type: none"> Apparel 	Completed
	<ul style="list-style-type: none"> Wine tourism 	Completed
	<ul style="list-style-type: none"> Basalt and perlite products 	Completed; subsequently dropped
	<ul style="list-style-type: none"> Paper/paperboard/corrugated packaging 	Completed
	<ul style="list-style-type: none"> MICE tourism 	Completed
	<ul style="list-style-type: none"> ICT 	Completed
	<ul style="list-style-type: none"> Transport and Logistics 	Completed
	Integration of VC activities into the “Made in Georgia” TV program	Canceled
ICT		
	IPR Reform Strategy	Completed
	Sakpatenti e-Filing Business Process Reengineering (BPR) assessment/design/technical specifications development	Completed
	IPR Business Outreach campaign	Completed
	ICT Company Data and Education Surveys	Completed
	ICT Product/Services Audit & Gap Analysis	Completed
	ICT Project Management Training	Canceled
	ICT Action Plan	Completed; ICT eliminated as EPI VC in favor of incorporating industry development into e-government work
	Established partnership between Jordanian and Georgian ICT companies	Incomplete
	ICT education capacity and expertise study completed	Completed
	Innovation Center feasibility study completed and Innovation Center established	Incomplete – Innovation Center feasibility study developed, plans for establishment of Innovation Center canceled
	100 companies receiving services and products	Innovation Center Canceled

TABLE 7
M&S COMPONENT VALUE CHAIN REQUIRED OUTPUTS TABLE

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
	through the Innovation Center	
	Microsoft Imagine Cup competition	Completed; subsequent events canceled
	Development of 30 E-ID applications	Incomplete
	20 companies trained in E-ID application development, PMP and Business Process Reengineering (BPR)	Incomplete
	Participation in various eID events: CEBIT Istanbul, GITEX Dubai, DigiTec Exhibition in Armenia, GITI Conference B2B in Tbilisi, Cartes & Identification in Paris, National E-ID & E-Passport in Istanbul and MASIT in Macedonia	Completed
	E-ID applications promotion web page developed – http://www.id.ge	Completed
Business Development Services		
	At least 6 BSPs selected	Completed – 13 BSPs selected
	25 consulting/training projects performed with 25 VC firms	Completed – 25 consultancies completed, 48 companies trained.
Construction Materials		
	Basalt Demonstration Project and Energy Efficiency Study	Canceled
	Inventory and impact assessment of regulatory barriers to local production	Completed; construction materials VC subsequently canceled
	Construction Materials Costs and Thermal Performance Assessment Study	Completed; construction materials VC subsequently canceled
	Assistance with access to finance to purchase equipment	Completed; construction materials VC subsequently canceled
	Recommendations on perlite equipment to support establishment of a joint venture	Completed; construction materials VC subsequently canceled
Apparel		
	Training of Apparel Trainers	Completed
	VC groups workshops and electronic mail/newsletters	Completed – Direct distribution via e-mails and regular meetings with EPI staff members
	Trade shows	Completed – Kiev, Munich and Paris. EPI's Apparel Consultant participated with promotional and organizational support.
	Familiarization trips/visits by potential buyers and	Completed

TABLE 7
M&S COMPONENT VALUE CHAIN REQUIRED OUTPUTS TABLE

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
	investors	
	Compliance standards workshops and follow-up audits	Completed
	Awareness event for Georgian fashion designers	Completed
	Regional Labor and Investment Study completed	Completed
	Apparel Sector Investment Environment Survey completed	Completed
	WRAP Certification Obtained by two Local Apparel Companies	Incomplete – Certification audit planned for Year 3
Packaging		
	Participation in Ukraine Paper Trade Show in Kiev	Completed
	Agricultural Packaging Needs and Demand Assessment	Incomplete
	Consulting technical assistance provided to several beneficiary firms on selection of box plant equipment, operations, procedures and quality standards	Completed – 4 firms
	High quality packaging paper grades and new varieties developed, to be followed by Paper Grades, Box Specifications and Standards Quality Programs, and paper sorting methods reviewed	Incomplete
	Market links established between packaging VC players and domestic produce growers/exporters	Completed – Market linkages with Adjara produce growers/ exporters and Georgian Greenhouse operators established; additional market linkage activities will continue in Year 3
Transport and Logistics		
	Competitiveness Analysis of Georgian Trade Corridor and Trade & Transit Analysis	Completed
	Transport and Logistics Action Plan	Completed
	Agricultural Products and Food Logistics Hub Feasibility Study, including attraction of investors	Feasibility study completed; still seeking investors
	Supply Chain Council Chapter establishment in Georgia	SCC Chapter to be established in Year 3
	Competitiveness Analysis of the CTC	Completed
	Air transport strategy developed for MoESD	Completed
	Participation at International Logistics Exhibition in	Completed

TABLE 7
M&S COMPONENT VALUE CHAIN REQUIRED OUTPUTS TABLE

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
	Istanbul, IRU Conference, and Transportation, Trade and Customs Conference in Batumi	
	Modern technologies in T&L sector established – TFP and Cargo Terminal Operator Software	Incomplete; TFS to be deployed in 2013; Cargo Terminal Operator Action Plan developed but not yet submitted
	Associations capacity improved – Georgian Logistics Association (GLA) and Freight-Forwarders Association	Postponed to years 3 and 4
	Assist TLC Company in finding an investor for the Intermodal Logistics Center project	Incomplete
Wine Tourism		
Competitiveness analysis of tourism sector		Completed
3-year tourism development and marketing action plan		Incomplete
	Report on key legal/regulatory constraints to wine sector development	Canceled; wine sector eliminated from EPI VCs
	Wine tourism promotional campaign undertaken in Tbilisi	Canceled
	Wine tourism brochure prepared	Canceled
	Participation in International Wine Tourism Conference and Workshop in Italy and in International Qvevri Club Symposium in Slovenia	Completed
	Inventory of Kakheti wine tourism attractions completed, three wine tourism routes and cultural heritage and wine tourism attraction signage prepared	Cancelled - Inventory was undertaken by the WB
	One winery open seven days a week for tasting without an appointment	Completed – 8 wineries open for tourists without appointment
	Wine Association capacity building activities completed	Completed
	Wine, Tourism and Wine Tourism Portal Developed by GWA & GITO	Incomplete
	Wine Tourism Promotional Plan	Completed
	Training of Wine Trainers	Completed

TABLE 7
M&S COMPONENT VALUE CHAIN REQUIRED OUTPUTS TABLE

Required Outputs – SOW	Required Outputs - PMPs	Status as of End of year 2 – September, 2012
MICE Tourism		
	MICE tourism action plan development	Completed
	MICE Tourism Workshop in Global MICE Industry, Business, Sales and Marketing in Tbilisi and Batumi	Completed
	Participation by Georgia's public and private sectors together for the first time at an international MICE Tourism exhibitions: EIBTM Barcelona in November 2011	Completed
	Promotion of Georgia's MICE industry in Ukraine	Completed
	First MICE tourism industry conference in Georgia	Completed
	First MICE tourism focused Caucasus International Fair to be held in Tbilisi	Completed
	IMEX Frankfurt International MICE Tourism Fair, May 2012	Completed
	Georgian MICE Tourism Brochure Updating and Printing	Completed
	One-day online workshop for effective exhibiting at IMEX Frankfurt by Harry Fine	Completed
	Familiarization Trip of International DMCs to Georgia	In Progress

TABLE 8
M&S COMPONENT VALUE CHAIN TARGETED RESULTS AND OUTCOMES

Targeted Results and Outcomes – SOW	Targeted Results and Outcomes - PMPs	Status as of End of year 2 – September, 2012
Tourism		
Government of Georgia accepts action plan for tourism development; a coherent and comprehensive tourism development action plan is put in place, resulting in improved tourism services, infrastructure and profits.		No comprehensive action plan for the tourism industry was developed. EPI instead focused on 2 key sectors, wine tourism and MICE tourism. An action plan for MICE tourism was developed and adopted by GNA and remains the framework for development of this segment of the industry. While there is good evidence that MICE tourism is increasing, and many industry participants credit EPI efforts in that regard, improvement in services, infrastructure and profits is a longer term objective. The next major step is creation of the Georgian Convention Bureau, which with EPI assistance is under consideration by GNTA and GoG.
Improved perceptions of tourism services and infrastructure		Data is not available.
Increased tourism expenditures		GNTA and Geostat report steady increases in tourism revenues over last decade with particularly large growth in 2011-2012. Tourism revenues as a portion of GDP has declined slightly recently due to growth in other sectors. Growth may be due to a number of causes.
Increased number of tourists		GNTA and Geostat report steady increases in number of tourists over last decade with particularly large increases in 2011-2012. Growth may be due to a number of causes.
	Increased productivity of tourism sector	Data is not available. EPI initially reported growth in revenues per employee in the wine tourism business taken from surveys of its beneficiary firms and showed moderate increases. It no longer tracks this indicator. EPI data on hotel occupancy in two key tourist regions – Khaketi and Adjara – is mixed.
	Increased profits in tourism sector	Data is not available.

TABLE 8
M&S COMPONENT VALUE CHAIN TARGETED RESULTS AND OUTCOMES

Targeted Results and Outcomes – SOW	Targeted Results and Outcomes - PMPs	Status as of End of year 2 – September, 2012
ICT		
Improved access to ICT technologies and innovation		
The ICT is an established sector that provides competitively priced quality products and services to Georgian enterprises, and the GoG		The Georgian ICT sector remains underdeveloped. EPI has contributed to developing marketing opportunities for Georgian ICT companies with the private sector at home and abroad and has contracted with Georgian providers in its e-government work with the GoG. EPI has provided some development assistance to the Georgian ICT Business Council, but that organization has not yet taken charge. EPI's strategy with respect to the ICT sector has changed from broad value chain development to integration of Georgian ICT firms into its government work as showcase opportunities.
	Increased productivity of ICT sector	Data is not available.
	Increased revenues of ICT sector	Data is not available.
Benchmarks		
	Average revenues across at least 500 small, medium, and large enterprises in targeted non-agriculture sectors increase by a minimum of 25% as a result of the assistance received through EPI by 18 months into the contract, and a minimum annual increase of 20% thereafter. (PMP indicator).	EPI beneficiaries reported an average revenue increase of 61% (from USD 77 million in first half of 2011 to USD 124.4 million in 2012) across 588 businesses for the first six months of 2012 in comparison to the same period in 2011.
	At least 10 business service providers delivering high quality productivity-enhancing services to industries by 24 months into the contract and continuing thereafter.	EPI engaged 42 business service providers to deliver services to their clients and members, By end of project year 2 EPI's service providers have served 877 companies.

