



# PROJECT IDENTIFICATION FORM (PIF)<sup>1</sup>

PROJECT TYPE: FULL-SIZED PROJECT

TYPE OF TRUST FUND: SCCF

## PART I: PROJECT IDENTIFICATION

Project Title:	Enhancing Resilience of Agricultural Sector in Georgia (ERASIG)		
Country(ies):	Georgia	GEF Project ID: <sup>2</sup>	
GEF Agency(ies):	IFAD	GEF Agency Project ID:	
Other Executing Partner(s):	Ministry of Agriculture (MOA)	Submission Date:	17 September 2012
GEF Focal Area (s):	Climate Change	Project Duration (Months)	48 months
Name of parent program (if applicable): ➤ For SFM/REDD+ <input type="checkbox"/>		Agency Fee (\$):	503,500

### A. FOCAL AREA STRATEGY FRAMEWORK<sup>3</sup>:

Focal Area Objectives	Expected FA Outcomes	Expected FA Outputs	Trust Fund	Indicative Grant Amount (\$)	Indicative co-financing (\$)
CCA-1	Outcome 1.2: Reduce vulnerability in development sectors	Output 1.2.1: Vulnerable physical, natural and social assets strengthened to response to climate change impacts, including variability	SCCF	4,500,000	13,830,000
CCA-2	Outcome 2.1: Increased knowledge and understanding of climate variability and change-induced risk at country level and in targeted vulnerable areas	Output: 2.1.2: Systems in place to disseminate timely risk information	SCCF	150,000	300,000
CCA-2	Outcome 2.3: Strengthened awareness and ownership of adaptation and climate risk reduction processes at local level	Output 2.3.1: targeted population groups participating in risk adaptation and risk reduction awareness activities	SCCF	100,000	200,000
CCA-3	Outcome 3.1: Successful demonstration deployment, and transfer or relevant adaptation technology in targeted areas	Output 3.1.1: Relevant adaptation technology transferred to targeted groups	SCCF	150,000	1,200,000
CCA-3	Outcome 3.2: Enhanced enabling environment to support adaptation-related technology transfer	Output 3.2.1: Skills increased for relevant individuals in transfer of adaptation technology	SCCF	100,000	300,000

<sup>1</sup> It is very important to consult the PIF preparation guidelines when completing this template.

<sup>2</sup> Project ID number will be assigned by GEFSEC.

<sup>3</sup> Refer to the reference attached on the [Focal Area Results Framework](#) when filling up the table in item A.

Sub-Total	SCCF	5,000,000	15,830,000
<b>Project Management Cost</b>	SCCF	<b>300,000</b>	<b>1,300,000</b>
<b>Total Project Cost</b>	SCCF	<b>5,300,000</b>	<b>17,130,000</b>

## B. PROJECT FRAMEWORK

<b>Project Objective: Enhanced resilience and adaptation to climate change of Georgia agricultural sector.</b>						
<b>Project Component</b>	<b>Grant Type</b>	<b>Expected Outcomes</b>	<b>Expected Outputs</b>	<b>Trust Fund</b>	<b>Indicative Grant Amount (\$)</b>	<b>Indicative co-financing (\$)</b>
1. Water Availability and Agricultural Infrastructure	Inv.	<p>1.1 Damaged irrigation and drainage infrastructure is rehabilitated and improved through the implementation of a mix of measures combining innovative technology and traditional knowledge</p> <p>1.2 Water efficiency in irrigation is improved</p>	<p>1.1.1 At least 5,000 ha from the recent natural disaster affected irrigation and drainage systems are rehabilitated and brought back to reliable irrigation water supply.</p> <p>1.1.2 Set of innovative and traditional irrigation management and water application techniques put in practice in the framework of the watershed management plans. More than 4,500 household anticipated benefiting from deployment of efficient irrigation techniques.</p> <p>1.1.3 20% increase in water efficiency for agriculture use compared to baseline situation in all target watersheds</p>	SCCF	3,200,000	9,700,000
2. Landscape Restoration and Soil Erosion Control	Inv.	2.1 Actions are implemented to stop/reverse soil erosion and fertility loss, rehabilitation of eroded and degraded land through landscape restoration.	<p>2.1.1 - Elaborating site specific implementation plans and designing the restoration and flood risk reduction mechanisms to be undertaken.</p> <p>2.1.2 At least 3,000 hectares of degraded land is rehabilitated.</p> <p>2.1.3 Soil erosion control measures are implemented to protect erosion and fertility loss prone rehabilitated areas.</p> <p>2.1.4 Fostering restoration of agricultural</p>	SCCF	1,300,000	4,130,000

			production and economic activities through input supply and recovery of assets and promoting improved land management techniques			
3. Disaster Risk Reduction for Agricultural Sector Resilience	TA	<p>3.1 The capacity of MoA, UASCG and community Governors is built on sustainable adaptive management of natural resources with a focus on climate-smart water and soil conservation.</p> <p>3.2 Awareness programme on mainstreaming climate adaptation knowledge in decision making and planning processes developed and implemented, targeting administration and community leaders.</p> <p>3.3 Programme on climate change adaptation and risk management in farming practices developed and implemented, targeting rural households in all target watersheds.</p> <p>3.4 Climate index-based insurance system is developed and piloted.</p>	<p>3.1.1 Assessment of needs and gaps for an efficient early warning system in Georgia</p> <p>3.1.2 Identifying negative coping mechanisms and developing appropriate response measures, including diversification for strengthening resilience</p> <p>3.1.3 Adaptation capacity building programme for the MOA/IOPID and UASCG designed and implemented.</p> <p>3.1.4 Full, gender-balanced adaptation capacity building programme designed through participatory process led by</p> <p>3.1.5 All the community leaders and at least 200 community members from the project area regions undergo 4 annual training sessions on climate, adaptation and natural resource management</p> <p>3.2.6 Decision makers and community leaders trained on climate proofing development policies and disaster risk reduction measures and needs, including early warning (6 sessions).</p> <p>3.3.7 At least 500 households in each target watershed are targeted by adaptation and risk management awareness raising campaign and</p>	SCCF	500,000	2,000,000

			empowered to enhance their resilience.  3.4.8 Climate index-based insurance system in Georgia is piloted and enabling environment is prepared for scaling it up.			
			Sub-Total	SCCF	5,000,000	15,830,000
			<b>Project Management Cost</b>	<b>SCCF</b>	<b>300,000</b>	<b>1,300,000</b>
			<b>Total project Cost</b>	<b>SCCF</b>	<b>5,300,000</b>	<b>17,130,000</b>

**C. INDICATIVE CO-FINANCING FOR THE PROJECT BY SOURCE AND BY NAME IF AVAILABLE, (\$)**

Sources of Cofinancing	Name of Cofinancier	Type of Cofinancing	Amount (\$)
GEF Agency	IFAD	Loan	8,500,000
GEF Agency	IFAD (additional loan)	Loan	5,000,000
GEF Agency	IFAD	Grant	200,000
Government	Government of Georgia	NA	2,070,000
Participatory Financial Institutions			470,000
Beneficiaries	Beneficiaries		890,000
<b>Total Cofinancing</b>			<b>17,130,000</b>

**D. GEF/LDCF/SCCF/NPIF RESOURCES REQUESTED BY AGENCY, FOCAL AREA AND COUNTRY<sup>1</sup>**

GEF Agency	Type of Trust Fund	Focal Area	Country Name/Global	Grant Amount (a)	Agency Fee (b) <sup>2</sup>	Total c=a+b
IFAD	SCCF	Climate Change	Georgia	5,300,000	503,500	5,803,500
<b>Total Grant Resources</b>				<b>5,300,000</b>	<b>503,500</b>	<b>5,803,500</b>

<sup>1</sup> In case of a single focal area, single country, single GEF Agency project, and single trust fund project, no need to provide information for this table

<sup>2</sup> Please indicate fees related to this project.

## **PART II: PROJECT JUSTIFICATION**

### **A. DESCRIPTION OF THE CONSISTENCY OF THE PROJECT WITH:**

#### A.1.1 the [GEF focal area/LDCF/SCCF](#) strategies /[NPIF](#) Initiative:

This project is responsive to the Climate Change Strategy for GEF-5 in terms of the CAA 1: Reduce vulnerability to the adverse impacts of climate change, including variability, at local, national, regional and global level, Outcome 1.2: Reduce vulnerability in development sectors CCA 2: Increase adaptive capacity to respond to the impacts of climate change, including variability, at local, national, regional and global level, Outcome 2.1: Increased knowledge and understanding of climate change and climate-induced risks at country level and in targeted vulnerable areas, and Outcome 2.3: Strengthened awareness and ownership of adaptation and climate risk reduction processes at local level; and CCA 3: Promote transfer and adoption of adaptation technology, Outcome 3.1: Successful demonstration, deployment, and transfer of relevant adaptation technology in targeted areas, and Outcome 3.2: Enhanced enabling environment to support adaptation-related technology transfer.

The project will build on the lessons learned, successful activities and the knowledge and capacity of past and on-going IFAD projects in the country, and SCCF funds will be utilized to substantially expand the scope of the work with regards to investment in adaptation activities such as rehabilitation of natural disaster affected irrigation and drainage infrastructure, implementation of soil erosion control measures at the landslide-prone slopes, rehabilitation of eroded and degraded land through landscape restoration, water conservation, and increased water use efficiency through better irrigation technologies. An integrated watershed development approach and climate index-based insurance system would be piloted to ensure a coordinated approach within each watershed and insurance of agricultural production in natural disaster prone areas. The aforementioned activities will be introduced in target areas of Kakheti and Samtskhe Javakheti regions, while the ground will be set to expand the work in the regions of Mtskheta-Mtianeti, Shida Kartli and Kvemo Kartli (to be confirmed during design). The suggested pilot developments under the ERASIG would become models for replication and scaling-up across regions in Georgia.

#### A.1.2. For projects funded from LDCF/SCCF: the LDCF/SCCF eligibility criteria and priorities:

This project has been developed in conformity with the SCCF eligibility criteria. The project proposal respects the principle of country ownership having been developed in consultation with national stakeholders, as well as by taking into account all the latest and relevant studies and reports available on climate change adaptation requirements in Georgia. Also, the project has been designed to fully address the priority activities identified by the Government of Georgia in the Strategy of Agriculture Development of Georgia for 2012-2022 (SADG) and it has been developed with the aim of ensuring sustainability and replicability beyond project completion.

The project design criteria have been respected by including a list and description of the project components as well as by describing the added value of the GEF intervention. The GEF component will build directly on on-going IFAD funded Agricultural Support Project (ASP) and will complement activities and achievements under the Small-scale Rural Infrastructure component (SSRI) in light of the expected impact of climate change. Co-financing requirements are satisfied and cost-effectiveness aspects have been carefully considered. The project will be mainly investment-oriented, leveraging past and on-going investments in building the capacity of International Organizations Projects Implementation Department (IOPID) of the Ministry of Agriculture (MOA) and in the mobilization and capacity building at community level, which means a higher percentage of spending on physical works and tangible assets, and efforts aimed at encouraging replication and scaling-up at national level.

A.1.3 For projects funded from NPIF, relevant eligibility criteria and priorities of the Fund:

N/A

A.2. national strategies and plans or reports and assessments under relevant conventions, if applicable, i.e. NAPAS, NAPs, NBSAPs, national communications, TNAs, NIPs, PRSPs, NPFE, etc.:

The activities included in the proposal are in line with the 2003-2015 Economic Development and Poverty Reduction Programme of Georgia (EDPRP) and recently approved Strategy of Agriculture Development of Georgia for 2012-2022 (SADG) issued by the Ministry of Agriculture, which supports the development of integrated multi-sectoral initiatives in the areas of food security, climate change and poverty reduction.

The Project was designed taking into account the findings, conclusions and recommendations of relevant reports, such as WB's "Disaster Risk management and Climate Change Adaptation in Europe and Central Asia" (2010), KfW's "Adaptation to Climate Change in the Kura-Aras River Basin" (2010), WWF Norway "Climate Change in Southern Caucasus: Impact on Nature, People and Society" (2008), other UN and relevant international donors' discussion and working papers (2008-2012).

## **B. PROJECT OVERVIEW:**

B.1. Describe the baseline project and the problem that it seeks to address:

Georgia is a lower middle income country (US\$ 2,530 per capita GNI) in the Southern Caucasus, occupying an area of 69,700 square kilometres with a population of about 4.4 million. Despite the strong economic growth since the 2003 Rose Revolution, poverty is still widespread in Georgia with 23.6% of the total population being poor. The extreme poor – those who are below the lower (or food) poverty line – account for 9.3%. Rural areas continue to record high rates of poverty: 29.7% are poor and 12.4% are extremely poor in comparison to 18.3% are poor and 6.7%, respectively, in urban areas. Nearly 60% of the poor live in rural areas although the share of rural population is 48%.

The past economic growth was narrowly based, only involving sectors and industries outside agriculture, and did not translate into agricultural productivity growth and increase in farm income. During 2003-2007 the real agricultural output declined by 1% while the real GDP grew by 43%. The share of agriculture in GDP fell from around 50% in 1990 to around 17% in real terms in 2007. Various external factors contributed to this downward trend of the agricultural sector, including frequent floods and droughts, water and power outages, loss of major export markets, limited access to credit and dilapidated rural infrastructure, including irrigation and drainage. Once a major grower and exporter of high value crops, such as high-value tea, citrus and grape, Georgian agriculture is currently characterized by low productivity, subsistence-oriented production by small farmers.

About 43 percent of Georgia's total area is considered agricultural (over 3.0 million hectares), including 795,000 ha of arable lands, 268,000 ha of perennial crops and over 2.0 million ha of pasture and meadows. Thirteen percent of Georgia's area is lowland; 33 percent, foothills; and the remaining 54 percent, mountains. As a result of this diversity and the Black Sea borders, the country has a great variety of agro-ecological and climatic zones that allow it to produce most types of agricultural products, including sub-tropical. These include early and late vegetables such as potatoes, essential oils flowers, medicinal herbs, grapes, grains, oilseeds and animal fodder, a wide variety of fruits and nuts, and crops like tea and tobacco (significantly less than used to be), and citrus.

About 50 percent of arable lands and 30 percent of the grazing areas are exposed to water and wind erosion. Significant areas are subject to salinization and required drainage facilities. Some 39 percent of arable land located below altitude of 500 m; 29 percent varies from 500 to 1,000 meters; 21 percent between 1,000 to 1,500 meters; and 11 percent above 1,500 meters. In general from an agricultural production point of view the topography of the foothills and mountains regions is not favourable. About

18 percent of the agricultural land has slopes of more than 12% and 25% more than 25%. Fields with slopes of more than 25% are difficult to cultivate and generally are not considered suitable for mechanized agriculture and are exposed to a high erosion risk.

The climate in Georgia is characterized by hot dry summers and cold winters. The average temperature for July is about 23° C, but in January it falls to about -2° C. The average humidity ranges from 64% in the summer to 83% in winter. Precipitation occurs in every month of the year, with wide seasonal and annual variations. The rainfall across the country ranges from below 400 mm per year in the south east, to 1,600 mm in the north-east. The average amount of rainfall that occurs during the growing season in eastern and southern parts is significantly less than the amount of water required for crop production. Additionally, the effective rainfall is considered to be not more than 50% of the total rainfall occurring during the irrigation season (especially in the foothills and mountain regions), because the topography is rolling, and the rainfall does not come at regular and optimum intervals. The water stress on crops is approximately similar for the south-east and central areas, even though the rainfall is higher in the latter. Thus, agriculture production depends to a great extent on irrigation (full or supplemental, depending on the location) in the proposed project area. Soil fertility is medium to low over some 60% of agricultural areas, requiring high fertilizer inputs.

The irrigation and drainage infrastructure reached a peak in 1990, but has since been in serious decline. In 1988, some 386,000 ha were still under irrigation in Georgia with 291,000 ha under the gravity systems and 95,000 ha under the command areas of 120 pumping stations with static lift from 21 m to over 400 m. In 2005-2008 the area irrigated by gravity covers about 100,000 ha and about 1,000 ha area irrigated by pumping stations. In 2011, the actually irrigated area covers only some 73,000 ha (including 70,000 ha from the project area) mainly with gravity supply. Estimates for drained land in 1988 were 84,300 ha by gravity system and 30,000 ha by pumped drainage. In 2005-2008, some 15,000 ha were under gravity drainage and some 3,000 ha under the newly rehabilitated pump drainage.

The civil strife, war, vandalism, transition to a market economy and the loss of markets with traditional trading partners, all contributed to a decline of the irrigated areas. Lack of maintenance and institutional weakness led to severe deterioration of irrigation and drainage infrastructure. Reduced canal capacities and inefficient water management were a result. Surface irrigation is the main irrigation method. Furrow and strip irrigation methods account for about 100 percent of the surface irrigation practice used. Water losses are significant and considerable investment would require increasing the efficiency of dams, river diversion headwork, main canal system and dilapidated secondary and tertiary network. The estimated overall efficiency of still operational irrigation system is less than 40%.

Studies on climate change predictions for Georgia show an increase by 3.5 degrees in mean annual temperature by the end of this century, accompanied with decrease in precipitation by about 6% in the western regions, while in eastern regions where the most of the irrigated areas are located, the air temperature is expected to rise by 4.1 degrees, and sums of precipitation could fall down to about 14%.

As a more recent consequence of climate change, just last July, some of regions were hit by heavy rains accompanied with hail and winds. This extreme and intense weather event has left many areas of the country in an emergency situation. Many trees are down, communication is perturbed, roads are damaged, water supply inhibited, roofs ripped off, farmlands flooded and crops destroyed. Farmers in Kakheti and other struck regions mentioned that this is by far the strongest hail/wind/rain combination which has hit region in the last several decades, though the natural disaster with lesser consequences occurring almost every other year. Strong hail and winds also caused damage in Samtskhe-Javakheti and Mtskheta-Mtianeti regions (all these regions are the IFAD project area). Only in Kakheti region at least 15,000 smallholder farmers completely lost their crops.

Consequently, the Government of Georgia approached IFAD for the possible support in identification of funds to reduce vulnerability of small-holders to predict climate change impacts and enhance the resilience of the natural resource capital.

The Government of Georgia has embarked on a program to address the key rural issues within the SADG for 2012-2022 framework approved on 28 March 2012. Sustainable economic growth and employment generation, improved use of natural resources, increased access to and quality of public

infrastructure including irrigation systems, among others are recognized as important preconditions for poverty reduction in rural areas. Major contributions to economic growth in rural areas are expected to derive from the promotion of small on-farm and off-farm business development and increased employment generation. The Government's renewed interest in the revitalization of irrigated agriculture and improved water resource management in Georgia is evidenced by the on-going institutional reorganization and funds earmarked from the state budget to the system rehabilitation in 2012 and 2013 (GEL 10.0 million and GEL 26.0 million respectively). Consultations between the Government and major donor institutions such as the World Bank and Asian Development Bank are on-going for investment programmes in Georgia irrigation and drainage sector.

About USD 3.67 million, out of USD 4.7 million currently available in the framework of the SSRI component of the on-going IFAD funded ASP are allocated for irrigation rehabilitation. In addition to this, on 1 May 2012, the Government of Georgia, through the Ministry of Finance (MOF), requested IFAD to allocate the remaining balance of the funds earmarked for Georgia in the 2010-2012 lending cycle of approximately USD 5.0 million as a supplementary financing to the SSRI to scale up its intervention in irrigation rehabilitation activities.

The on-going ASP is the fourth IFAD intervention in Georgia and is the first project of IFAD that supports irrigation rehabilitation. The overall goal of the ASP, which is the baseline for the SCCF intervention, is to increase income among rural people engaged in agriculture activities. The Project's objectives are: (i) to increase assets and incomes among actually and potentially economically active poor rural women and men willing to move towards commercial agriculture and associated rural enterprises; and (ii) to remove infrastructural bottlenecks which inhibit participation of economically active rural poor in the rural economy. Besides Project Management, the ASP has two components: 1. Support for Rural Leasing, and 2. Small-scale Rural Infrastructure (SSRI).

Total ASP costs were budgeted at around USD 17.2 million, of which USD 8.5 million was to be financed by the IFAD loan; USD 2.07 million by the Government (including USD 0.17 million for operating costs and USD 1.9 million for VAT); USD 0.47 million by Participating Financial Institutions (PFIs); USD 0.89 million by Project clients for the co-financing of enterprise investments and small-scale infrastructure investments; and USD 5.0 million by a co-financier to co-finance the SSRI component. ASP IFAD Grant (USD 0.2 million) was approved for technical assistance and training under Components 1 and 2. The ASP is a 4 years project that was declared effective on 8 July 2010 and Project completion is 30 September 2014. Project activities effectively started in November 2010, after the ASP start-up workshop of October 2010.

- B. 2. [incremental /Additional cost reasoning](#): describe the incremental (GEF Trust Fund/NPIF) or additional (LDCF/SCCF) activities requested for GEF/LDCF/SCCF/NPIF financing and the associated [global environmental benefits](#) (GEF Trust Fund/NPIF) or associated adaptation benefits (LDCF/SCCF) to be delivered by the project:

The GEF's SCCF funding represents an opportunity to increase the scope of the rural development objectives pursued through the ASP in light of the expected negative impact of climate change on the already fragile irrigation and drainage sector in Georgia. Without the SCCF funding, the baseline intervention could turn out to be a simple irrigation rehabilitation/agricultural development project, and not tackle the root cause of the most important constraints facing agriculture and rural development in Georgia. The SCCF financing will aim at rehabilitation of consequences of recent natural disaster in Kakheti and Samtskhe-Javakheti regions and, what is more important, at enhancing the adaptive capacity of rural people to address climate change and its potential impact on the agriculture sector. This will be done mainly by focusing on measures that promote the improved management of scarce/threatened key resources such as water and soil fertility. Building on the activities carried out in the baseline, the GEF alternative will aim at covering the additional costs associated with supplemental water and soil management infrastructures, training in improved agricultural practices, and capacity-building in response to climate change impact, as well as introduction of climate index-based insurance



system in Georgia. A synergistic and complementarily approach will be adopted in linking the GEF activities to the baseline in particular with reference to the SSRI component, intensifying and expanding the work on identified water management/conservation/irrigation and drainage schemes, and degraded land rehabilitation as well as by investing in focused capacity building.

The incremental value of the GEF/SCCF funding will be utilized to substantially expand the scope of the project with regards to investment in water conservation and increased water use efficiency through rehabilitation of dilapidated irrigation and drainage infrastructure, introduction of better irrigation technologies, rehabilitation of eroded and degraded land, and awareness raising and education to adaptation. An integrated watershed development approach and climate index-based insurance system would be piloted to ensure a coordinated approach within each watershed and insurance of agricultural production in natural disaster prone areas. An integrated watershed development approach and climate index-based insurance system will be introduced in target areas of Kakheti and Samtskhe Javakheti regions, while the ground will be set to expand the work in the regions of Mtskheta-Mtianeti, Shida Kartli and Kvemo Kartli (to be confirmed during design). The suggested pilot developments under the ERASIG would become models for replication and scaling-up across regions in Georgia.

The table below summarizes the added value of the GEF intervention in comparison to the baseline.

<p><b>BASELINE PROJECT</b></p>	<p>The overall goal of the ASP is to increase income among rural people engaged in agricultural activities. The Project's objectives are: (i) to increase assets and incomes among actually and potentially economically active poor rural women and men willing to move towards commercial agriculture and associated rural enterprises; and (ii) to remove infrastructural bottlenecks which inhibit participation of economically active rural poor in the rural economy. Besides Project Management, the ASP has two components: 1. Support for Rural Leasing, and 2. Small-scale Rural Infrastructure (SSRI). However, it will not build the capacity of local stakeholders and decision makers to produce climate-smart action plans to articulate their development needs, and it will not support the formulation of integrated watershed management plans that can combine rural development and climate adaptation needs. Also, the baseline will not support the mainstreaming of climate adaptation knowledge in decision making and planning processes, and it will not promote broader awareness on climate change adaptation needs among rural communities.</p>	<p>The SSRI component aims at easing the constraints posed by the conditions of Georgia's rural infrastructure to the development of economic activities in terms of access to water, inputs, markets, social and technical services. SSRI support, channelled through the award of contributory grants for infrastructure construction/rehabilitation, is conditional on commercial viability and contribution to increased profitability of local rural value chains and poverty-reduction. The SSRI component was designed with a total budget of USD 11.0 million including about USD 4.7 million from IFAD loan and the USD 5.0 million of external co-financing that has however not yet been mobilized. The SSRI component will support investment to improve the supply and management of domestic and agricultural water. It will also support the construction or upgrading sections of earth/gravel roads and bridges serving rural communities. In spite of limited funds available the main investments will be channelled to irrigation rehabilitation. The baseline will also improve smallholders' access to modern</p>
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		<p>agriculture inputs, technology and advisory services. However, support is not envisaged to enhance the adaptive capacities of smallholders and increase their resilience to climatic variability, as it does not take into consideration the increased unpredictability of rainfall and the expected increase in extreme weather events, which may affect soil erosion levels leading to damages and failures in crop yields.</p>
<p><b>ADDITIONALITY OF SCCF INTERVENTION</b></p>	<ul style="list-style-type: none"> <li>• Training sessions to smallholder farmers and other involved stakeholders on integrated land planning and adaptive management of natural resources (soil, water).</li> <li>• Decision makers, community leaders, Institutions responsible for irrigation and drainage system operations and maintenance, and International Organizations Projects Implementation Department (IOPID) will receive extensive training on mainstreaming of CC adaptation and climate proofing of national/local policies.</li> <li>• Climate-smart watershed management plans will be produced with the full participation of community associations.</li> <li>• Awareness programmes on risk management, adaptation and sustainable use of natural resources will reach households in the target watershed. These actions will be carried out with ad-hoc materials that can eventually be used in other parts of the country.</li> <li>• The empowerment and enhanced capacity of the MoA and its “United Amelioration System Company of Georgia” will generate knowledge on climate downscaling for the target watershed that will feed and drive future adaptation work.</li> <li>• The collaboration framework that</li> </ul>	<p>The suggested main activities/components and anticipated outputs/outcomes of the proposed ERASIG would include</p> <ul style="list-style-type: none"> <li>• Irrigation and drainage systems affected by the last natural disaster in July 2012 will be rehabilitated, i.e. additional command area will be covered with improved irrigation and drainage infrastructure.</li> <li>• Reduction of soil erosion and fertility loss through the implementation of soil erosion control measures and rehabilitation of eroded and degraded land through landscape restoration.</li> <li>• Vulnerability to climate change impact on agricultural production systems will be reduced as adaptation-smart management plans will be implemented in target watersheds and climate index-based insurance system in Georgia will be piloted. An enabling environment will be prepared for scaling them up.</li> </ul>

	<p>will be developed and put in place between MoA, “United Amelioration System Company of Georgia” and local authorities in the target watersheds will stand as a model example of governance on adaptation for other watersheds and regions of the country.</p>	
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B.3. Describe the socioeconomic benefits to be delivered by the Project at the national and local levels, including consideration of gender dimensions, and how these will support the achievement of global environment benefits (GEF Trust Fund/NPIF) or adaptation benefits (LDCF/SCCF). As a background information, read [Mainstreaming Gender at the GEF.](#):

The project will be mainly investment-oriented, including additional investment in natural disaster affected irrigation and drainage systems and degraded land improvement and leveraging on-going investments in building the capacity of the MoA’s IOPID, “United Amelioration System Company of Georgia” (UASCG) and in the mobilization and capacity building of community authorities. This will lead to a higher percentage of spending on physical works and in the implementation of tangible water and soil conservation/management measures that are most likely to enhance the socio-economic benefits of the target beneficiaries. The trust and relationships to be built with communities under the on-going ASP interventions will increase the likelihood of success in achieving the project’s goal and objectives, and the strong focus on awareness raising and capacity building (all of which will have a strong gender balance focus) will magnify the social impact.

Climate change and livelihoods are not linked together in a simple cause-and-effect relationship, but in interactive ways through mediating factors such as access to land, water, and appropriate knowledge and technology, climate index-based insurance, income inequality, gender etc. All these factors have major importance in configuring the “platform” on which adaptation is constructed. By tackling these issues, and by building capacity, spreading awareness and enhancing extension support, targeted communities will be empowered to make adequate choices that would reduce their vulnerability to climate changes and enhance their adaptation capacity.

The promotion of agriculture practices based on the sustainable use of natural resources (especially soil fertility, and water) will have a positive impact on all the participants in the system, and holds adaptation benefits through its contribution to reducing energy input, water consumption, and labor power.

B.4 Indicate risks, including climate change risks that might prevent the project objectives from being achieved, and if possible, propose measures that address these risks to be further developed during the project design:

The main anticipated risks are: (i) political uncertainty; and (ii) unproven operation and maintenance system through the UASCG. While future political uncertainty is a concern, it is believed that agricultural development and rural poverty reduction would remain high on the political agenda with irrigation rehabilitation and efficient natural resource management (water and soil) being one of the highest priorities for the rural constituencies. This would also serve to encourage the Government to develop and strengthen sustainable institutional structures that can address the climate change related natural disasters and history of inadequate operation and maintenance.

Some concern is raised that increase in value of the land could possibly induce land sales by the poor. While this could facilitate the process of land consolidation, potentially leading to higher land productivity and much needed overall revitalisation of the farm sector, loss of the most important productive asset could have serious negative consequences for the poor if not accompanied by alternative means of sustainable livelihoods. However, in view of the currently underdeveloped rural land market, large scale transactions are unlikely to happen in immediate future, and land lease would be the more attractive arrangement for those who would not be interested in farming.

The uncertainty about the capacity of the UASCG requires reinforcing the implementation support to strengthen the capacity of UASCG in system operation and maintenance, integrated watershed management approach as well as disaster risk management and climate change adaptation.

These risks will be mitigated by the effective and efficient operation of the IOPID responsible for implementation of the on-going IFAD project, which will be responsible for implementation of activities under the proposed ERASIG. The trust and relationships to be built with communities in the target areas in the course of the implementation of on-going activities would increase the likelihood of success in achieving the project's goal and objectives.

Further and full assessment of risks and required mitigation measures will be undertaken during project preparation.

**B.5. Identify key stakeholders involved in the project including the private sector, civil society organizations, local and indigenous communities, and their respective roles, as applicable:**

The Ministry of Agriculture through its Amelioration Policy Department, International Organizations Projects Implementation Department, "United Amelioration System Company of Georgia" and Governors of target communities will be involved in the implementation of the project, as members of the steering committee and as service providers or beneficiaries of capacity building actions.

The project's target group will consist of poor food insecure rural women and men living in the participating natural disaster prone communities. Specific sub-groups will include youth, the unemployed, and the economically active poor. Transparent targeting procedures, based on mechanisms applied by the on-going IFAD operations, will be defined during design. The target groups will have a multiple role in the project: while at the early stages they will be actively involved in the identification of priorities for investment, at a later stage they will become the direct and indirect beneficiaries of the investments identified through the watershed management plans – including assets, technology, and equipment. Throughout the project, rural individuals and households will be the target of awareness and education actions that will complement/enhance the investments and the implementation of the watershed soil improvement and management plans.

The IOPID will have a leading role in the set up and management of the new project and the needed transfer of knowledge.

**B.6. Outline the coordination with other related initiatives:**

The identified relevant on-going initiatives focusing on water and land resources in Georgia are USAID and the State Budget funded projects. Relevant collaboration and coordination of activities to avoid duplication and overlapping with the on-going ASP are established. However additional assessment of the on-going activities in Georgia is required during the design stage.

### **C. DESCRIBE THE GEF AGENCY'S COMPARATIVE ADVANTAGE TO IMPLEMENT THIS PROJECT:**

Environmental threats such as climate change are inseparable from IFAD's mission of helping poor smallholders. Climate change is multiplying the existing risks of IFAD's target group and IFAD is keen of turning these into opportunities. IFAD, through the implementation of its climate change strategy, is maximizing its impact on rural poverty in a changing climate. IFAD has been successful in doing so through supporting innovative approaches to helping smallholder producers – both women and men – build their resilience to climate change; helping smallholder farmers take advantage of available adaptation incentives and funding; informing a more coherent dialogue on climate change, rural development, agriculture and food security, as well as influencing relevant policies. Moreover, IFAD brings a good knowledge of natural resource management and a significant pool of knowledge and experience in capacity building and the empowerment and sustainable agricultural production. The Fund's comparative advantage also lies in its ability to work at the grassroots, community level. Currently IFAD is the only institution involved in irrigation rehabilitation activities.

#### **C.1 Indicate the co-financing amount the GEF agency is bringing to the project:**

The GEF resources will be co-financed through the on-going Agricultural Services Project (ASP) financed by IFAD (US \$8.5 million), the Government of Georgia (US \$2.07 million), PFIs (\$0.47 million) and beneficiaries (US \$0.89 million) for the implementation of baseline activities. A request for additional \$5.0 million supplementary financing for irrigation rehabilitation is currently under the IFAD approval. The proposed SCCF funding will be incremental and build the adaptive capacity as well as reduce vulnerability of the rural populations to the predicted impacts of climate change in Georgia.

#### **C.2 How does the project fit into the GEF agency's program (reflected in documents such as UNDAF, CAS, etc.) and staff capacity in the country to follow up project implementation:**

IFAD is currently one of the two largest donors supporting Georgia's rural agricultural sector. IFAD has supported several projects in Georgia. The first project supported by IFAD was the Agricultural Development Project (ADP), co-financed with the World Bank (IDA financing), which was completed in June 2005. The second project financed by IFAD was the Rural Development Programme for Mountainous and Highland Areas (RDPMHA), which was completed in March 2012. The Rural Development Project (RDP), IFAD's third project, which is co-financed with the World Bank, completed on June 30, 2012. The fourth is the on-going Agricultural Support Project (ASP), which is the first project of IFAD that supports irrigation rehabilitation.

The ASP overall project management and implementation responsibility is now under the International Organizations Projects Implementation Department (IOPID) of the Ministry of Agriculture (MoA). The ASP has so far been implemented in a somewhat volatile policy and institutional environment characterised by: (i) the liquidation of the Agricultural Development Projects Coordination Centre (ADPCC), originally assigned for Project management and implementation, and consequent transfer of responsibility to the MoA under the IOPID; (ii) frequent changes in decisions of MoA with respect to investments under the SSRI owing to changes in strategy, government priorities and drawing from lessons learned; and (iii) delays in the signing of the Project's Leasing Operations Manual.

Despite these initial setbacks, progress in implementation has been noted by the March 2012 IFAD follow up mission and the validation mission of June 2012. A number of preparatory steps have been taken to establish a sound platform to enable smooth implementation performance. More specifically:

- a. the IOPID staffing situation is settled with the retention of experienced key ADPCC staff in IOPID, hiring of an Engineer and Procurement Officer complemented by MoA technical staff;
- b. the Rural Leasing Operations Manual has been approved and the contract with a Leasing Company that has a developed portfolio has been signed;
- c. the construction of three infrastructure projects have been completed; and
- d. the feasibility studies for the rehabilitation of 13 irrigation schemes and 1 drainage scheme have been completed and submitted for IFAD review and approval.

The Government of Georgia has embarked on a program to address the key rural issues within the SADG for 2012-2022 framework approved on 28 March 2012. Sustainable economic growth and employment generation, improved use of natural resources, increased access to and quality of public infrastructure including irrigation systems, among others, are recognized as important preconditions for poverty reduction in rural areas. Major contributions to economic growth in rural areas are expected to be derived from the promotion of small on-farm and off-farm business development and increased employment generation. The Government's renewed interest in the revitalization of irrigated agriculture in Georgia is evidenced by the on-going institutional reorganization and funds earmarked from the state budget to the system rehabilitation in 2012 and 2013 (GEL 10.0 million and GEL 26.0 million respectively) as well as the recent request (01 May, 2012) for IFAD to provide additional funding for Georgia in the 2010-2012 lending cycle as supplementary financing to the SSRI of the on-going ASP. Consultations between the Government and other major donor institutions such as the World Bank and Asian Development Bank are on-going for investment programmes in Georgia irrigation and drainage sector.


The ASP Project design report was updated in July 2012 following an IFAD mission to Georgia. This update incorporates lessons learned as well as relevant information, including the 2003-2015 Economic Development and Poverty Reduction Programme of Georgia (EDPRP), Strategy of Agriculture Development of Georgia for 2012-2022 (SADG) and the IFAD Country Strategic and Opportunities Paper (COSOP) for Georgia. The project approach and its implementation modalities are fully in line with these strategies, and its validity and relevance are reconfirmed.

**PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)**

- A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S):** (Please attach the [Operational Focal Point endorsement letter\(s\)](#) with this template. For SGP, use this [OFP endorsement letter](#)).

NAME	POSITION	MINISTRY	DATE (MM/dd/yyyy)
H.E. Mr. George KHACHIDZE	Minister	Ministry of Environment Protection and Natural Resources	09/12/2012

- B. GEF AGENCY(IES) CERTIFICATION**

<b>This request has been prepared in accordance with GEF/LDCF/SCCF/NPIF policies and procedures and meets the GEF/LDCF/SCCF/NPIF criteria for project identification and preparation.</b>					
Agency Coordinator, Agency name	Signature	DATE (MM/dd/yyyy)	Project Contact Person	Telephone	Email Address
Elwyn Grainger-Jones Director, Environment and Climate Division IFAD		09/17/2012	Rami Abu Salman, Regional Climate and Environment Specialist, Environment and Climate Division IFAD	+39 06 5459 2291	<a href="mailto:r.salman@ifad.org">r.salman@ifad.org</a>