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RESTORING EFFICIENCY TO AGRICULTURE PRODUCTION (REAP) ACTIVITY IN GEORGIA

Annual Progress Report

Year 1. September 27, 2013-September 26, 2014



Restoring Efficiency to Agriculture Production (REAP) Activity in Georgia

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September 27, 2013- September 26, 2014

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Acronyms

APMA	Agriculture Projects Management Agency
BDS	Business Development Services
BSP	Business Service Provider
C1	Component One
C2	Component Two
CBA	Cost Benefit Analysis
CDCS	Country Development and Cooperation Strategy
COP	Chief of Party
DCA	Development Credit Authority
DCFTA	Deep and Comprehensive Free Trade Agreement
EIRR	Economic Internal Rate of Return
ENPV	Economic Net Present Value
EMMP	Environmental Mitigation and Monitoring Plan
ENPARD	European Neighborhood Programme for Agriculture and Rural Development
EOI	Expression of Interest
ERC	Environmental Review Checklist
EU	European Union
F	Foreign Assistance
FIRR	Financial Internal Rate of Return
FNPV	Financial Net Present Value
FSC	Farm Service Center
FSSC	Food Safety System Certification
FTF	Feed the Future
GAP	Good Agricultural Practices
GHP	Good Hygiene Practices
GIPA	Georgian Institute of Public Affairs
GIS	Geographic Information Systems
GMP	Good Management Practices
GoG	Government of Georgia
HACCP	Hazard Analysis and Critical Control Points
IFS	International Featured Standards
ISO	International Organization for Standardization
LOE	Level of Effort
LOP	Life of Project
M&E	Monitoring & Evaluation
MOA	Ministry of Agriculture
MOU	Memorandum of Understanding
MSC	Machinery Service Center
MSME	Micro Small and Medium Enterprises
PERSUAP	Pesticide Evaluation Report and Safer Use Action Plan
PMP	Performance Management Plan
PPR	Performance Plan and Report
PY1	Project Year One
PY2	Project Year Two
Q1	Quarter One
Q2	Quarter Two
QPR	Quarterly Progress Report
REAP	Restoring Efficiency to Agriculture Production

RFA	Request for Applications
RFQ	Request for Quotations
SEAS	Strengthening Extension and Advisory Services Activity
SME	Small and Medium Enterprises
STIP	Science, Technology, Innovations, and Partnerships
STTA	Short Term Technical Assistance
TA	Technical Assistance
TOC	Terms of Cooperation
VET	Vocational Education and Training
USAID	United States Agency for International Development
USG	United States Government
WFLO	World Food Logistics Organization

Executive Summary

REAP used the first year of implementation to establish and launch the program, to test its procedures and policies, and to validate the effectiveness of its program components. The project succeeded in demonstrating that it is private-sector oriented and investment focused. It is both market dependent and demand driven. It now is clear that in order to accurately grasp the nature of REAP it is essential to understand the nature of its grantees. The prototypical REAP grantee that has emerged is: An agriculture entrepreneur with a sound business idea, is willing to invest in that idea, and for whom a grant covering 30% of the cost is a sufficient incentive to undertake the investment risk.

The overall goal of REAP in year one was to utilize its grant pool to identify such entrepreneurs, assist them in launching their investments, and support them through implementation and technical assistance. Simply put, the purpose of REAP's first year was to launch successful agriculture-based enterprises. To achieve this REAP employed three resources: an extensive outreach program to identify qualified entrepreneurs, a grant program to incentivize them, and a technical assistance program to support their investments.

With the perspective of one year of activities and the launch of both grant and technical assistance initiatives, REAP draws on a number of practical lessons from experience gained. These lessons inform next project steps and broader program implementation. Among these are:

1. REAP will have little difficulty committing its grant funds. The market shows that the type of grants offered by REAP are in demand.
2. The 70% match requirement is not a significant deterrence. This observation also is related to #1 above.
3. Interest in REAP grants is national. Every region in Georgia has a REAP grantee.
4. REAP outreach efforts are effective in reaching agriculture entrepreneurs.
5. The investment environment in Georgia is improving, judged in part by surveys administered to grant applicants and recipients.
6. First time grant applicants are twice the number of those who received past donor project grants.
7. Agriculture consulting services in Georgia are rudimentary. Both consulting supply and demand must be cultivated, and consulting quality must be significantly improved.

REAP remains mindful that the scope for innovation can be broad in private sector-based programs. Typically they offer opportunity for innovation and encourage flexibility. Certainly this has proven to be the case with REAP. REAP's quick start in year one enabled program management to observe a number of areas and directions within its mandate that are worth pursuing. Any such would be subject to discussion and development with USAID prior to launch. In year two, REAP expects that a number of such directions will be identified. Examples might be: broadening grantee access to finance, cultivating youth entrepreneurship, investing in existing grants, logistics design, and soils testing.

REAP performance in year one has set the course for the project over its remaining life. This includes the potential for REAP impact to exceed original expectations. Predictors of REAP's role, relevance, and contribution to improving efficiency of the agriculture sector are already emerging, and to date are clearly positive. Among the more instructive of these are:

- REAP grant procedures and processes have been fully tested as well as the market for REAP grants. REAP easily can implement its required \$6M in grants, and demand for grants exceeds this amount by an estimated additional \$4M.
- Through two rounds of grant applications, REAP grants average 27% of the investment costs and matching funds average 73%. This is a surprising but welcome finding.
- Normal REAP due diligence in assessing grant proposals results in an average grant amount reduction of 10%.
- REAP's technical assistance component is far more important to grant recipients than originally assumed and is a fundamental element in grant packages.
- REAP grant funds are catalytic. They dispose grantees to invest in an agribusiness sooner rather than later. Typically a grantee might have made the investment without REAP, but only some years later.
- The supply of Georgian entrepreneurs with good investment ideas remains ample. Thus, the market for REAP grants should continue to be vibrant and competitive.
- Environmental improvements generated by grantees are subtle but important and substantial.
- Business service providers in general cannot provide vision and innovation. They can do well what they always have done, but cannot yet provide flexibility and new thinking.

A benefit to REAP in moving forward so quickly in year one is that problems already have surfaced that can affect future year operations. One of these relates to procurement. The intended impact of REAP is to launch successful agribusinesses. This requires that REAP provide to enterprises machinery and equipment funded by grants on a timely basis. The flow of procurements to some grantees has been neither smooth nor rapid. Because the grantees are private enterprises and must operate competitively, this can create serious problems in the timeliness of equipment delivery. A primary cause of this is that the geocodes under which REAP must function often make procurement complex and cumbersome. REAP will continue to work with USAID early in year two to find solutions to this critical impediment.

Year two begins with a significant transition underway from establishing a grants program, testing project systems, and observing market responses in year one, to completing the grant award process and providing technical support to all resulting agribusinesses in succeeding years. Now REAP must pay more attention to ensuring the success of grantee enterprises than to selecting and funding investment proposals. In the remaining years of project life, it is critical that the focus of REAP remain on the central figure in the program, the agriculture entrepreneur-grantee. REAP procedures, processes and programs all must support that central figure. Unless grantees are successful in their individual investments, REAP cannot succeed as a project. Thus, REAP will ensure that cultivating entrepreneurship remains its overarching thrust.

Program Overview

USAID’s Restoring Efficiency to Agriculture Production (REAP) activity is a market driven and result oriented enterprise development project that will increase incomes and employment in rural areas by delivering firm-level investment and tailor made technical assistance to agribusiness enterprises that provide inputs, services, training and cash markets to smallholder farmers. REAP catalyzes increased private investment and commercial finance to the sector, mitigates risk for rural SMEs and entrepreneurs by delivery of technical assistance, and expands commercially sustainable linkages between service providers, producers, postharvest enterprises and smallholder farmers. To ensure the long-term sustainability and success of these investments, REAP delivers tailored technical assistance, group trainings on best agricultural practices and facilitates commercial linkages between farmers and agro enterprises.

Summary of Project Year 1 Achievements

Component 1: SME Development in the Agriculture Sector	Component 2: Technical Assistance Program	Cross Cutting
<ul style="list-style-type: none"> • 15 pre-application outreach events held, attended by 638 people; • 2 RFA’s for matching grant program released, resulting in 126 applications; • \$3.8M in grant monies obligated across 37 USAID approved grant projects, leveraging \$11.3M in private sector investment. 	<ul style="list-style-type: none"> • More than 100 agribusinesses received technical assistance; • 53 enterprises, vocational institutions and university representatives participated in 5 day postharvest and cold storage management training; • TA integration plans for 37 grant projects developed. 	<ul style="list-style-type: none"> • Gender Initiative launched providing capacity building and business plan development training to 75 female entrepreneurs; • CBA methodology developed and incorporated into M&E System ; • Terms of Cooperation developed with eight leading commercial banks of Georgia, leading to agricultural lending training for 43 mid-level managers.

Detailed REAP Progress by Activity and Component

Start-Up:

REAP engaged in a two phase start-up approach that began with the deployment of a three-person operations team from CNFA HQ, followed by the deployment of the REAP Chief of Party and HQ Program Manager several weeks later. To ensure rapid start-up, the operations team deployed 10 days after contract start date and immediately addressed early logistical and operational requirements, on-boarded local staff, completed urgent program implementation tasks, and coordinated with USAID.

After the arrival of the Chief of Party in-country on October 30th, 2013 the REAP HQ Program Manager deployed to the field to further support early stage programmatic deliverables including the submission of project Y1 Work Plan, Grants Manual, and Performance Monitoring Plan (PMP). In addition, the Chief of

Party and Program Manager interviewed candidates for two key personnel positions – the Deputy Chief of Party (DCOP), and Director of Finance and Administration – that needed to be filled after project award. Two qualified candidates were selected, submitted to USAID, and subsequently approved.

Operations, Facilities and Equipment:

In project month 1, CNFA fully re-occupied the main office it has utilized since 2007, on Kostava Street in Tbilisi. To expand REAP’s outreach and effectively monitor grantees, REAP established a regional office in Kutaisi, opened in project month 3, and in Telavi, opened in project month 4. The regional offices house 1 to 2 regional coordinators, along with two interns sourced from local universities.

In Q1, REAP successfully procured all necessary office and IT equipment. In addition, REAP successfully transferred relevant assets from USAID’s closed out Farmer-to-Farmer Program. In Q3, REAP purchased two new project vehicles to replace inherited vehicles that no longer provided safe, reliable and efficient transportation.

Staffing:

Long-Term Staff

Due to CNFA’s longstanding history in Georgia, the project quickly mobilized the majority of its technical staff upon award. As mentioned above, two key staff members from the proposal needed to be replaced. Interviews took place following the arrival of the COP in-country on October 30, 2013 and candidates were approved by USAID on November 26, 2013.

Project analysts and regional coordinators were not named in the proposal and were phased in over PY1 to reflect the needs of the program. Project analysts work closely with C1 staff in the investment proposal development process, while regional coordinators are responsible for mobilization and implementation of grant projects. REAP ended PY1 with seven project analysts and regional coordinators split between its 3 offices. Solicitation of candidates was announced on www.jobs.ge, and selection and engagement for these positions followed CNFA’s personnel and employment guidelines. Below is a table summarizing REAP’s long-term staff and their mobilization date.

	Position	Current Status	Start date
1	Chief of Party (key)	mobilized	October 30, 2013
2	Deputy Chief of Party (key)	mobilized	January 1, 2014
3	Director of Finance (key)	mobilized	December 9, 2013
4	C1 Team Leader /Agribusiness Investment Director (key)	mobilized	October 23, 2013
5	C2 Team Leader/Technical Assistance Director (key)	mobilized	November 1, 2013
6	Access to Finance Specialist	mobilized	October 23, 2013
7	M&E	mobilized	October 28, 2013
8	Communications Specialist	mobilized	October 28, 2013

9	Gender Specialist	mobilized	October 28, 2013
10	Environmental Specialist	mobilized	October 23, 2013
11	Primary Production Specialist	mobilized	December 9, 2013
12	Input Supply and Farm Service Specialist	mobilized	January 1, 2014
13	Post-Harvest and Processing Specialist	mobilized	May 15, 2014
14	Agricultural Technology Specialist	mobilized	October 28, 2013
15	Business Management and Marketing Specialist	mobilized	October 28, 2013
16	Workforce Development Specialist	mobilized	December 16, 2013
17	Grants Manager	mobilized	November 1, 2013
18	Office Manager/Accountant	mobilized	October 28, 2013
19	Regional Coordinator (Telavi)	mobilized	December 6, 2013
20	Regional Coordinator (Kutaisi)	mobilized	December 9, 2013
21	Project Analyst	mobilized	March 7, 2014
22	Project Analyst	mobilized	March 7, 2014
23	Regional Coordinator (Tbilisi)	mobilized	July 1, 2014
24	Project Analyst	mobilized	July 14, 2014
25	Regional Coordinator (Kutaisi)	mobilized	July 1, 2014

Internship Program

Early in PY1, REAP launched an internship program to provide workforce development opportunities for successful university students and to augment REAP's support functions. Initially, REAP employed 6 interns in total, 2 per office, focusing on administrative tasks. As REAP's implementation ramped up, new opportunities emerged for interns to support technical areas of REAP. The project finished PY1 with a total of 13 interns that not only gained experience in day-to-day activities, but were exposed to and learned from international consultants. One such example, is REAP's CBA intern, who shadowed REAP's M&E Manager and leading international Cost Benefit Analysis (CBA) consultant in the development of REAP's CBA Model. This is the first instance of applying CBA methodology on a project level for M&E purposes. This intern is now developing a Masters' Thesis on applying CBA to agribusinesses. Below is a summary of internships in PY1.

Position	University	Duration
Tbilisi Office		
Monitoring and Evaluation, CBA Analysis	International School of Economics at TSU (ISET)	12.9.13-6.9.16
Administration and Finance	Agricultural University of Georgia	12.9.13-6.9.16

Administration and Finance	International School of Economics at TSU (ISET)	6.6.14-7.14.14
Administration and Finance	International School of Economics at TSU (ISET)	7.2.14-12.2.14
Workforce Development	University of Tartu	7.10.14-1.10.15
Administration and Finance	St. Andrew the First-called Georgian University	7.9.14-12.9.14
Administration and Finance	Agricultural University of Georgia	7.9.14-12.9.14
Component 1: SME Development in the Agriculture Sector	Agribusiness & Marketing from Texas A&M University and Finance from Shota Rustaveli State University.	5.20.14-8.20.14
Monitoring and Evaluation, CBA Analysis	International School of Economics at TSU (ISET)	5.20.14-8.20.14
Telavi Office		
Administration and Finance	Iakob Gogebashvili Telavi State University, Agrarian Faculty	4.11.14-10.11.14
Administration and Finance	Iakob Gogebashvili Telavi State University, Agrarian Faculty	4.11.14-10.11.14
Kutaisi Office		
Administration and Finance	Kutaisi University (Faculty of Tourism)	5.16.14-11.16.14
Administration and Finance	Kutaisi University (Faculty of Tourism)	5.16.14-8.31.14

International Short-Term Technical Assistance (STTA)

To augment REAP's field implementation and provide targeted expert technical assistance, REAP utilized 12 international short-term technical assistance assignments. These assignments supported REAP across all aspects of implementation, including grant program design, access to finance, monitoring and evaluation, and technical assistance to grantees. Below is a table summarizing REAP's international STTA assignments in PY1.

Assignment	Project Quarter	Technical Area
Grant Outreach, Application, Evaluation and Management System Design	Quarter 2	Component 1: SME Development in the Agriculture Sector
BSP Capacity Assessment	Quarter 2	Component 2: Technical Assistance Program
Development of REAP's Cost Benefit Analysis (CBA) Model	Quarter 2, 3	Monitoring and Evaluation
CBA Model Testing and Adjustment	Quarter 3	Monitoring and Evaluation
Assessment of Options for Development of Private Sector Demonstration Plot System	Quarter 3	Component 2: Technical Assistance Program
Postharvest Training Program Development and Cold Storage	Quarter 3	Component 2: Technical Assistance Program

Evaluation		
Agriculture Lending Training Program Development and DCA Assessment	Quarter 3	Access to Finance
Postharvest Handling and Refrigeration Training Program Delivery	Quarter 4	Component 2: Technical Assistance Program
Postharvest Handling and Refrigeration Training Program Delivery	Quarter 4	Component 2: Technical Assistance Program
Postharvest Handling and Refrigeration Training Program Delivery	Quarter 4	Component 2: Technical Assistance Program
Agriculture Lending Training Delivery	Quarter 4	Access to Finance

Document and Deliverables Submission:

In-line with REAP's ambitious implementation schedule, the project submitted a number of guiding documents and templates during the initial start-up phase of the project. This included not only the PY 1 Work Plan, Grants Manual, and PMP, but documents that supported the implementation of both Component 1 and Component 2 such as Request for Applications (RFA) and Expression of Interest (EOI) templates. REAP submitted its final contractual deliverable in Project Year 1, the Year 2 Work Plan, on September 26th. This deliverable is currently under review by USAID. Below is a table summarizing REAP's submitted documents to USAID and their current status.

Document	USAID Submission	Submission Date	USAID Approval
Project Work Plans			
<i>Year 2 Work Plan</i>	Submitted	September 26, 2014	Pending Approval
<i>Year 1 Work Plan</i>	Submitted	November 14, 2013	Approved
Progress Reports			
<i>REAP Q1 Progress Report</i>	Submitted	February 17, 2014	Approved
<i>REAP Q2 Progress Report</i>	Submitted	April 14, 2014	Approved
<i>REAP Q3 Progress Report</i>	Submitted	July 14, 2014	Approved
Grants Manual			
<i>Grants Manual</i>	Submitted	November 12, 2014	Approved
RFAs and EOIs			
<i>Grant RFA 01/2013</i>	Submitted	November 19, 2013	Approved
<i>Grant RFA 02/2014</i>	Submitted	February 17, 2014	Approved
<i>Gender Special Initiative (EOI)</i>	Submitted	March 27, 2014	Approved
<i>BSP EOI</i>	Submitted	November 13, 2014	Approved
Monitoring and Evaluation			
<i>PMP</i>	Submitted	November 13, 2014	Approved
Short-Term Technical Assistance Reports			
<i>BDS Market Analysis and Capacity Plan</i>	Submitted	March, 19, 2014	Approved

<i>Integrating CBA Indicators within the M&E Framework</i>	Submitted	April 21, 2014	Approved
<i>Interpreting and Using CBA Indicators in the M&E Framework for REAP</i>	Submitted	August 21, 2014	Approved
<i>Agricultural Demonstration Plots: Technical Choice and Efficiency</i>	Submitted	June 3, 2014	Approved
<i>Postharvest and Cold Chain Training Needs Assessment</i>	Submitted	June 4, 2014	Approved
Agricultural Lending Training Status and Recommendations	Submitted	September 3, 2014	Approved
DCA Leasing Status and Recommendations	Submitted	September 3, 2014	Approved
Communications Materials			
<i>REAP One Pager _ ENG</i>	Submitted	November 11, 2014	Approved
<i>REAP One Pager _ GEO</i>	Submitted	November 11, 2014	Approved
<i>REAP Booklet _ ENG</i>	Submitted	November 11, 2014	Approved
<i>REAP Booklet _ GEO</i>	Submitted	November 11, 2014	Approved
<i>REAP Outreach PP _ GEO</i>	Submitted	November 11, 2014	Approved

Program Outreach and Communications:

To raise awareness, highlight successes and ensure equitable access to REAP's grant and technical assistance programs, REAP undertook crucial steps to engage the agribusiness community throughout Georgia. Tailored outreach events in major municipalities around the country served as the centerpiece of project outreach and in total, more than 600 participants attended these events.

In PY1, REAP produced a variety of instruments for communicating REAP's message to the general public including:

Printed materials:

- **Program Brochures** – Clearly and concisely explain the objective of the project, its methodology and the expected results. The brochure includes project contact information.
- **1-page Program Summary** – A brief, 1-page program summary suitable for email circulation or as a hand out to any stakeholder interested in an overview of the project.
- **REAP PowerPoint Presentation** – A brief description of the program that emphasizes the goals and objectives of the project, associated grant amounts, co-investment requirements, and technical assistance opportunities.

- **Program Booklet-** A convenient booklet describing REAP’s goals, implementation approach and expected results. These booklets were provided to the media, government and representatives of other stakeholders
- **Informational Poster-** A graphic display illustrating REAP’s application submission dates and contact information. These were posted across the regions in municipality buildings and FSCs.

Website: In Q3, REAP received permission from USAID/Washington to proceed with the launch of its project website (www.reap.ge). The website layout is now complete and is being utilized to inform the public, highlight project activities, publish solicitations and illustrate successes. Furthermore, REAP collaborated with USAID’s GIS Advisor to develop an interactive map that shows the location and type of grant for all of REAP’s approved projects.

In addition to the website, REAP continues to place all pertinent project related information on its Facebook page at the following address: <https://www.facebook.com/reap.georgia/https://www.facebook.com/pages/REAP-Georgia/558240384259026#>.

And, all of REAP’s solicitations related to the project, including grant RFA’s, continue to be posted to the US Embassy’s web site at the following address: <http://georgia.usembassy.gov/resources/reap.html>.

Outreach Events: Critical to the success of REAP are informative outreach roundtables that highlight



REAP Outreach Event

REAP’s goals and introduce REAP’s grant and technical assistance programs. In PY1, REAP held 19 public outreach events across all regions of Georgia, attended by 752 participants. During the presentations, all participants received a printed version of the Request for Applications (RFA), Application Form, and a CD with all Component 1 and Component 2 application materials. In addition, in Q2 REAP began to hold Component 2 specific outreach events that targeted potential technical assistance beneficiaries. A total of 114 representatives of SME agribusinesses attended

these presentations. REAP actively coordinated with USAID’s Good Governance Group in Georgia (G3) project, which provided support through mobilizing SMEs and providing meeting space at the Civic Engagement Center in Ozurgeti. All participants received handouts and soft copies of REAP’s technical assistance application, notes on REAP’s technical assistance program and a list of REAP’s BSP partners. Throughout the outreach process, REAP ensured the involvement and buy-in of the Regional Government, MoA Regional Extension Centers and local media. Below is a table summarizing REAP’s outreach events in PY1.

Region	Town	Date of Presentation	Number of Participants
RFA 1 Pre-Application Event			
Kakheti	Telavi	December 2, 2013	63
Kakheti	Lagodekhi	December 3, 2013	26
Kakheti	Dedoflistskaro	December 4, 2013	20

Kvemo Kartli	Marneuli	December 5, 2013	47
Shida Kartli	Gori	December 6, 2013	71
Tbilisi	Tbilisi	December 10, and December 16, 2013	90
RFA 2 Pre-Application Event			
Imereti	Kutaisi	March 4, 2014	70
Samegrelo	Zugdidi	March 5, 2014	36
Ajara	Batumi	March 6, 2014	23
Guria	Ozurgeti	March 7, 2014	24
Samtskhe-Javakheti	Akhaltzikhe	March 10, 2014	44
Racha-Lechkhumi	Ambolauri	March 11, 2014	64
Tbilisi	Tbilisi	March 13, and March 20, 2014	60
Component 2 Focused Events			
Imereti	Kutaisi	February 5, 2014	29
Samegrelo	Zugdidi	February 6, 2014	35
Ajara	Batumi	February 7, 2014	24
Guria	Ozurgeti	February 8, 2014	26
Total Participants			752

To complement REAP's active outreach campaign, REAP distributed 80 informational posters throughout municipality buildings and Farm Service Centers (FSCs) that highlighted REAP's Component 1 and 2 activities. In addition, REAP utilized 79 informational TV spots to outline REAP's project activities and announce the venue, time and date of each roundtable. The table below provides information regarding REAP's television outreach in PY1.

TV Company	Coverage Area	# Spots/Day	Duration Period
RFA 1			
Tanamgzavri	Telavi, Kvareli (Kakheti Region)	10	10/28/13 – 11/04/13
Gurjaani	Kakheti Region	8	10/28/13 – 11/04/13
TV4	Rustavi, Marneuli, Bolnisi (Kvemo Kartli)	8	10/30/13 – 11/05/13
Marneuli	Marneuli	10	10/30/13 – 11/05/13
DIA	Gori, Khashuri, Kareli (Shida Kartli)	8	10/30/13 – 11/06/13
RFA 2			
Rioni TV	Imereti, Racha Lechkhumi Regions	7	02/26/14 – 03/03/14
Odishi TV	Samegrelo, Svaneti Regions	7	02/27/14 – 03/04/14
Guria TV	Guria Region	7	02/28/14 – 03/06/14
Adjara TV/TV25	Adjara Region	7	02/28/14 – 02/05/14
TV9	Samtskhe-Javakheti Region	7	03/05/14 – 03/09/14

Project Launch Event: Initially, REAP planned to conduct a project launch event in Q1. However, per USAID’s request, no project launch event was scheduled in PY1.

Component 1: SME Development in the Agriculture Sector

REAP’s grants component focuses on investment project design, based on competitive investment plans submitted by private sector agribusinesses. REAP’s grant component invests in four major agribusiness categories: Farm Service and Machinery Service Centers, Primary Production, Postharvest Handling and Processing, and Information Service Providers. In PY1, REAP committed more than \$3.8M to 37 approved grant projects, exceeding its targets by 153% and 23% respectively. Furthermore, REAP’s grantees demonstrated commitment to their projects by investing approximately \$1.8M and committing an additional \$9M in future capital investment. Below is a table that summarizes REAP’s grant projects by agribusiness category.

Agribusiness Category	Approved Projects	Grant Amount Committed	Cost-share Invested to Date	Cost-share Committed
FSC/MSC	16	\$1,878,414	\$740,791	\$5,099,862
Primary Production	4	\$39,050	\$61,707	\$115,392
Postharvest handling and processing	16	\$1,825,088	\$976,868	\$5,987,467
Information and Service Providers	1	\$64,245	\$19,356	\$151,585
Target	30	\$1,500,000	\$1,500,000	\$3,500,000
Total	37	\$3,806,797	\$1,798,722	\$11,354,306

RFA 1

Essential to REAP’s success in identifying viable business partners, developing profitable business proposals and ultimately committing grant funds was REAP’s rapid start-up, including the effective development of necessary solicitation materials within the first two months. As a result, REAP released its first RFA in November, 2013 and began evaluating applications in January 2014. Due to the expedited solicitation release, formal outreach presentations were conducted only in East Georgia; however, because of informal outreach conducted by REAP’s regional office, applications were received from all regions of Georgia. In response to REAP’s first RFA, more than 60 agribusiness submitted applications in the following categories.

RFA 1			
Agribusiness Category	Applications Received	Passing Applications	Requested Grant Amount
FSC/MSC	7	4	\$684,840
Primary Production	23	2	\$318,323
Postharvest handling and processing	30	5	\$3,041,437
Information and Service Providers	2	1	\$98,670
Total	62	12	\$4,143,270
Approved		11	\$1,048,899

Based on the analysis of the Technical Evaluation Committee (TEC) comprised of the DCOP and Component 1 staff, 12 applications received a passing score, met all eligibility criteria, appropriately aligned with REAP’s priorities and goals, and provided accurate and complete supporting documentation. REAP’s specialists then conducted site visits to all passing applicants. As a result of the site visits, one passing applicant (Anitanti Ltd.) was disqualified due to noncompliance with food safety requirements and another Dzevera Cooperative withheld their application due to seasonality issues. Supported by REAP’s staff, all ten remaining applicants developed full investment proposals and subsequently, were approved by USAID.

RFA 2

Building on the success of the first RFA, REAP’s second solicitation was issued in February, 2014, with the technical evaluations beginning in April. For the second RFA, REAP conducted outreach presentations nationwide and 61 agribusinesses submitted applications.

RFA 2			
Agribusiness Category	Applications Received	Passing Applications	Requested Grant Amount
FSC/MSC	17	12	\$1,458,912
Primary Production	8	3	\$29,655
Postharvest handling and processing	35	15	\$1,879,214
Information and Service Providers	1	0	\$0
Total	61	30	\$3,367,781
Approved		27	\$2,757,898

In round two, 30 applications received passing scores, including seven from agribusinesses that reapplied after receiving technical assistance from BSPs after failing in round 1. As in round 1, REAP’s specialists conducted site visits for due diligence and to conduct an environmental compliance assessment. After the site visits, three passing applicants withdrew their applications. Two applicants, Livestock Bazaar Ltd. and I/E Teimuraz Kevlishvili, withdrew their applications due to an inability to cost share, while one applicant, I/E Giorgi Jeladze withdrew because of environmental concerns. The remaining 27 applicants developed full investment proposals and have been approved by USAID. In Annex A, please find a detailed list of all submitted and approved projects.

REAP exceeded its targets early in PY1 and committed more than 60% of its grant fund from the first two RFAs. As a result, the project and USAID mutually decided to postpone further RFAs in PY1 and to focus REAP’s efforts on grant implementation. REAP will continue RFAs in PY2, targeted at specific agribusiness categories as well as female entrepreneurs participating in REAP’s Gender Initiative.



FSC under construction in Khulo

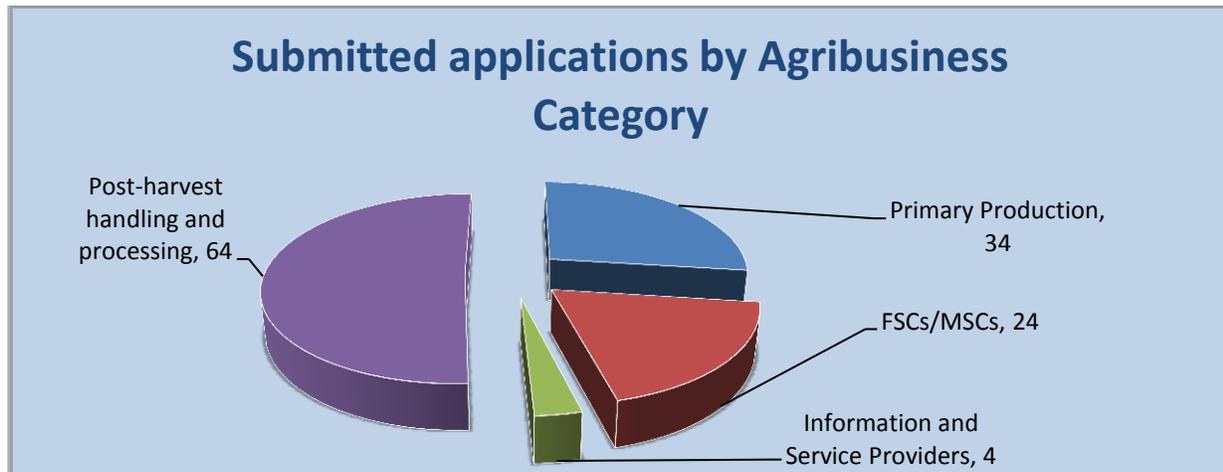
Implementation

In PY1, 21 of REAP’s approved grantees began implementation. In total, REAP’s grantees invested approximately \$1.8M, greatly exceeding expectations. Key to this accomplishment is REAP’s innovative approach to grant implementation, which allows grantees to start investment into their enterprise before the grant agreement is signed. As this investment is at the risk of the grantee, this demonstrates their confidence in their partnership with REAP. Below is a table summarizing grantees investment in PY1.

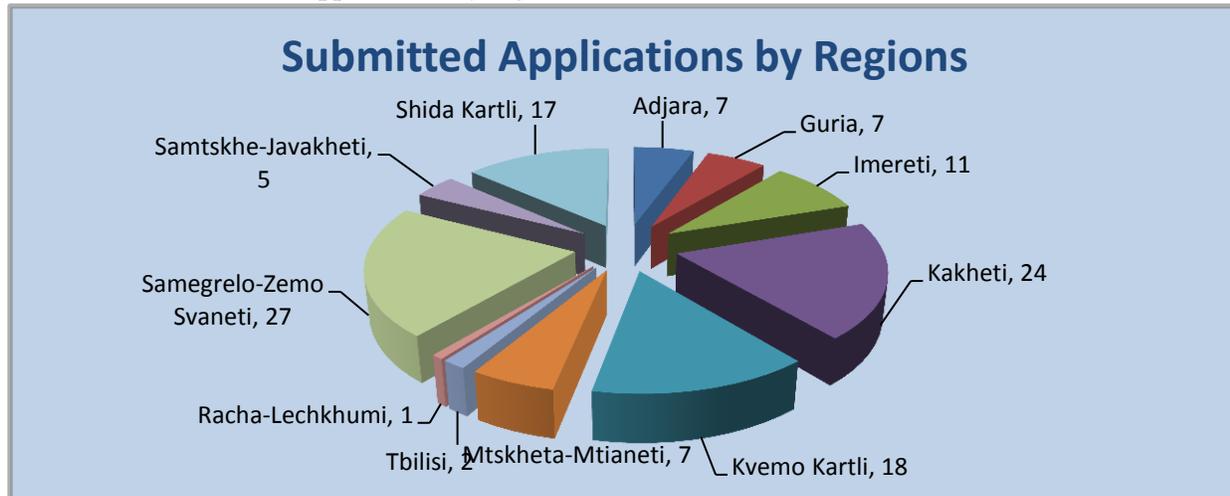
Agribusiness Category	Number of grants under implementation	Invested capital
FSC/MSC	9	\$740,791
PP	4	\$61,707
PHHP	7	\$976,868
ISP	1	\$19,356
Total	21	\$1,798,722

Analysis

Based on REAP’s two solicitations, three trends emerged. First, the greatest interest is from postharvest handling and processing companies, while the least is from information service providers. The below table shows the cumulative results of applications received by agribusiness category.



Second, interest to partner with REAP is nationwide as demonstrated by the below table showing distribution of submitted applications by region:



The most active regions submitting applications were Samegrelo-Zemo Svaneti, Kakheti and Shida Kartli,; however, the best approval rate is Kakheti with 10 passing applications out of 24. Below please find a table outlining the number of applications and their success rate by region.

Region	Submitted Applications	Rejected Applications due to Eligibility	Failed Applications	Passed Applications	Approved Grant Projects
Adjara	7	2	2	3	3
Guria	7	1	3	3	3
Imereti	11	0	7	4	4
Kakheti	24	5	9	10	9
Kvemo Kartli	18	7	7	4	4
Mtskheta-Mtianeti	7	2	3	2	2
Tbilisi	2	0	2	0	0
Racha-Lechkhumi	1	0	0	1	1
Samegrelo-Zemo Svaneti	27	7	18	2	2
Samtskhe-Javakheti	5	1	0	4	3
Shida Kartli	17	2	7	8	6
Total	126	27	58	41	37

Third, FSCs/MSCs are the most successful agribusiness category with a 66% pass rate. This could be in part related to the focused scope of FSCs/MSCs businesses and their close interaction with their clientele. This enables them to accurately forecast demand for new and improved services. The least successful category is primary production with a 12% pass rate. This is most likely due to the fact that primary production enterprises are an emerging market in Georgia and owners are not well equipped with the business acumen and management skills to develop strong investment proposals. Below is a summary of the distribution of applications and relevant pass/fail statistics.

Agribusiness Category	Submitted Applications	Rejected Applications due to Eligibility	Failed Applications	Passed Applications	Approved Grant Projects
Primary Production	34	12	17	5	4
FSCs/MSCs	24	3	5	16	16
Information and Service Providers	4	0	3	1	1
Post-harvest handling and processing	64	12	33	19	16
Total	126	27	58	41	37

Component 2: Technical Assistance Program

REAP's technical assistance component provides custom-designed services to all grantee enterprises in order to support the sustainability of increased agribusiness investment. REAP uses local business service providers (BSPs) and international experts to provide delivery of technical assistance. In PY1, REAP provided technical assistance to more than 100 small and medium size enterprises, exceeding targets by more than 180%.

Material Development, Outreach and BSP Selection

From project onset, the Component 2 team developed and submitted materials necessary for rapid implementation. Supported by international consultants from consortium member, CARANA, REAP successfully submitted to USAID application forms, expression of interests and eligibility criteria documents necessary for BSPs and SMEs to participate in REAP. After approval, all documents were translated into Georgian and were made publicly available through www.jobs.ge on November 27th, 2013.

In November, Component 2 staff actively began an outreach campaign that included six roundtables across Georgia attended by more than 40 BSPs. During these roundtables, REAP's Component 2 Lead provided an overview of the project, provided specific information regarding coordination with Component 1 and outlined REAP's technical assistance program. To augment regional roundtables,

announcements regarding REAP’s technical assistance program were placed in 8 regional newspapers and uploaded on 4 regional websites.

In January 2014, Component 2 evaluated BSP applications, selecting 32 companies out of 41 applications. BSPs were evaluated by Component 2 staff and REAP project management based on predetermined criteria. Due to USAID’s revised technical direction given in March 2014, BSPs would no longer receive capacity building assistance, but would still participate in technical assistance delivery to grantees.

Failed Applicant Training

From REAP’s shortlisted BSPs, seven BSPs (3 consortia and one company) were selected to provide business plan development and capacity building assistance to failed grant applicants from REAP’s first RFA. 27 failed applicants attended trainings across six cities: Tbilisi, Gurjaani, Gori, Kutaisi, Ozurgeti and Zugdidi. The below table highlights the individual BSP or BSP consortium that provided training to failed applicants and the Region in which they conducted the training:

Business Service Provider	Coverage
Guria ABC/Kutaisi Educational Academy	Imereti, Guria
Erani/Abkhazintercont	Samegrelo
GEC	Kvemo Kartli, Kakheti
GBDS Caucasus/Experto	Shida Kartli

As a result of the training, seven failed applicants from Round 1 succeeded in achieving passing scores in Round 2. This validates REAP’s policy of assisting failed applicants to improve their submissions should they choose to reapply in the future. The below chart highlights the success/fail rate of re-applicants trained by BSPs:

Company	Region	Total number of Trained Companies	Successful re-applicants	Failed Re-applicants	Non-applicants for Round 2	Applicant Success Rate
Erani/Abkhazintercont	Samegrelo-Zemo Svaneti	7	1	2	4	14%
Guria ABC	Guria, Ajara	3	1	-	2	33%
Kutaisi Educational Academy	Imereti	3	-	2	1	0%
GBDC Caucasus/Experto	Shida Kartli, Mtskheta-Mtianeti	6	2	1	3	33%
GEC Corporation	Kvemo Kartli, Kakheti	8	3	1	4	37.5%

Technical Assistance to Non-Grantees

In March 2014, REAP received technical direction from USAID to not provide technical assistance to non-grantee enterprises and to focus all resources on REAP's grantee enterprises. Prior to this technical direction, REAP provided business plan development services to JSC Stimor Associates regarding the development of a greenhouse in Samegrelo-Zemo, Svaneti Region. A tender was issued for a BSP to provide training and The Tbilisi Business Service Center (TBSC) received the highest score. TBSC worked with JSC Stimor Associates to develop a bankable business plan. As a result of this consultancy, JSC Stimor Associates is in final negotiations with a leading commercial bank regarding a \$2.2M loan.

Technical Assistance Intervention Plans

In response to USAID's technical direction, Component 2 developed detailed technical assistance intervention plans for all 37 approved grant applicants. Each plan is tailored to the grantee and covers a range of possibilities for technical assistance including training, capacity building, marketing/branding and certification support for grantees. Examples of concluded technical assistance interventions may be found below.

Postharvest Handling and Cold Storage: In April, 2014, two experts in postharvest and cold storage from Consortia member WFLO, travelled to Georgia to assess local stakeholder knowledge and capacity gaps in postharvest best practices, technology adoption, and cold chain management. In addition, they travelled to several potential technical and vocational education and training (TVET) institutional partners to evaluate and provide technical recommendations to postharvest facility/cold storage operators supported under REAP.



Postharvest Training in Batumi

As part of the training needs assessment, WFLO experts met with three grant applicants, visited four colleges/universities, eight cold storage facilities, a cold storage contractor, a refrigeration maintenance contractor, a local cold-store wholesale market, and interviewed an applicant who could potentially serve as a local trainer.

WFLO's experts also worked with REAP's Component 1 Team to review cold storage related grant applications. The experts concluded that all applicants demonstrated awareness of what is required to store fruit and vegetables in a cold storage facility and that their operations would improve through training on storage best practices and cold chain management.

Building off of the initial assessment, from September, 17-27th, 2014, REAP organized two 5-day postharvest handling and refrigeration training sessions in Batumi and Gori. The training courses were attended by 53 participants including representatives from 12 of REAP's grantees and 5 educational institutions. Trainings included hands-on demonstrations as well as printed resource materials translated into Georgian on postharvest handling and modern refrigeration technologies. Two universities, Batumi Shota Rustaveli State University and Akaki Tsereteli Kutaisi State University, were presented with postharvest educational toolkits to more effectively provide short-term training courses to their students and businesses in the future.

Private Sector Demonstration Plot Development: In May 2014, REAP deployed an international consultant to perform an assessment of options for developing a private sector demonstration plot system. To assist in his assessment, the consultant visited potential sites for demonstration plots in Kakheti and visited existing nurseries in various regions of Georgia. Based on the consultant's recommendations, REAP developed a Demonstration Plot Action Plan that will be shared with USAID and in PY2, REAP will establish five demonstration plots with FSC grantees. These demonstration plots will showcase various crops across different regions of Georgia and will utilize international STTA to deliver practical training sessions to farmers on various topics such as pruning, minimum till, double cropping and no till farming.

Monitoring and Evaluation (M&E)

REAP established the foundation for its M&E system in close coordination with USAID and in compliance with the guidelines set forth in ADS 203.3.2.1. Much of REAP's initial M&E work defined and established measurable outputs, outcomes, impacts and milestones for the program to be tracked by its approved Performance Monitoring Plan (PMP). In addition, REAP worked closely with USAID to develop its Results Framework to illustrate how REAP's investments will lead to the achievement of USAID/Caucasus CDCS Goals and Development Objectives for Georgia.

In PY1, REAP's M&E Manager, collected, reviewed and analyzed data on activities for all 37 approved grant projects, their milestone achievements, outcomes and outputs. REAP worked with all grantees to integrate M&E into their projects and the M&E Manager worked together with the Component 1 team to determine 3 year projections for each grant project. To ensure timely reporting, progress data is collected from each grantee quarterly by the M&E Manager, regional coordinators and interns through various collection methods such as interviews, field observations, file and document reviews and periodic mini-surveys. Furthermore, REAP utilizes the triangulation method of data collection to verify and cross-check information provided by grantees and farmers to inform REAP's PMP.

Modifications to PMP

Due to USAID's Technical Direction to cease BSP capacity building and technical assistance to non-grantee activities, REAP modified its PMP. Targets, outputs and outcomes directly related to strengthening BSPs were removed. Among them were:

- Indicator: Qualified BSPs established and/or strengthened as a result of USG assistance; and,
- Indicator: Increase in BSP revenues from private sector clients.

In its PY2 Work Plan, REAP proposed an additional indicator related to Component 2 activities:

- Indicator (custom): Value of business development services from USG assisted sources provided to MSMEs, including farmers.

This proposed indicator will track REAP's financial resources spent on technical assistance by local or foreign experts to REAP's grantees and will help determine the plausible attribution between technical assistance provided and increased jobs and incomes of REAP's grantees and direct beneficiary farmers.

Incorporating Cost Benefit Analysis into M&E

Per contractual requirements and USAID’s direction, REAP integrated cost benefit analysis (CBA) into the M&E system to demonstrate the economic returns of project activities and investments. The inclusion of CBA indicators enables REAP to assess and improve the effectiveness of grant projects and will provide guidance for the management of future agricultural interventions. CBA indicators provide allow the project to adequately assess the monetary and non-monetary impacts of a given grant project.

To assist REAP develop the appropriate methodology and subsequently integrate CBA into its M&E system, an internationally recognized CBA consultant conducted an assignment in March and April of 2014 that trained REAP staff on CBA methodology and assessed the feasibility of expanding the use of CBA on the project. At the conclusion of this assignment, the CBA consultant offered recommendations to REAP and to USAID for further incorporating CBA into the project’s M&E system. Based on these recommendations, REAP selected representative samples of grantees, developed relevant CBA indicators and integrated these indicators into the M&E system.

After USAID approved REAP’s round 1 grant projects, the CBA consultant returned to the field in July of 2014 to develop representative case studies by grantee type. Development of these case studies included site visits to meet with project grantees as well as to pilot questionnaires used for the collection of CBA data. REAP selected six representative projects to be included in this initial pilot for CBA and anticipates 10 additional projects from round 2 to be included. REAP’s separately submitted PMP report will contain CBA analysis for these six representative projects.

Status of Performance Indicators

REAP’s PMP consists of 31 indicators, of which seven are considered performance indicators. Below is a summary of REAP’s performance indicators, their targets and PY1 results. REAP’s performance monitoring report and updated PMP can be found in Annex C.

PPR Indicator name	PY1 targets	PY1 adjusted targets	PY1 Results
Value of additional financing obtained by the private sector as a result of USG assistance	\$750,000	\$1,950,000	\$2,848,368
Gross incremental sales by USG assisted SMEs (all type)	\$600,000	\$1,290,000	\$1,401,616
Value of incremental sales (collected at farm-level) attributed to FTF implementation	\$100,000	\$400,000	\$458,759
% Increase in average crop yields of targeted agricultural products as a result of USG assistance	10%	30%	N/A
Number of jobs created with USG assistance	30	40	46
% of USG assisted entrepreneurs and farmers who demonstrate improved business practices	90%	90%	90%
	40%	40%	40%

Number of hectares under improved technologies or management practices as a result of USG assistance	8000	150	163
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In PY1, REAP greatly exceeded the majority of its performance indicator targets. The target where REAP underperformed, number of hectares under improved technologies or management practices as a result of USG assistance, is related to the time lag associated with operationalizing FSCs/MSCs. FSCs/MSCs serve as the main conduit for demonstrating improved practices and promoting new technologies. While in PY1, REAP approved 16 FSCs/MSCs, these FSCs/MSCs will begin demonstrations and operations in PY2 and REAP is confident it will meet its LOP target. Regarding REAP’s indicator, % increase in average crop yields of targeted agricultural products as a result of USG assistance, REAP is unable to report an actual increase in average crop yield for PY1 as no full harvesting season occurred since implementation began. REAP’s complete picture of results will be presented in its PY2 PMP report.

Environmental Management and Monitoring

Early in Q1, REAP’s environmental regulation documents and procedures were designed and approved by USAID. These overall concepts were incorporated in various program documents (grant application forms, selection criteria, applicant guide etc) to define and highlight key requirements related to environment and work safety and to comply with USAID and National regulations. In the beginning of the project, REAP held numerous meetings and discussions with USAID to refine the key messages to be provided by its IEE (Initial Environmental Examination) and PEA (Programmatic Environmental Assessment). As a result of these conversations, USAID amended the limitations concerning REAP’s IEE with regards to new construction and privatization of industrial or infrastructure facilities. Please see amendment: DCN: 2014-GEO-019; Feb 6, 2013 for more information.

In PY1, REAP designed and made available the Environmental Monitoring and Mitigation Plans for REAP activities: *EMMP 1.Acquisition and transportation of Agriculture equipment if defined by sub-grantees business plans including tractors, processing machinery, refrigeration, maintenance tools, testing equipment etc.); EMMP 2.Train SME operators/managers/owners in operation and maintenance of equipment and/or facilities; EMMP 3. Planning and implementation of food safety standards, if defined by sub-grantee’s business plan, including hiring appropriate personnel, drafting plans, testing, establishing internal procedures, installing equipment, etc.*

To expedite the grants approval process, REAP’s COR initiated an amendment to REAP’s contract. This amendment allows REAP to process grants under a threshold of \$15,000 without COR and MEO approval of the Environmental Review Checklist (ERC). However, the COR and MEO still maintain responsibility to periodically monitor the process and its accompanying documentation

Initial screening of shortlisted applicants under RFA round 1 and round 2 was conducted during Quarters 2, 3, and 4. The purpose of such screenings are to assess activity-specific baseline conditions, including applicable environmental requirements and identify potential adverse environmental effects associated with planned activity(s) and processes. Subsequently the Environmental Review Checklists (ERCs) was developed for all 37 grant proposals

In addition to the activities mentioned above, a series of environmental safeguards related brochures, posters and flyers were developed, translated in Georgian and distributed among the grantees:

- Leaflet A: Agricultural Practices for Environmental Protection
- Leaflet B: Label information
- Leaflet C: Field sanitation
- Leaflet D: Integrated Pest Management
- Handbook on Safe & Effective Use of Crop Protection Products
- Handbook on emergency measures in cases of crop protection product poisoning
- Handbook on application and storage of fertilizers
- Rules of storage, transportation, sale and application of pesticides and agrochemicals

Cross Cutting Activities

Gender

Mainstreaming gender perspectives into REAP began with a comprehensive review of project documentation, including gender requirements in all grant application packages and drafting a tentative gender work plan for the first 3 months. REAP's gender integration continued throughout PY1 through the following five activities:

Development of REAP's Gender Strategy: REAP's gender assessment, initially proposed through international STTA, was conducted in-house by REAP's Gender Specialist in coordination with USAID counterparts. In February, 2014 REAP submitted to USAID its gender strategy and it was subsequently approved by USAID in Q3. Highlights of REAP's Gender Strategy are detailed below.

Development of a well-designed aggressive outreach campaign targeting explicitly women: As recommended by USAID counterparts, REAP developed special initiatives oriented at identifying and reaching qualified women applicants that have the potential to meet the grant and technical assistance requirements of the project. In PY1 activities included the following:

- Creating referral systems through identified potential partners (USAID/Centers for Civic Engagement (CCEs) and UNDP's Enhancing Gender Equality in Georgia Project);
- Organizing two regional meetings in Sighnaghi and Gurjaani Municipalities with the help of the Association of Women Farmers of Kakheti and LEPL - Community College Aisi. As a result of these meetings several women entrepreneurs were identified as having the potential to benefit from REAP assistance;
- Two female interns were employed to assist REAP's regional coordinators in local person-to-person outreach of women;
- REAP's pilot gender initiative – 'Facilitate the Development of Women-owned Agribusinesses' included mobilization of qualified women agribusiness entrepreneurs that meet REAP's Grant Program requirements as well as 'near qualifiers'.

Identifying potential linkages between REAP and other stakeholders active in the field of gender and agriculture and / or agriculture development: Since Q1, REAP started developing cooperation with other stakeholders active in the field of gender and agriculture and / or agriculture development. To support this effort and expand outreach, REAP joined two networking platforms – the Gender Theme Group (GTG), an interagency group of donor agencies and IDNGOs; and the Gender and Agriculture

Sub-group, a platform of practitioners working on the promotion of women in agriculture and economic development.

Facilitate the Development of Women-owned Agribusinesses: In early Spring, 2014 REAP launched a pilot gender initiative-‘Facilitate the Development of Women-owned Agribusinesses’ to support the development of women-owned agribusinesses through the following actions:

- Identify high potential women agribusiness entrepreneurs;
- Train women in developing bankable business plans;
- Select the best resulting business plans for USAID/REAP grant consideration;
- Assist successful grant applicants in applying for commercial loans, including the subsidized loans under the Government of Georgia’s Cheap Credit program; and,
- Assist the remaining participants improve their business plans for further grant or bank loan consideration.



REAP's Gender Initiative Participants

Through an expression of interest (EOI), REAP selected four BSPs that formed five consortia to identify and select at least 75 women agribusiness entrepreneurs in five regions of Georgia – Adjara, Samegrelo-Zemo Svaneti, Guria, Kaheti and Shida Kartli. A working meeting was organized in June, 2014 to ensure partner BSPs understood REAP’s Grant Program, environmental regulations, media mobilization and reporting requirements. In PY2, REAP will continue to support this important initiative through a targeted grant solicitation for women-owned agribusinesses, provision of grants to qualified applicants, assistance in applying for commercial finance and continued capacity building.

Development of Gender Integration Plans for Grant Recipients: The REAP Gender Specialist developed gender integration plans tailored for each successful grant application that is included in each investment proposal. Throughout grant implementation, these integration plans will be monitored with field visits.

Access to Finance

Access to finance is of critical importance to REAP as it aims to foster commercially-sustainable financing linkages between producers, post-harvest enterprises and banks. Results of a survey conducted by REAP among potential applicants yielded that 94% of surveyed SMEs believe access to finance to be a constraint to growing their business. To directly engage with financial institutions, REAP organized introductory meetings with leading commercial banks, MFIs, and leasing companies. As a result of these meetings, REAP signed Terms of Cooperation (TOC) with eight leading banks: TBC, BOG, VTB, Cartu

bank, Procredit Bank, Bank Republic, Basis Bank, and Pasha Bank. Through the TOC, the commercial banks will cooperate with REAP to co-finance approved grant projects and participate in trainings for banks credit officers.

In Q2, the Association of Banks of Georgia approached REAP to explore cooperation with regards to establishing a customized agriculture lending training courses for credit officers from banks and MFIs that are actively engaged in agriculture lending. To support the Association of Banks, REAP engaged an international consultant to assist the training center develop and implement a special training program for credit officers of commercial banks and microfinance organizations. This training is further described below.

Agricultural Lending Training

The majority of commercial banks in Georgia are reluctant to make strong commitments to agricultural lending. Over the last several years, agricultural lending accounted for less than 2% of total bank loan portfolios. One cause is the lack of adequately trained bank loan personnel who can evaluate the type of credit risks specific to agricultural lending, and are familiar with the peculiarities of the Georgian agricultural sector. In addition, the absence of established loan monitoring procedures within banks has inhibited the expansion of agricultural lending.



REAP's Agricultural Lending Training

Despite the need for a robust training curriculum, neither the Georgian Banking Training Center, nor the in-house training centers of banks and MFIs have tailored formal training courses in agricultural lending. To address this issue, REAP fielded an international consultant to develop curricula for bank loan officers in agriculture lending. The international consultant, together with a Georgian short-term consultant and REAP's Access to Finance Specialist conducted intensive working meetings with commercial banks, the Agriculture Projects Management Agency (APMA) and the Association of Georgian Banks to determine particular modules and needed details for the training program.

Building off of these working meetings, REAP held two training sessions for financial professionals on agriculture risk analysis and underwriting techniques for primary production and postharvest handling and processing loans. These trainings combined practical case studies with theoretical knowledge on topics such as the agriculture credit cycle, value chain financing and agriculture risk analysis.

Training participants included middle management from the lending and credit risk departments of various financial institutions. The training was attended by 43 financial professionals from eight commercial banks, two leasing companies and two micro finance institutions. The training focused on financing for annual crops (wheat, maize and potato), perennial crops (citruses, tea, apples and peaches) and livestock (beef and dairy). Training participants received an overview of the agricultural production process, an introduction to agricultural processing technologies and an overview of farm risk and mitigation techniques.

Cooperation with APMA

Beginning in Q3, REAP started to collaborate with Georgia's Agriculture Projects Management Agency (APMA). A key outcome of this collaboration, was APMA's decision to make available to REAP's

grantees their “cheap credit” facility. As a result, REAP’s grantees are allowed to apply to APMA’s partner banks for loans of \$30,000 to \$300,000 to purchase agricultural machines and equipment at a capped interest rate of 3%. In total, REAP’s grantees have accessed more than \$5M in commercial finance.

Technical Assistance to DCA Recipient Financial Institutions

In Q3, USAID requested that REAP’s international finance consultant review the low utilization rate of DCA guarantees of two Georgian leasing companies and to make recommendations to improve. Based on the consultant’s assessment, recommendations were provided to USAID for their next steps. REAP is engaged in discussions with DCA holder Bank Republic and anticipates collaborating with them on the development of their agriculture lending strategy which will have a positive impact on their utilization rate of the DCA facility.

Workforce Development

The shortage of qualified specialists is one of the key challenges faced by the Georgian agricultural sector. Agribusinesses find it difficult to hire new as well as re-train existing personnel to meet modern production requirements, including those supported by REAP. To this end, in PY 1 REAP conducted a mapping of vocational colleges and universities offering diploma and certification programs in the agricultural sector throughout Georgia with the goal of utilizing them as training providers for REAP’s grant recipients as well as upgrading their capacity through engagement in REAP-organized training and other events. The mapping exercise revealed 5 vocational colleges and 5 universities with adequate resources to offer training courses in the regions to REAP beneficiaries: VET Aisi (Kachreti), VET Opizari (Akhalsikhe), VET Telavi (Telavi), Gantiadi (Gori), Erkani (Ambrolauri), Batumi Shota Rustaveli State University (Batumi), Shota Meskhia Zugdidi State University (Zugdidi), Akaki Tsereteli State University (Kutaisi), and GIPA (Kutaisi and Gori). Three of these universities, Gantiadi, Batumi State University and Kutaisi State University, are now actively collaborating with REAP and participated in REAP’s postharvest handling and cold storage training.

In PY 1, REAP started a dialogue between educational institutions and REAP supported grant recipients to initiate an internship program of university and college students with REAP’s grant recipients once these businesses become operational. Early in PY2, REAP will solidify this relationship through facilitating MOUs between businesses and vocational institutions.

Special Initiatives

Collaboration with the State Ministry for Diaspora Issues

Beginning in May, REAP held several meetings with the State Minister of Georgia for Diaspora Issues (MOD) to discuss opportunities to partner and strengthen Georgia’s commercial farming through leveraging diaspora contributions. As a result these meetings, USAID and MOD will sign a Memorandum of Understanding (MOU) during USAID’s International Diaspora Week highlighting the following potential areas of collaboration:



REAP’s Grantees at MOD Event

- **Linking interested migrants or returnees into REAP’s grant program** to co-invest or act as angel investors for REAP’s grantees. Interested returnees with relevant business backgrounds will have an opportunity to apply for grants.
- **Launching a joint event “Established Agriculture Enterprise as Role Models”** to illustrate successfully established agricultural enterprises and to promote matchmaking opportunities between potential diaspora investors and REAP’s grantees.
- **Participation of women migrants or returnees in REAP’s gender initiative** to support the promotion of woman-owned agribusinesses in Georgia.
- **Establishing a “Pilot Commercial Village”** to promote consolidation of parcels, revitalization of deteriorating land and generate interest among absent owners of rural land plots.

DCFTA

In light of the Association Agreement between Georgia and the EU in November 2013 and the subsequent Deep and Comprehensive Free Trade Agreement (DCFTA), REAP envisions supporting grantees with improved business and technical skills to meet modern international requirements and to stimulate increased exports to the EU. To maximize the potential offered through the DCFTA agreement, REAP decided to conduct an analysis to determine specific opportunities for export that the DCFTA provides REAP’s grantees. Essential to this analysis will be identifying necessary standards and certifications that REAP’s grantees must obtain to fully benefit from export opportunities made available through the DCFTA.

Through an RFQ in Q4, REAP selected the Free University/Agrarian University consortium to determine the opportunities this agreement will offer and how REAP’s current and future grantee enterprises can take advantage. Through this initiative, REAP is now identifying the required standards and certifications needed by grantees and other beneficiaries in order to fully benefit from trade opportunities available through the agreement. By PY2 Q2, REAP will present tailored recommendations to grant recipients and USAID.

Financial and Expenditure Summary:

	<u>Total Budget</u>	<u>Current Yr. Budget</u>	<u>Current Yr. Expenses</u>	<u>Current Yr. Balance</u>	<u>Project Balance</u>
Salaries and Wages	\$3,757,742	\$745,871	\$654,509	\$91,362	\$3,103,233
Fringe Benefits	\$524,044	\$126,510	\$79,919	\$46,591	\$444,125
Consultants	\$299,181	\$74,717	\$21,098	\$53,619	\$278,083
Travel, Transportation and Perdiem	\$463,366	\$128,115	\$105,936	\$22,179	\$357,430
Equipment and supplies	\$155,070	\$96,775	\$123,794	(\$27,019)	\$31,276
Communications	\$184,653	\$33,516	\$14,312	\$19,204	\$170,341
Allowance	\$225,004	\$96,468	\$69,607	\$26,861	\$155,397
Other Direct Cost	\$2,324,567	\$293,083	\$282,138	\$10,945	\$2,042,429
Indirect Cost	\$2,544,314	\$511,535	\$462,900	\$48,635	\$2,081,414
Fixed fee	\$630,283	\$129,431	\$88,896	\$40,535	\$541,387
Total	\$11,108,224	\$2,236,021	\$1,903,110	\$332,911	\$9,205,114
<u>Sub-Contract Costs</u>					
CARANA	\$2,061,567	\$456,017	\$217,469	\$238,548	\$1,844,098
WFLO	\$419,672	\$100,360	\$72,164	\$28,196	\$347,508
Total	\$2,481,239	\$556,377	\$289,634	\$266,743	\$2,191,605
<u>Financial Tools</u>					
GRANTS	\$6,000,000	\$800,000	\$113,412	\$686,588	\$5,886,588
Total	\$6,000,000	\$800,000	\$113,412	\$686,588	\$5,886,588
TOTAL	\$19,589,463	\$3,592,398	\$2,306,155.00	\$1,286,243	\$17,283,308

Key Constraints:

Operational

Staffing:

- Immediately after project award, REAP was required to replace two out of five key personnel, the Deputy Chief of Party and Director of Finance and Administration. CNFA HQ management and the REAP COP made filling these vacancies their highest priority. After a competitive interview and selection process REAP submitted highly qualified candidates to USAID and each was subsequently approved on November 26, 2014.
- The Component 1 team also faced staffing issues as three out of four positions remained vacant throughout much of Q1. As a result of the Component 1 Lead's efforts, candidates for the vacant positions were identified and mobilized by January 2014. With a full complement of C1 staff and REAP was able to successfully complete first round of grant solicitations.

Programmatic

Grant Proposal Development: REAP faced an early constraint in the time required to develop individual grant proposals for submission to USAID. Initially, the lengthy proposal development process impeded

the pace at which the project was able to develop grant proposals, submit to USIAD, and receive subsequent approval. To address this constraint the project undertook several measures. First, by streamlining and shortening each grant proposal, significantly reducing the development time; and secondly, by involving more project staff in the development of each proposal.

Procurement: Due to REAP's authorized geographic code, 937 and 110, the project faced significant challenges in procuring processing equipment for fresh fruit and vegetables. Currently, there is a limited supply of this equipment in Georgia and those countries in REAP's authorized geographic code do not readily produce this equipment. REAP worked closely with USAID to obtain a waiver for one processing enterprise, Geoflower, and anticipates waivers for more than seven other processing enterprises. As REAP's grantees are investing more than 70% of total project value, it is imperative that REAP procures equipment of high quality and in a timely fashion. This delay also impacts REAP's PMP targets in terms of grant projects' sales and farmers served.

Annex A: Approved Grant Project Report

ROUNDS 1&2 GRANT PROJECTS STATUS REPORT

Name of the Applicant	Project Type	Region	Place of project implementation	DUNS Number	Grant Amount	Cost-share Amount	Approval Authority	USAID submission	USAID Approval
Geoflower Ltd	PHHP	Racha-Lechkhumi	Ambrolauri	68-352-8287	\$112,493	\$329,544	COR, CO	Submitted April 11, 2014	Approved May 21, 2014
IE Giorgi Tediashvili	PP	Shida Kartli	Kareli/Breti	NA	\$9,700	\$28,269	COR	Submitted April 2, 2014	Approved April 4, 2014
IE Davit Omanashvili	FSC/MSC	Kakheti	Akhmeta	50-685-2290	\$65,834	\$161,703	COR	Submitted May 16, 2014	Approved May 23, 2014
Alva Ltd	FSC/MSC	Imereti	Sachkhere	50-685-2097	\$142,800	\$361,680	COR, CO	Submitted May 16, 2014	Approved June 5, 2014
Luk agro LLC	FSC/MSC	Kakheti	Signagi/Tsnori	50-685-2345	\$142,500	\$364,460	COR, CO	Submitted May 2, 2014	Approved May 21, 2014
Iveria Ltd	PHHP	Shida Kartli	Gori/Dzevera	50-685-2322	\$138,710	\$400,875	COR, CO	Submitted May 15, 2014	Approved June 5, 2014
Agrokartli LLC	FSC/MSC	Shida Kartli	Gori	68-353-0561	\$134,250	\$481,721	COR, CO	Submitted April 25, 2014	Approved May 16, 2014
Farkoni Ltd	PHHP	Imereti	Kutaisi / Gumati	50-685-2093	\$140,090	\$344,993	COR, CO	Submitted May 5, 2014	Approved May 21, 2014
Agroparm Plus Ltd	ISP	Guria	Ozurgeti/Anaseuli	50-685-2343	\$64,245	\$151,585	COR	Submitted April 23, 2014	Approved May 1, 2014
Georgian Business Zone Ltd	PHHP	Samtskhe-Javakheti	Akhaltsikhe/Tsnisi	50-685-1945	\$98,277	\$244,071	COR	Submitted May 5, 2014	Approved May 13, 2015
IE Serioja Esoiani	FSC/MSC	SJ	Akhalkalaki	50 6853117	\$141,480	\$356,972	COR, CO	Submitted July 3, 2014	Approved July 16, 2014
Lomtagora LTD	PHHP	Kvemo Kartli	Marneuli	50 6853109	\$98,994	\$259,284	COR	Submitted July 3, 2014	Approved July 14, 2014
Chirina LTD	PHHP	Kvemo Kartli	Gardabani	50 6853115	\$121,000	\$785,584	COR, CO	Submitted June 30, 2014	Approved July 16, 2014
Georgian Fruit Company LTD	PHHP	Kakheti	Chumlaki	50 6853255	\$143,200	\$867,862	COR, CO	Submitted June 30, 2014	Approved July 16, 2014
Aromaproducti LTD	PHHP	Shida Kartli	Tbilisi	68 3524160	\$144,345	\$443,009	COR, CO	Submitted June 30, 2014	Approved July 16, 2014
IE "Tsitsia Digmelashvili"	FSC/MSC	Kakheti	Sagarejo	50 6854176	\$142,200	\$354,096	COR, CO	Submitted August 7, 2014	Approved August 21, 2014
Agrovita LTD	FSC/MSC	Kakheti	Gurjaani	50 6853384	\$142,100	\$346,781	COR, CO	Submitted August 6, 2014	Approved August 14, 2014
Agroeqsporti LTD	PHHP	Ajara	Khelvachauri	50 6853292	\$137,000	\$427,877	COR, CO	Submitted July 18, 2014	Approved August 4, 2014
Cooperative" Georgian Fruit Company"	PHHP	Shida Kartli	Gori	50 6854175	\$109,328	\$264,932	COR, CO	Submitted August 1, 2014	Approved August 14, 2014
Agroinvestservice LTD	PHHP	Ajara	Batumi	50 6853114	\$138,600	\$350,040	COR, CO	Submitted July 17, 2014	Approved August 4, 2014
Elenksta LTD	PHHP	Shida Kartli	Kareli	50 6853116	\$115,000	\$414,460	COR, CO	Submitted July 22, 2014	Approved August 4, 2014
IE Valerian Mgeladze	PP	Guria	Ozurgeti	N/A	\$9,954	\$25,378	COR no objection	Submitted July 29, 2014	Approved August 1, 2014
IE Aleksander Nadareishvili	PP	Samegrelo-Zemo Svaneti	Abasha	N/A	\$9,626	\$24,945	COR no objection	Submitted August 8, 2015	Approved August 13, 2014
Herbia LTD	PHHP	Imereti	Tskaltubo	50 6854063	\$80,000	\$221,983	COR	Submitted August 18, 2015	Approved August 19, 2014
Gvaza LTD	FSC/MSC	Samegrelo-ZS	Senaki	50 6854171	\$132,900	\$352,758	COR, CO	Submitted August 15, 2014	Approved August 21, 2014
Agroservice LTD	FSC/MSC	Kakheti	Telavi	50 6851995	\$142,100	\$462,396	COR, CO	Submitted August 13, 2014	Approved August 21, 2014
IE Nugzar Papunashvili	PP	Shida Kartli	Gori	N/A	\$9,770	\$36,800	COR no objection	Submitted August 12, 2015	Approved August 13, 2014
Sepieturi LTD	PHHP	Kvemo Kartli	Gardabani		\$105,380	\$248,875	COR, CO	Submitted August 26, 2014	Approved September 18, 2014
Campa LTD	PHHP	Mtskheta-Mtianeti	Saguramo	68 3523073	\$118,382	\$310,879	COR, CO	Submitted August 27, 2015	Approved September 18, 2014
Anaseuli tea factory LTD	PHHP	Guria	Ozurgeti	N/A	\$24,289	\$73,199	COR	Submitted August 18, 2014	Approved August 19, 2014
IE Giorgi Stepiashvili	FSC/MSC	Mtskheta-Mtianeti	Mtskheta	68 3530561	\$133,000	\$315,463	COR, CO	Submitted August 24, 2014	Approved September 18, 2014
IE Aleks Tediashvili	FSC/MSC	Kakheti	kvareli	50 6853273	\$63,000	\$159,317	COR	Submitted August 25, 2014	Approved August 27, 2014
Deveplus LTD	FSC/MSC	Kvemo Kartli	Bolnisi	50 6854172	\$142,000	\$394,544	COR, CO	Submitted August 26, 2014	Approved September 9, 2014
IE" Mamuka Tsikoridze"	FSC/MSC	Imereti	Tsaltubo	50 6854177	\$142,000	\$351,140	COR, CO	Submitted August 25, 2015	Approved September 9, 2014
IE "Zurab Tetvadze"	FSC/MSC	Kakheti	Dedoplistskaro	50 6854179	\$72,400	\$194,718	COR	Submitted August 27, 2015	Approved August 27, 2014
Rural Advisory Service Ltd	FSC/MSC	SJ	Akhaltsikhe	68 3531093	\$73,500	\$263,177	COR	Submitted August 27, 2014	Approved August 27, 2014
Farmer House LTD	FSC/MSC	Ajara	Khulo	50 6854174	\$66,350	\$178,936	COR	Submitted August 27, 2014	Approved August 27, 2014
Total					\$3,806,797	\$11,354,306			

Annex B: Grant Project Descriptions

Grant Project	Project Brief Description	Project Implementation Status
<p>Geoflower Ltd</p> <p><i>PHHP</i></p>	<p>Through this project, Geoflower will upgrade their processing capabilities and develop a cold storage facility to serve the local community. This project will significantly increase local incomes and Geoflower's export potential through the following activities: 1) collecting and processing of organic bilberries, 2) processing home grown fruits, 3) collecting and processing licorice roots, and 4) collecting and storing and processing of organic apples.</p> <p>Geoflower will increase its production quality and capacity resulting in greater cash markets to the local vulnerable population who are primarily involved in the collection of wild fruit, berries and medicinal herbs. As a result of project implementation, 14 new jobs will be created.</p>	<p>REAP: Tenders for the processing equipment and cold room procurement accomplished; a request for the geocode waiver is submitted to USAID. Equipment is on its way.</p> <p>Grantee: Construction works in finished.</p>
<p>I/E Giorgi Tediashvili</p> <p><i>PP</i></p>	<p>I/E Giorgi Tediashvili aims to expand its agricultural business activities by establishing an apple nursery of 0.7 ha in 2014 and developing a modern apple orchard of 2 ha in 2015 (from seedlings planted in 2014).</p> <p>The project is expected to create 6 new seasonal jobs, including 4 women. 270 farmers will benefit directly by purchasing high quality fruit seedlings and adopting modern farming technologies of fruit production.</p>	<p>REAP: Completed procurement of moto cultivator and drip irrigation system.</p> <p>Grantee: Soil preparation completed.</p>
<p>I/E Davit Omanashvili</p> <p><i>FSC/MSC</i></p>	<p>The project will expand and diversify I/E Omanashvili's input supply business through the construction of an FSC. In doing so, the grantee will provide a wide-range of agricultural inputs and pesticides, fertilizers and small equipment to large, medium and small scale farmers.</p> <p>The project is expected to create 5 new permanent jobs, including 2 jobs for women. Over the life of this project a minimum of 1,500 small, medium and larger scale farmers will receive practical trainings on effective use of high quality inputs.</p>	<p>REAP: Machinery specifications under development.</p> <p>Grantee: Detailed construction plan developed and land procurement in process.</p>

<p>Alva Ltd</p> <p><i>FSC/MS</i></p>	<p>Alva is the main supplier of pesticides, fertilizer, small tools and equipment in Sachkhere district. Additionally, Alva provides machinery services for local farmers and plans to expand its operations to meet the increased demand on mechanization services in the region. This investment will improve the availability of agricultural machinery in the target areas and will provide farmers with easier access to tractors and associated agricultural implements.</p> <p>The project will create 10 new permanent jobs, including jobs for 3 women. As a result of the activity, Alva will provide technical training to 1,500 small and medium scale farmers on effective use of high quality inputs, machinery, and improved agronomic techniques.</p>	<p>REAP: Machinery Specification under development.</p> <p>Grantee: Construction works of mechanization yard underway.</p>
<p>Luk agro LLC</p> <p><i>FSC/MS</i></p>	<p>The project will establish a new complex comprised of a farm service center, trade hall, storage, show room, training facility, and administration unit. Through this project, Luk-Agro will increase its range of products, including modern agricultural machinery, vegetable and grain seed materials, veterinary drugs, small tools and other equipment.</p> <p>As a result, Luk-Agro is expected to add 9 new permanent jobs, including 4 jobs for women. Also, a minimum of 1,500 small, medium and larger scale farmers will receive practical trainings on effective use of high quality agro-inputs.</p>	<p>REAP: Tender on procurement of machinery is completed, vendor selected and procurement process is underway.</p> <p>Grantee: Construction of the service center is underway.</p>
<p>Iveria Ltd</p> <p><i>PHHP</i></p>	<p>Iveria Ltd. will establish a cold storage facility that will enable the company to supply harvested apples to large supermarket chains across Georgia. The projected cold storage facility will be organized in accordance with modern food safety and industry standards, enabling the company to maintain the highest quality for its own crops and those collected by others.</p> <p>The project will create 3 new permanent jobs, including 1 for a woman. Additionally, the project will generate 7 seasonal jobs, including 5 jobs for women. About 254 local farmers will supply their produce to Iveria Ltd.</p>	<p>REAP: Specifications for the cold room are developed; announcement for the tender is planned for January 2015.</p> <p>Grantee: Construction will start in November 2014.</p>

<p>Agrokartli LLC</p> <p><i>FSC/MS</i></p>	<p>This project will expand and diversify activities of an existing FSC. New show rooms will be equipped with monitors that track information obtained from meteorological stations from Gori and Kareli municipalities which will help farmers to timely identify risks and take sufficient measures using company's products and services.</p> <p>The project will create 5 new permanent jobs, including 2 jobs for women. As a result of increased trading capacity, additional 25,000 farmers will have access to high quality inputs and machinery services.</p> <p>In addition, a minimum of 1,500 small, medium and larger scale farmers will receive practical training on the effective use of improved agricultural products and services.</p>	<p>REAP: Machinery specifications are developed.</p> <p>Grantee: Construction work of the new farm service center is underway.</p>
<p>Farkoni Ltd</p> <p><i>PHHP</i></p>	<p>This project will increase Farkoni's processing capabilities through the provision of modern equipment. Utilizing this equipment, Farkoni will increase production in the following areas::</p> <ul style="list-style-type: none"> • Collection and processing of wild grown fruit, including wild apples, pears, prunes, persimmons; • Collection and processing of berry crops; • Processing of dried plant materials (bay leaves, Helichrysum arenarium, blackberry and Plantago Leaf); • Production of phyto – teas; <p>The grantee intends to obtain HACCP and ISO certification that will ensure food safety.</p> <p>The company will create 10 new permanent jobs, including 5 women. The vast majority of direct beneficiaries are collectors from mountainous villages where different types of fruit and herbs naturally grow in affluence. Collectors themselves are a vulnerable population, having no stable source of income. The investment project will be an important factor for generating additional and sustainable profits for the households from mountainous villages.</p>	<p>REAP: Specifications for the tea packaging equipment are under development. Component 2 is working with the grantee on product certification.</p> <p>Grantee: Construction work ongoing.</p>

<p>Agropharm Plus Ltd</p> <p><i>ISP</i></p>	<p>Agropharm Plus will establish a laboratory that will provide a range of high quality services in the following areas: soil and pest analysis, agricultural product testing, and identification of plant insects and diseases. In the long run, the laboratory will gradually expand its services beyond Guria to other regions of western Georgia.</p> <p>The project will create 17 new permanent jobs, including 12 jobs for women. As a result of the increased in service provision an estimated 5,680 small and medium farmers will benefit directly receiving high quality laboratory services.</p>	<p>REAP: Lab equipment specifications developed, RFQ in a process of preparation</p> <p>Grantee: Construction/renovation underway.</p>
<p>Georgian Business Zone Ltd</p> <p><i>PHHP</i></p>	<p>The grantee will build a cold storage facility, introduce modern technologies for fresh fruit processing and significantly increase their sales by supplying apples to local retail and wholesale markets. In addition, the grantee plans to broaden business activity, by arranging a 1.7 ha nursery plot.</p> <p>The project will create 5 new permanent jobs, including 2 jobs for women. Additionally, as a result of increased fresh apples production capacity, at least 10 seasonal workers will be employed. The grantee will also collect apples from approximately 340 small farmers in Tsnisi Village of Akhaltsikhe Region.</p>	<p>REAP: Tender for the cold room procurement is completed; Equipment installation is in process.</p> <p>Grantee: Construction is finished.</p>
<p>IE Zurab Tetvadze</p> <p><i>FSC/MS</i></p>	<p>This project will establish a modern FSC outfitted with a trading hall, rooms for consultation and administration, a conference/training room, and warehouse. Over the life of the grant project, the grantee will procure a mini-laboratory for providing laboratory services on-location, as well as a mobile seed cleaner to provide services to farmers involved in grain production.</p> <p>The project will create 6 new employees, of which 3 will be women. As a result of the project implementation, at least 25,935 new farmers will benefit from various types of high quality products and consultation services provided by I/E Zurab Tetvadze. Other beneficiaries include at least 1,500 farmers receiving trainings in different technical areas of agricultural production and on effective use of goods and services provided by the company.</p>	<p>REAP: Machinery specifications under development.</p> <p>Grantee: Detailed construction plan developed.</p>

<p>Agrovita LTD</p> <p><i>FSC/MSC</i></p>	<p>The company will establish a modern FSC/MSC that that contains a retail shop, conference rooms, showrooms, machinery yard and a storage area.</p> <p>The project will create 8 new jobs, including 4 jobs for women. Over the life of this project 8,400 new farmers will benefit from AgroVita's high quality products and consultation services. A minimum of 1,500 small, medium and larger scale farmers will receive practical training on the effective use of AgroVita's products.</p>	<p>REAP: Machinery specifications under development.</p> <p>Grantee: Construction work will begin in November 2014.</p>
<p>LTD Georgian Fruit Company</p> <p><i>PHHP</i></p>	<p>The goal of this project is to contribute to the development and expansion of current processing activities of the Georgian Fruit Company and invest in a modern fruit processing facility in village Chumlaki, Gurjaani Municipality, Kakheti Region.</p> <p>The project will create 131 new jobs, including 120 sorting personnel, among which 108 will be women. 2,430 small and medium farmers will benefit by selling products to Georgian Fruit Company Ltd. In addition, 6,929 family members of smaller/medium scale farmers will benefit by providing raw materials.</p>	<p>REAP: Tenders for the processing equipment and cold room procurement accomplished.</p> <p>Grantee: Construction work is finished.</p>
<p>AgroService LTD</p> <p><i>FSC/MSC</i></p>	<p>This project will construct an additional mechanization yard, training room and consultation center at its existing FSC.</p> <p>This project will create 6 new permanent jobs, including 3 jobs for women and will support more than 10,000 direct beneficiaries, including small, medium and larger scale farmers to receive high quality goods and services.</p> <p>Over the life of this project, a minimum of 1,500 small, medium and larger scale farmers will receive practical trainings on effective use of proposed goods.</p>	<p>REAP: Machinery specifications are developed.</p> <p>Grantee: Construction work in process.</p>
<p>IE Aleks Tediashvili</p> <p><i>FSC/MSC</i></p>	<p>The Company plans to build a modern FSC to provide inputs and veterinary drugs to local farmers. Mr. Tediashvili will establish a demonstration plot and modern FSC with show-room, training room, administration room and warehouse.</p> <p>The project will directly benefit up to 2,000 small and medium farmers whom will use improved inputs and machinery services.</p>	<p>REAP: Machinery specifications under development</p> <p>Grantee: Detailed construction plan developed</p>

<p>I/E Tsisia Dighmelashvili</p> <p><i>FSC/MS</i></p>	<p>The aim of the project is to construct a modern FSC in the village of Kakabeti and to establish a mechanization park to provide a full package of services (to include equipment and other inputs) for neighboring farmers.</p> <p>The project will directly benefit at least 7,420 new small and medium size farmers who have utilized all-inclusive services provided by the enterprise.</p> <p>The project will create 7 new permanent jobs, including 4 jobs for women. Over the life of the project, a minimum of 1,500 small, medium and larger scale farmers will receive practical trainings on effective use of goods and services.</p>	<p>REAP: Machinery specifications are developed</p> <p>Grantee: Construction work in process.</p>
<p>LTD Chirina</p> <p><i>PHHP</i></p>	<p>The project's primary objective is to introduce modern technologies to improve Chirina's fruit farming business activities through the procurement of apple and pear sorting and packaging machines. Over the life of the grant project, Chirina will significantly upgrade its fruit sorting and storage facilities which in turn will provide high quality products in accordance with standards set by European end-markets.</p> <p>The project will create 50 new jobs, including seasonal personnel, among which 40 will be women. A minimum of 135 small and medium farmers will benefit by selling products to Chirina's cold storage facility and other distribution center. In addition, about 378 family members of small and medium scale farmers will benefit by supplying raw materials to Chirina.</p>	<p>REAP: Tenders for the sorting equipment procurement accomplished; a request for the geocode waiver is submitted to USAID.</p> <p>Grantee: Construction work in process.</p>
<p>Sephieturi LTD</p> <p><i>PHHP</i></p>	<p>The project goal is to procure and modernize Krtsanisi Dairy Factory with Turkish brand "Milkol" equipment and increase sales volume and improve organic dairy production. In addition, the company will be able to generate more income by adding value to its various dairy products.</p> <p>The project will impact 513 direct beneficiaries consisting of local small and medium farmers supplying raw milk to the company and will create 6 new jobs, among them 3 jobs for women.</p>	<p>REAP: Component specialists are working with the grantee on equipment specifications.</p> <p>Grantee: Construction work has not yet begun.</p>

<p>LTD "Firm Lomtagora"</p> <p><i>PHHP</i></p>	<p>The project goal is to provide modern equipment to improve seed production. Through increasing its production capacities and quality, Lomtagora will in turn, increase the number of beneficiaries able to procure high quality seeds.</p> <p>The project will create 16 new jobs, including 7 women. The project will benefit 7,241 small, medium and large size farmers who will be supplied with wheat and corn seeds; In addition, 20,275 family members of farmers will benefit from the income of direct beneficiaries.</p>	<p>REAP: Tenders for the processing equipment procurement accomplished; Equipment is in transit.</p> <p>Grantee: Construction work is finished.</p>
<p>Aroma Product LTD</p> <p><i>PHHP</i></p>	<p>The goal of the activity is to contribute to the expansion of the existing production facility of AromaProduct Enterprise and vertically integrate its full processing cycle by investing in fresh fruit processing machinery and labelling equipment.</p> <p>The project will increase AromaProduct's sales through the procurement of modern equipment and technical assistance. As AromaProduct increases its capacity, it will in turn increase the number of suppliers of fresh stone fruit throughout the country.</p> <p>The project will create 10 new jobs, including 4 jobs for women. Currently, the estimated number of farmers supplying raw materials to AromaProduct Ltd is 150 local farmers from Kakheti, Shida Kartli and Adjara Regions. In project year 3, the number of direct beneficiaries will reach 250 farmers.</p>	<p>REAP: Tenders for the processing equipment procurement accomplished; A request for the geocode waiver is submitted to USAID.</p> <p>Grantee: Construction in process.</p>
<p>DevePlus Ltd</p> <p><i>FSC/MS</i></p>	<p>DevePlus will increase its sales volume by expanding the grantee's mechanization and input supply business activities through reconstructing and renovating the existing FSC in accordance with modern market standards. The grantee intends to organize an 18ha demonstration plot where trainings will be held covering improved production practices of several crops.</p> <p>Additionally, the grant applicant will expand current services by providing contemporary medicines that will be supported with consultation services provided by a resident professional veterinarian.</p> <p>More than 5,500 small and medium farmers will benefit from the goods and services provided by the company. The project will create 9 new permanent jobs, including 4 jobs for women.</p>	<p>REAP: Agricultural machinery specifications under development.</p> <p>Grantee: Construction will begin in November 2014.</p>

<p>IE Giorgi Stepniashvili</p> <p><i>FSC/MSC</i></p>	<p>The company will establish a new farm and machinery service center that will increase the enterprise's capacity and allow the company to meet the increasing demand for input supply and machinery services in the region.</p> <p>At least 5,480 new farmers will benefit from the various types of high quality products and consultation services provided by the grantee. The project will create 11 new jobs, including 3 jobs for women.</p>	<p>REAP: Equipment specifications are developed.</p> <p>Grantee: Construction has begun.</p>
<p>Cooperative Georgian Fruit Company</p> <p><i>PHHP</i></p>	<p>The project's goal is to construct a modern cold storage facility. The cooperative is going to harvest and package its own apple production as well as peaches collected from local farmers. GFC plans to produce, collect, process and supply high quality apple, peach, cherry, quinces, pear and plums to large supermarket chains, wholesalers, shops, grocery stores and open markets.</p> <p>An estimated 294 farmers will benefit directly by supplying raw materials to the enterprise. The project will create 34 new jobs, among which 20 of these jobs will be for women.</p>	<p>REAP: Equipment specifications are developed.</p> <p>Grantee: The grantee is in the process of obtaining an agricultural loan.</p>
<p>IE Nugzar Papunashvili</p> <p><i>PP</i></p>	<p>The project aims to expand stone fruit production in accordance with modern standards and proceed with seedling production in containers.</p> <p>The project activities will reach 740 new beneficiaries, including small- and medium-size farms and households in the region. The project will create 23 new jobs, including 16 jobs for women.</p>	<p>REAP: Tenders for the agricultural machinery procurement accomplished; All the goods are delivered to the grantee.</p> <p>Grantee: The grantee is following milestone table.</p>
<p>Eleniksta Ltd</p> <p><i>PHHP</i></p>	<p>Eleniksta Ltd plans to construct a cold storage facility with a capacity of 300 tons along with fruit and vegetable receiving and processing plants. The company will store and process produce that it collects from local farmers as well as from its own production. Eleniksta plans to supply supermarket chains, shops and wholesalers with high quality products both on and off-season when demand and prices hit their peak.</p> <p>The project will create 17 new jobs, including 6 jobs for women. In addition, 156 small and medium farmers will sell their produce to Eleniksta's cold storage facility. A minimum of 437 family members of small and medium scale farmers will benefit by supplying raw materials to Eleniksta.</p>	<p>REAP: Detailed specifications for cold room equipment are developed.</p> <p>Grantee: The grantee will start construction in January 2015.</p>
<p>IE Serioja</p>	<p>The grantee plans to increase its current business activities by establishing a modern Machinery Service</p>	<p>REAP: Detailed specifications for agricultural machinery are</p>

<p>Esoiani</p> <p><i>FSC/MSC</i></p>	<p>Center. Through this planned expansion, the grantee will provide farmers with a full range of machinery and equipment used for plowing, seeding, cultivating and spraying. In addition, the grantee has plans to set up a demonstration plot to further market improved inputs and agricultural technologies.</p> <p>The project will create 13 new permanent jobs, including jobs for 3 women. As a result of project implementation, at least 3,114 new farmers will benefit from the different types of high quality products and consultation services provided. Other beneficiaries include at least 1,500 farmers receiving trainings in various areas of agricultural production and on effective use of goods and services provided by the company.</p> <p>As a result of project implementation, household members and other individuals (approx. 12,318) will benefit from high quality products grown by direct beneficiaries.</p>	<p>developed.</p> <p>Grantee: Construction is underway.</p>
<p>Sasoplo Sakonsultatsio Samsakhuri LTD</p> <p><i>FSC/MSC</i></p>	<p>Rural Advisory Service will construct a modern farm service center. The development of this FSC will enable the grantee to expand, diversify and promote its services among local farmers.</p> <p>This project will support more than 21,806 direct beneficiaries, including small, medium and larger scale farmer in receiving high quality goods and services. The project will create 6 new permanent jobs, including 3 jobs for women.</p>	<p>REAP: Detailed specifications for agricultural machinery are developed.</p> <p>Grantee: The grantee is in the process of site selection for FSC.</p>
<p>I/E Mamuka Tsikoridze</p> <p><i>FSC/MSC</i></p>	<p>This project will establish a state-of-the-art FSC (Rokhi Village) and Mechanization Service Center (Geguti Village) in accordance with modern market requirements. These centers will provide reliable input supply along with consultation and machinery services for local farmers and entrepreneurs. The grantee intends to organize demonstration events on 3ha of land located in Geguti village for training purposes and display improved production practices of several crops. Additionally, the grantee will expand services by providing input supply that will be supported with resident professionals.</p> <p>The project will directly benefit at least 14,648 new small and medium size farmers who will utilize all-inclusive services provided by the enterprise. The project will create 12 new permanent jobs, including 5 jobs for women.</p>	<p>REAP: Detailed specifications for agricultural machinery are developed.</p> <p>Grantee: Construction is underway.</p>

<p>Herbia LTD</p> <p><i>PHHP</i></p>	<p>The goal of this project is to expand current business activities by constructing facilities for a full processing cycle. A modern processing facility will be established including cold storage facilities and sorting and packaging components equipped to meet contemporary market requirements and standards.</p> <p>The project will create 16 new jobs, including 9 jobs for women. As a result of the increase in production capacity, 536 new collectors will benefit directly by supplying raw materials to the grantee.</p>	<p>REAP: Detailed specifications for cold room equipment are developed.</p> <p>Grantee: The grantee is selecting construction.</p>
<p>IE Aleksandre Nadareishvili</p> <p><i>PP</i></p>	<p>I/E Aleksandre Nadareishvili will improve their current business activities by developing modern technologies in strawberry production based on modern, highly-productive seedlings. The grantee will establish a berry nursery (primarily strawberries) to supply farmers with high quality and affordable products-a needed addition to his current set-up of trace and glass greenhouses. The grantee will test new varieties of berries (mainly strawberries) and supply local small and medium scale farmers with high quality nursery plants. REAP assistance will contribute to the diversification of local production-enabling farmers to move into higher value markets and achieve significantly higher profits from their crop production.</p> <p>The project will create at least 187 direct beneficiaries, including small- and medium- scale farmers from Samegrelo Zemo-Svaneti Region who will receive highly-productive and high-quality seedlings from the grantee.</p> <p>The project will create 6 new jobs, including 3 jobs for women.</p>	<p>REAP: Part of agricultural equipment is purchased.</p> <p>Grantee: The grantee is in the process of greenhouse renovation.</p>
<p>Gvaza LTD</p> <p><i>FSC/MS</i></p>	<p>The project will expand Gvaza's profile by constructing an MSC to provide machinery services to local farmers. Furthermore, the grantee will establish a training hall, warehouse for pesticides and fertilizers, and a repair shop. The center will be equipped with modern technologies and office furniture.</p> <p>The project will create 9 new permanent jobs, including 3 jobs for women. As a result of project implementation, at least 1,140 new farmers will benefit from a range of high quality products and consultation services provided by Gvaza Ltd. Other beneficiaries include at least 1,500 farmers who will receive trainings in different technical areas of agricultural production and on effective use of</p>	<p>REAP: Detailed specifications for agricultural machinery are developed.</p> <p>Grantee: The grantee is in the process of site selection for FSC/MS.</p>

	goods and services provided by the grantee.	
Campa LTD <i>PHHP</i>	<p>The grantee aims to construct a collection center for raw material, establish a small scale factory for primary production/processing, and incorporate up-to-date technologies for high quality juice production.</p> <p>At least 259 small and medium farmers whom will collect and sell wild berries to Campa Ltd. will directly benefit as a result of the project. The project will create 15 new jobs related to distribution staff, including 5 women among them who will be involved in presale activities.</p> <p>Currently, the estimated number of farmers supplying raw materials to Campa Ltd. is approximately 50 local farmers from Kazbegi, Kobuleti, Kareli and Gurjaani Municipalities. In year 3 operations, the number of direct beneficiaries will reach 259 farmers.</p>	<p>REAP: Detailed specifications for equipment are developed.</p> <p>Grantee: The grantee is in the process of facility renovation.</p>
IE Valerian Mgeladze <i>PP</i>	<p>I/E Valerian Mgeladze will expand and improve its current business activity and increase the quality of its vegetable production through the incorporation of modern techniques in the management of its seedlings.</p> <p>I/E Valerian Mgeladze plans to supply high quality vegetables and seedlings to large supermarket chains, wholesalers, shops and farmers.</p> <p>The project will create 5 new jobs, including 3 jobs for women. The estimated number of indirect beneficiaries through distribution of information brochures and catalogues is 1,500.</p>	<p>REAP: Detailed specifications for agricultural machinery are developed.</p> <p>Grantee: The grantee is in the process of greenhouse renovation.</p>

<p>Anaseuli Experimental Tea Factory LTD</p> <p><i>PHHP</i></p>	<p>The project goal is to introduce new technologies for biological tea production and packaging and to satisfy increasing demand in high value local and international markets. The introduction of new technologies in the production process will result in increased production capacity, which will reduce per unit cost and increase tea quality. As the company expands its production it will require increased raw materials from local farmers.</p> <p>In the Guria region, 635 small and medium farmers supply raw materials to the company and will benefit from the project. The project will create 30 new jobs, including 20 jobs for women.</p>	<p>REAP: Component leaders are working with the grantee on equipment specifications.</p> <p>Grantee: The grantee is in the process of facility renovation.</p>
<p>AgroInvestService LTD</p> <p><i>PHHP</i></p>	<p>The goal of this project is to expand and upgrade the current processing facility of AgroInvestService Ltd. and to establish a modern citrus fruit sorting line.</p> <p>Through REAP grant assistance, AgroInvestService will be able to more effectively store products from farmers and, in doing so, will provide export markets with higher quality citrus fruits at competitive prices.</p> <p>The project will create 22 new jobs, including 11 jobs for women. In year 1 of operations, the estimated number of farmers supplying raw materials to AgroInvestService Ltd is 310 local small and medium farmers from Guria and Adjara Regions. By project year 3, the number of direct beneficiaries will reach 384 farmers.</p>	<p>REAP: Equipment specifications are developed. A request for the geocode waiver is submitted to USAID.</p> <p>Grantee: The grantee is in the process of facility construction.</p>
<p>Agroexport LTD</p> <p><i>PHHP</i></p>	<p>The goal of the project is to increase sales of fruit and teas, including subtropical fruit, by establishing a new collection center producing efficient and durable plastic boxes for distribution among farmers so they can reduce post-harvest losses and improve the quality of its processed products. In addition, company will increase its production capacity and improve product quality.</p> <p>The project will create 10 new jobs, including 7 for women. 615 new collectors will benefit by supplying raw materials to the grantee.</p>	<p>REAP: Equipment specifications are developed. A request for the geocode waiver is submitted to USAID.</p> <p>Grantee: The grantee is in the process of facility construction.</p>

<p>Farmer House LTD</p> <p><i>FSC/MS</i></p>	<p>The goal of this project is to contribute to the development of a new Farm Service Center providing a wide range of input supply and machinery services to farmers from Khulo municipality, Autonomous Republic of Adjara.</p> <p>The project will directly benefit at least 6,140 new small and medium size farmers who have a strong need for the all-inclusive services provided by the enterprise.</p> <p>The project will create 6 new permanent jobs, including 2 jobs for women.</p>	<p>REAP: Component leaders are working with the grantee on agricultural machinery specifications.</p> <p>Grantee: The grantee is in the process of facility construction.</p>
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Annex C: Project Year 1 Performance Monitoring and Reporting

Overview

This report contains REAP's PY1 Annual Performance Report including a description of the monitoring and evaluation (M&E) methodology, modifications to the Performance Monitoring Plan (PMP), progress towards achieving strategic goals, objectives and sub-objectives described in REAP's Results Framework and description of REAP's integration of cost-benefit analysis (CBA) into the M&E system. REAP's full PMP may be found in a separate Excel file submitted along with this report.

M&E System

REAP established the foundation for its M&E system in close coordination with USAID and in compliance with the guidelines set forth in ADS 203.3.2.1. Much of REAP's initial M&E work defined and established measurable outputs, outcomes, impacts and milestones for the program to be tracked by its approved Performance Monitoring Plan (PMP). In addition, REAP worked closely with USAID to develop its Results Framework to illustrate how REAP's investments will lead to the achievement of USAID/Caucasus CDCS Goals and Development Objectives for Georgia.

REAP Goal: Development of commercially sustainable and competitive agribusinesses

REAP Overall Objective: Increased Employment and Incomes in Rural Areas

Sub Objective 1: Sustainably increase the availability and utilization of agricultural inputs, services and technical information among small-holder and emerging commercial farmers

Sub Objective 2: Improve the business operations, quality and profitability of beneficiary agribusinesses

Sub Objective 3: Increase skills, yields and incomes of farmers linked to assisted businesses

Sub Objective 4: Increase employment opportunities in rural areas

M&E Methodology

REAP's M&E system tracks the progress of its 31 indicators on a quarterly basis to obtain systematic, meaningful feedback regarding the successes of its activities and to highlight areas for improvement. To track progress against program targets, REAP's M&E Manager produced a data collection template for grantees and mini-survey questionnaires for indirect beneficiary farmers. Regional coordinators and interns actively participated in data collection, validation and analyses of each grant project. In addition, REAP conducts regular site visits and random monitoring checks to maintain quality data assessment and reporting. Below please find more information regarding REAP's data collection:

- **Interviews:** Interviews are used to collect information from stakeholder and beneficiaries regarding their direct experiences, perceptions, opinions, feelings and knowledge regarding REAP.
- **Surveys:** Farmers survey is used to collect data on farmers' incomes for the economic part of the cost benefit analysis. These surveys are conducted on annual basis.
- **Observations:** This approach describes activities, behaviors, actions, and conversations that were directly observed by a member of REAP's M&E team. Observations are documented through photos and the collection of verification documents (such as copies of data sheets on financial performance, new jobs, trainings conducted, etc.)

- **File and Document Reviews:** This approach is used in conjunction with interviews and observations, and review of financial records, and official publications to validate and verify data and achievements of their activities.
- **Triangulation:** To verify and validate information collected in the field, REAP utilizes the triangulation technique. First, REAP collects information from grantees regarding their operations and activities to benefit farmers. Then REAP crosschecks this information through mini-surveys with grantees and other stakeholders. Finally, REAP utilizes its agricultural experts to verify data.

Modifications to the PMP

In March, 2014 REAP received technical direction to cease assistance to Georgian Business Service Providers (BSPs). As a result, REAP modified its original PMP and submitted a revised PMP in the PY2 Work Plan. Two custom indicators deleted were:

- Indicator : Qualified BSPs established and/or strengthened as a result of USG assistance
- Indicator : Increase in BSP revenues from private sector clients

Based on the direction of REAP's implementation, REAP proposed two new indicators in its PY2 Work Plan:

- Indicator (custom): Value of business development services from USG assisted sources provided to MSMEs, including farmers.

This indicator will track REAP's financial resources spent for all type of technical assistance provided by local or foreign experts to our grantees and will help determine the plausible attribution between technical assistance provided and increased jobs or incomes of our grantees and their direct beneficiary farmers.

- Indicator (4.5-10/FTF-IR 2): Total increase in installed storage capacity (m³).

This indicator measures the total increase of dry and cold storage installed during the year. As a result of REAP's assistance.

PY1 Progress

Currently, REAP's PMP has 31 indicators; among them are 15 outcome and 16 output indicators. Outcome indicators include: PPR, standard (F) and custom indicators. Of REAP's 31 indicators, 7 are considered performance indicators (highlighted below). To better highlight REAP's successes 3 more indicators can be added to these 7.

The table on the following page shows PY1 results and a discussion on these performance and key indicators.

#	Indicator name	PY1 targets	PY1 adjusted targets	Results as of 2014
1	Value of additional financing obtained by the private sector as a result of USG assistance	\$750,000	\$1,950,000	\$2,848,368
2	Value of new private sector investment in the agriculture sector or food chain leveraged by FTF implementation.	\$1,500,000	\$1,700,000	\$1,798,722
3	Gross incremental sales by USG assisted SMEs (all type)	\$600,000	\$1,290,000	\$1,401,616
4	Value of incremental sales by (collected at farm-level) attributed to FTF implementation	\$100,000	\$400,000	\$458,759
5	% Increase in average crop yields of targeted agricultural products as a result of USG assistance	10%	30%	N/A
6	Number of individuals who have received USG supported short-term agricultural sector productivity or food security training	5,000	130	130
7	Number of MSMEs receiving business development services from USG assisted sources	35	100	100
8	Number of jobs created with USG assistance	30	40	46
9	% of USG assisted entrepreneurs and farmers who demonstrate improved business practices	90%	90%	90%
		40%	40%	40%
10	Number of hectares under improved technologies or management practices as a result of USG assistance	8,000	150	163

Value of additional financing obtained by the private sector as a result of USG assistance

Indicator Rationale: Lack of commercial finance is one of the main hindrances for catalytic and sustainable agriculture development. This indicator counts loans made to agricultural enterprises as a result of REAP's assistance.

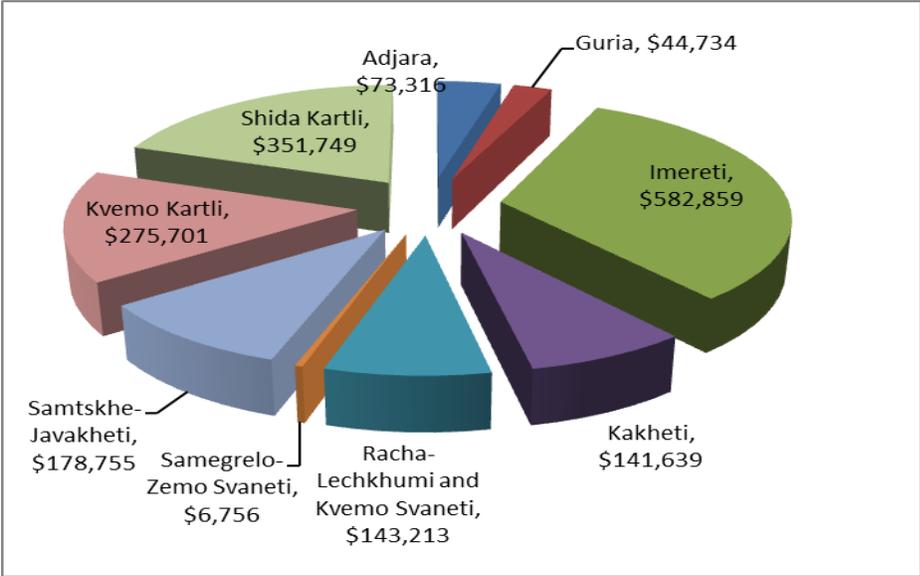
PY1 Result: 15 grant recipients accessed \$2,848,368 in new commercial finance, exceeding PY1 targets by 380%. The below table summarizes new commercial loans obtained by REAP's grantees, broken out by region.

Region	Value of additional financing	Grant recipient
Guria	\$86,425	(Agropharm Plus, Anaseuli tea factory)
Imereti	\$110,588	(Farkoni, Mamuka Tsikoridze)
Kakheti	\$1,108,318	(Georgian Fruit Company LTD, Agrovita, Farmers' House, Luk agro, Agroservice)
Mtskheta-Mtianeti	\$310,000	(Campa)
Samtskhe-Javakheti	\$474,410	(Georgian Business Zone, Serioja Ezoiani)
Shida Kartli	\$758,627	(Aromaproduct, Iveria, Agrokartli)
Total	\$2,848,368	

Value of new private sector investment in the agriculture sector or food chain leveraged by FTF implementation

Indicator Rationale: Increased investment is the predominate source of economic growth in the agricultural and other economic sectors. This indicator tracks the monetary value of resources intended to increase future production, output, or income.

PY1 Result: In PY1, REAP’s grantees invested \$1,798,722 into their own enterprises to develop new business lines, improve operations and enter new markets, exceeding REAP’s target by 120%. The table below summarizes the investment by region made by REAP’s grantees.



Gross incremental sales by USG assisted SMEs (all types)

Indicator Rationale: SMEs are a driving force for economic development. This indicator tracks how SMEs supported by REAP are generating new sales and are serving as new cash markets for local farmers. This indicator also includes the value of sales collected at the farm-level.

PY1 Result: The total sales for PY1 grantees were \$1,401,616, exceeding REAP’s target by 234%. This includes:

- Gross incremental sales by USG assisted post-harvest SMEs - \$942,857
- Value of incremental sales (collected at farm-level) attributed to FTF implementation - \$458,759

% Increase in average crop yields of targeted agricultural products as a result of USG assistance

Indicator Rationale: As a valid measure of productivity, this indicator tracks the increase in quantity/volume of targeted agricultural products produced on an area of land (in hectares).

PY1 Result: REAP is unable to report an actual increase in average crop yield for PY1 as no full harvesting season occurred since the beginning of project implementation. REAP’s complete picture of results will be presented in its PY2 PMP report.

Number of individuals who have received USG supported short-term agricultural sector productivity or food security training

Indicator Rationale: This indicator counts the number of individuals to whom significant knowledge or skills have been imparted through interactions with REAP activities and includes farmers and other primary sector producers who receive training in a variety of best practices in productivity, post-harvest management, linking to markets, etc. It also includes rural entrepreneurs, processors, managers and traders receiving training in application of new technologies, business management, linking to markets, etc.

PY1 Result: In PY1, 130 individuals received short term training. REAP underperformed for this indicator due to the time lag associated with operationalizing FSCs/MSCs. FSCs/MSCs are the main conduit for transferring knowledge and will be operational in the beginning of PY2.

Number of MSMEs receiving business development services from USG assisted sources

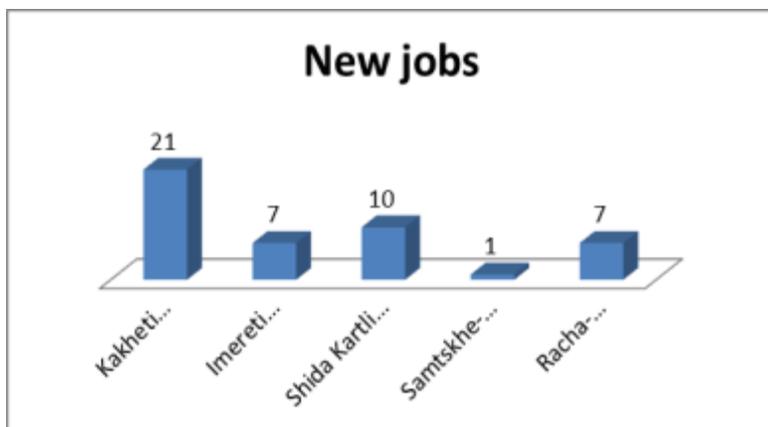
Indicator Rationale: REAP provides tailored technical assistance to all of its grantees. This indicator measures those enterprises that received and benefited from REAP’s technical assistance and directly measures the sub-IR, “access to business development services” which contributes to the IR, “expanding markets and trade”. Services may include: market access, input supply, technology and product development, training and technical assistance, access to finances, export, post-harvest handling and processing, infrastructure, policy and advocacy.

PY1 Result: REAP provided technical assistance to 100 agricultural enterprises to increase their capacity and organizational performance, accomplishing 286% of REAP’s target.

Number of jobs created with USG assistance

Indicator Rationale: The development of commercial agriculture and agribusinesses in Georgia will increase firm competitiveness and ultimately lead to job creation. This is a direct measure of improved livelihoods, as it measures creation of employment and related income.

PY1 Result: Despite the fact that all 37 grant projects are not operational, REAP’s grantees added 46 new jobs, exceeding targets by 16 jobs. A full picture will be presented in REAP’s PY2 PMP.



Kakheti (Georgian Fruit Company LTD)21

Imereti (Herbia)-7

Shida Kartli (Nugzar Papunashvili)-10

Samtskhe-Javakheti (Georgian Business Zone)-1

Racha-Lechkhumi (Geoflower)-7

% of USG assisted entrepreneurs and farmers who demonstrate improved business practices

Indicator Rationale: This indicator directly corresponds to number of individuals who have received USG supported short-term agricultural sector productivity or food security training. This indicator measures financial and operational management ability of business owners-operators and commercial farmers where a cash flow based perspective overrides long-term growth considerations. It will also measure business's understanding of the effects of financial status and growth potential. Business practices refer to: consistent business planning; operations management; effective use of resources; effective price formation practices; attracting new orders/clients; maintaining and expanding consumer base; marketing and sales practices and channels; PR and advertising; cost-revenue accounting, financial reporting, etc

PY1 Result: As a result of provided technical assistance, REAP expects that in PY1, 90 % of assisted enterprises and 40% of assisted farmers will adopt new knowledge and demonstrate improved management practices. As there is a direct link between business acumen and successful operations, improving farmers knowledge will subsequently lead to improved productivity and incomes

Number of hectares under improved technologies or management practices as a result of USG assistance

Indicator Rationale: This indicator measures the area (in hectares) of land cultivated using USG-promoted improved technology(ies) or management practice(s) during the current reporting year. Technologies to be counted here are agriculture-related, land-based technologies and innovations, such as:

- Crop genetics: e.g. improved/certified seed that could be higher-yielding, higher in nutritional content and/or more resilient to climate impacts.
- Pest management: e.g. Integrated Pest Management; appropriate application of insecticides and pesticides
- Disease management: e.g. appropriate application of fungicides
- Soil-related fertility and conservation: e.g. Integrated Soil Fertility Management, soil management practices that increase biotic activity and soil organic matter levels, such as soil amendments that increase fertilizer-use efficiency (e.g. soil organic matter); fertilizers, erosion control
- Irrigation: e.g. drip, surface, sprinkler irrigation; irrigation schemes

- Water management: non-irrigation-based e.g. water harvesting
- Other: e.g. planting density and other cultural practices, improved mechanical and physical land preparation and harvesting approaches

PY1 Result: In PY1, REAP is reporting the number of improved hectares only for those post-harvest handling/processing and primary production enterprises who were operational by the end of September 2014- 163. As FSCs/MSCs are the main conduit for land under improved production practices, a larger portion of land under improved production will be reported in PY2 when FSCs/MSCs become operational.

Incorporating CBA into REAP's M&E System

Per contractual requirement and USAID's direction, REAP integrated a full cost benefit analysis (CBA) into the M&E system to demonstrate the economic returns of project activities and investments. The inclusion of CBA indicators enables REAP to assess and improve the effectiveness of grant projects and will provide guidance for the management of future agricultural interventions. REAP's CBA measures the increases in the efficiency of agricultural production via the improvements in management's capacity and in the enhancement of a farmer's entrepreneurial skills. In addition, CBA indicators provide guidance on the monetary and non-monetary impacts of REAP.

To assist REAP develop the appropriate methodology and subsequently integrate a CBA into its M&E system, REAP worked with an internationally recognized CBA consultant to conduct a 10 day assignment that trained REAP staff on CBA methodology, assessed the feasibility of expanding the use of CBA on the project and offered recommendations to REAP and to USAID for further incorporating CBA into REAP's M&E system. At the conclusion of this assignment, the CBA Consultant recommended to REAP and to USAID that the most appropriate approach is to select representative grant projects, develop relevant CBA indicators and then integrate these indicators into the M&E system. After USAID approved REAP's round 1 grant projects, REAP selected six representative projects to be conducted a CBA.

Variables and CBA indicators

Per the international consultant's recommendation, four variables were introduced to analyze the profitability of REAP's investment projects: Financial Net Present Value (FNPV) and the Financial Internal Rate of Return (FIRR) to measure financial viability of each grant project; and, Economic Net Present Value (ENPV) and Economic Internal Rate of Return (EIRR) to monetize economic and social impacts of the grant projects.

In addition, REAP introduced two CBA specific indicators to support the abovementioned variables:

- Net Income (for grantees)
- Gross Margin per hectare (for farmers)

To collect and validate relevant data, the M&E Manager designed a simple questionnaire for farmers. The farmer's survey will be conducted for the representative projects' beneficiaries on annual basis to measure the actual impact of REAP activities.

Monetary benefits

The CBA allows us to estimate the monetary benefit provided by grant projects to its direct beneficiary farmers. In particular, the project focuses on the additional net income that REAP grantee beneficiaries received.

Non-monetary impacts in different domains

In addition to the monetary benefits discussed above, there are many non-monetary benefits generated by the REAP project. The following is a partial list of the development services provided by REAP grantees to their beneficiary farmers. These activities contribute to the non-monetary impacts:

- Availability of inputs and product development
- Provision of training and knowledge to farmers
- Increased market access for farmers
- Access to long-term finance
- Sustainable infrastructure, such as cold and dry storage and processing facilities
- Transport and loading equipment
- Collection centers for agricultural products

Positive and negative externalities from the new products and technologies

The economic analysis should take into account positive and negative externalities from new products and technologies. These impacts may not be captured in the analysis of farmers' net incomes. The introduction of new technologies leads to increases in agricultural efficiency and production, which in turn leads to increases in net incomes of farmers or suppliers of agricultural outputs.

In the frame of REAP's grants program there several that can increase the capacity of smallholder farmers:

- Crop genetics (new seeds), pest management, disease management,
- Soil related fertility conservation, integrated soil fertility management,
- Use of irrigation,
- Water management, non-irrigation based,
- Planting density

However, application of new technologies or increased utilization of mechanization services may result in a reduction of employment and serves as one example of a negative externality associated with new products and technologies.

Analysis of six projects in Round One

Below, we briefly discuss the results and provide analysis for the representative projects from Round One. It should be noted that the CBA approach was not used in the initial selection of grant projects, and consequently, REAP is conducting a retrospective analysis and interpretation.

For PY1, CBA for these six representative projects were elaborated based on projected targets provided by grantees and their beneficiaries. These results will be compared to actual performance data once the

Key variables used in REAP's CBA model

1. Number of new farmers per year.
2. Monthly income for a typical farmer: 400 GEL.
3. Annual increase in income (real): differs from project to project.
4. Number of months worked in a year: depends on the project

CBA for the same projects is conducted next year. The same approach will be applied to all future representative projects while conducting the CBA.

Based on data obtained through grantees and farmers' survey and consultations provided by agricultural experts, we assume that on average 36% of indirect beneficiaries (the farmers) will apply new technologies and management practices and will implement new knowledge in practice. Consequently, the economic welfare of farmers will be enhanced, based on increases in their net income. The similar methodology was applied to measure % of increased yield and % of increased income.

Grantee	% increase in crop-yield	% increase in income	% (out of 100 farmers) who adopt new technology	Type of technology
Agropharm Plus	30%	30%	20%	Pest Management, Disease Management, Soil Analysis
Tediashvili	50%	20%	40%	Crop Genetics, Irrigation, Planting Density, improved mechanical and physical preparation and harvesting
Alva	50%	20%	25%	Crop-genetics, Pest Management, Disease Management, Soil Analysis, Drip-Irrigation
Agrokartli	50%	30%	30%	Crop Genetics, Planting Density, Pest Management, Disease Management, Soil Analysis, Drip-Irrigation
Iveria	35%	20%	50%	Crop genetics, Pest and Disease Management, Soil Analysis, Drip-Irrigation, Planning density
GBZ	30%	20%	50%	Crop genetics, Pest and Disease Management, Soil Analysis, Drip-Irrigation, Planning density
	38%	22%	36%	

The six selected projects represent all four categories of the REAP grant program. Key assumptions for the REAP CBA model are the following:

1. Prices of outputs and inputs will grow by 1% from year 5 to year 8.
2. Quantities of outputs and inputs are assumed to be constant.
3. Salary of the direct (unskilled) labor will grow by 1% in the case of men and by 0.8% for women.
4. Increase in salary of the indirect labor:
 - 4.1. Skilled labor: 3% for men, 2.80% for women.
 - 4.2. Semi-skilled labor: 2% for men, 1.90% for women.
 - 4.3. Unskilled labor: 0% for both.
5. Domestic inflation rate 5%, foreign inflation rate 2%.
6. Exchange rate 1.75 GEL/USD.
7. Financial discount rate (nominal): 15%.
8. Economic discount rate (real): 12%.

Below, please find the analysis of REAP's Round 1 representative projects disaggregated by agribusiness category.

CATEGORY ONE: Primary production

I/E Giorgi Tediashvili

Shida Kartli Region					
REAP Budget	9,700	USD			
Cost share	28,269	USD			
FNPV	76,066	USD	ENPV	12,961	USD
FNPV	132,354	GEL	ENPV	22,681	GEL
FIRR	21.37	%	EIRR	74	%

Compared to projects in other categories, primary production investments are relatively small (approximately \$38,000), from which cost-share amount of 30% from REAP is correspondingly small, approximately \$ 9,700.

A CBA analyses demonstrates that over the 8 year time period this business will generate income with current value of \$ 76,066 and the annual rate of return on capital will be about 21%. In addition, by serving 350 direct beneficiary farmers Tediashvili's business activity will create an economic benefit of \$12,961 over the same 8 year period. In total, this project anticipates to create \$ 89,027 against invested REAP's capital investment of \$9,700. That means each \$1 invested by REAP will generate about \$9 within the certain time period.

CATEGORY TWO: Farm and Machinery service centers

Alva Ltd and Agrokartli Ltd

Alva LLC					
Imereti Region					
REAP Budget	142,800	USD			
Cost share	361,680	USD			
FNPV	400,820	USD	ENPV	165,231	USD
FNPV	697,426	GEL	ENPV	289,155	GEL
FIRR	37.92	%	EIRR	54	%

Agrokartli					
Shida Kartli, Gori					
REAP Budget	134,250	USD			
Cost share	481,721	USD			
FNPV	2,837,470	USD	ENPV	72,546	USD
FNPV	4,937,198	GEL	ENPV	126,956	GEL
FIRR	49.04	%	EIRR	19.77	%

REAP provided \$142,800 and \$134,250, respectively, to these two hybrid service centers with a total cost-share of \$ 843,401.

A CBA analysis illustrates that over the 8 year time period these business projects will generate income with current value of \$ 400,820 and \$ 2,837,470 respectively and the annual rate of return on capital will be approximately 43.5% averaged across both businesses. In addition, by serving their more than 14,000 direct beneficiary farmers, business activity of these two FSC/MSCs will generate an economic benefit of \$237,777 over the same 8 year time period. In total these projects anticipate to create \$ 3,476,067 against invested REAP’s capital of \$277,050. Therefore, each dollar invested by REAP will generate about \$12.5 in economic return.

CATEGORY THREE: Postharvest and processing enterprises

GBZ Ltd and Iveria Ltd

Georgian Business Zone					
Samtskhe-Javakheti, Akhaltsikhe, Tsnisi					
REAP Budget	98,277	USD			
Cost share	244,071	USD			
FNPV	375,845	USD	ENPV	88,771	USD
FNPV	653,971	GEL	ENPV	155,350	GEL
FIRR	42.73	%	EIRR	30	%

Iveria					
Shida Kartli, Gori, Dzevera					
REAP					
Budget	138,710	USD			
Cost share	400,875	USD			
FNPV	372,624	USD	ENPV	30,713	USD
FNPV	648,365	GEL	ENPV	53,748	GEL
FIRR	26.10	%	EIRR	17	%

REAP contributions for GBZ and Iveria are \$ 98,277 and \$138,710 respectively and cost share amount equals \$ 644,946 in total.

A CBA analyses demonstrates that over the 8 year time period these business projects will generate revenue of \$ 375,845 and \$ 372,624 respectively. Annual rate of return on capital will be about 42% and 26%. In addition, by serving their 230 distinct suppliers, these two postharvest enterprises will create economic benefit of \$119,484. In total, this project will create \$ 867,953 in economic benefit against REAP’s invested capital of \$236,987. Therefore, for each US dollar invested by REAP, it will generate \$3.6 in economic return.

CATEGORY FOUR: Information and support service providers

Agropharm Ltd

Agropharm Plus Ltd.					
Guria Region					
REAP Budget	64,245	USD			
Cost share	151,585	USD			
FNPV	124,956	USD	ENPV	124,591	USD
FNPV	217,423	GEL	ENPV	218,034	GEL
FIRR	49	%	EIRR	44	%

The project will provide the following services: soil analysis, pest identification and agricultural product analysis. REAP's contribution for this project is \$64,245

A CBA analyses illustrates that over an 8 year time period, this business will generate income with present value of \$ **124,956** and the annual rate of return on capital will be about **49%**. In addition, by serving approximately 620 farmers, the business activity of this Information Service Provider will create an economic benefit of **\$124,591**. In total, this project anticipates to create **\$188,836** against invested REAP's capital of \$ **64,245**. Each US dollar invested by REAP will generate about **\$3** within the certain time period.

Conclusions

Based on the above analyses, all six representative projects are viable and will be profitable for the grantee as well as smallholder farmers. The table below provides a summary of the Financial Internal Rate of Return and return on capital invested for each agribusiness category.

Agribusiness Category	Financial Internal Rate of Return	Return on REAP's Capital
Primary Production	21.37%	\$9:1
FSCs/MSCs	45%	\$12.5:1
Postharvest Handling and Processing	34.5%	\$3.6:1
Information Service Providers	49%	\$3:1

Next Steps

In PY2 and subsequent project years, REAP will continue the utilization of CBA to define and delineate the purpose of analysis and define the measurable parameters of the representative projects. REAP will approach Component 1 and Component 2 activities as discrete activities that have different quantifiable and qualitative implications resulting in different cost and benefits calculated in different ways. In PY2, REAP will analyze at least 10 projects from Round 2 and other additional project form the following rounds.