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DIRECTION GÉNÉRALE

SUMMARY OF THE REPORT



Ex post evaluation of the project to restore airspace safety
in Georgia financed by the Emerging Country Facility (RPE)



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TBILISI Project Evaluation

Introduction

The Development Activities Evaluation Unit of the Directorate General of the Treasury (Ministry for the Economy and Finance) conducted an ex-post evaluation of the project to restore airspace safety in Georgia. The evaluation was conducted in 2011 and 2012 in accordance with the OECD Development Assistance Committee criteria.

The project was financed by the Emerging Country Facility (RPE), which is one of two project assistance instruments managed by the Directorate General of the Treasury on behalf of the Ministry for the Economy and Finance. The RPE is an instrument for loans between governments backed by sovereign guarantees. It is used to finance projects that meet the dual objectives of development in the beneficiary country and support for French businesses.

The project was a response to the need to restore airspace safety in Georgia following the armed conflict between Russia and Georgia in the summer of 2008 that led to the destruction of infrastructure, including the civil radars at the Tbilisi airport.

Thales carried out the project for the benefit of the Georgian civil aviation agency (Sakaeronavigatsia) between February and July 2009. The project budget was €4.7 million for a turnkey contract covering equipment (supply, installation and commissioning of two radars to replace the ones destroyed) and services (personnel training and a 12-month warranty for the equipment).

The dual purposes of the project were to support Georgia's reconstruction effort, following the conflict with Russia in the summer of 2008, and to promote French know-how in Georgia.

Following a call for bid tenders, the evaluation was entrusted to Ernst & Young. The evaluation was overseen by a pluridisciplinary steering committee made up of representatives from the various government departments concerned and outside experts.

The evaluation shows that the project achieved its technical and financial execution objectives and that it was deemed very satisfactory for both the beneficiary country (support) and for France (leverage). Furthermore, the implementation of the project gave new impetus to cooperation between the two countries, which had been declining since the end of the nineteen-nineties.

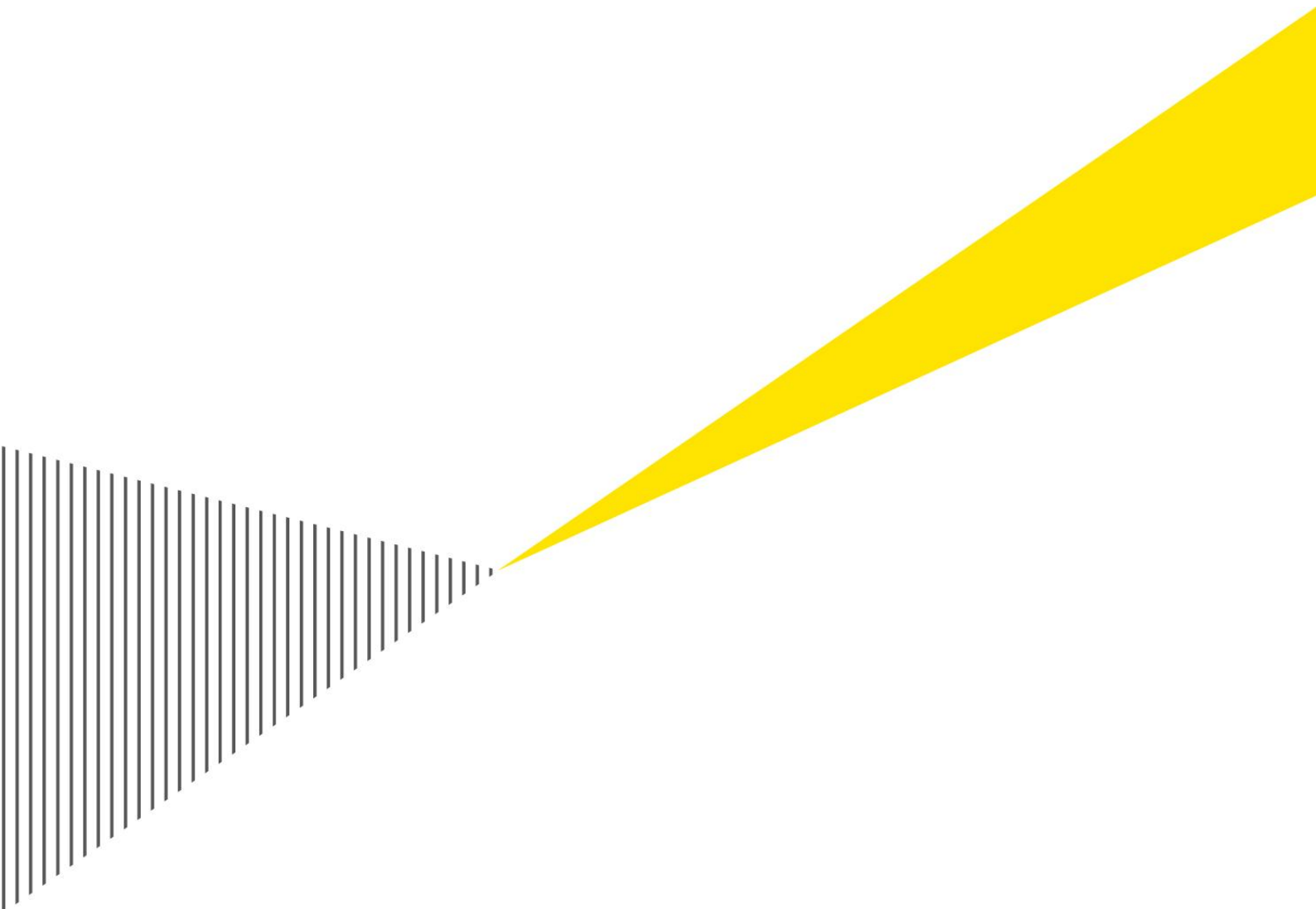
In conclusion, the evaluation recommends several actions to further develop the economic partnership with Georgia, to optimise the return for French businesses and to promote the RPE as a post-crisis project assistance instrument.

Ministry for the Economy and Finance, Directorate General of the Treasury

Ex-post evaluation of the project to restore airspace safety in Georgia financed by the
Emerging Country Facility (RPE)

May 2012

Summary of final report



1 Foreword: background and general information

Table 1: Key data for Georgia (geography, demography and economy) in 2010-2011

	Georgia	France
Geography		
Area (thousands of square kilometres)	69.7	594.2
Capital	Tbilisi	-
Main cities	Kutaisi, Batumi, Rustavi	-
Demography (data source: MAE – World Bank)		
Population (millions)	4.469	63.126
<i>o/w urban</i>	52.8%	85.9%
Population growth (annual %) (2010)	+0.9	+0.5
Life expectancy	75 years (2011)	81 years (2010)
Population living under the poverty line	0.31	-
HDI (UNDP 2010) – world ranking	74th	-
French community in Georgia	270 registered (+ 30 to 50 unregistered)	-
Georgian community in France	-	6,000
Economy		
GDP (USD billion) (2010) (source: World Bank)	11.7	2,560
GDP growth (%) (2010) (source: World Bank)	6%	2%
Per capita GDP (USD) (2010) (source: World Bank)	2,629	39,460
Agriculture (% of GDP) (source: MAE)	7%	
Manufacturing (% of GDP) (source: MAE)	32%	
Services (% of GDP) (source: MAE)	53%	
Unemployment rate (% of labour force) (2011) (source: World Bank)	25%	9%
Trade balance (% of GDP) (2010) (source: MAE/Georgia)	-18%	-2%
Exports of goods and services (% of GDP) (2010) (source: MAE/Georgia)	35%	25%
Imports of goods and services (% of GDP) (2010) (source: MAE/Georgia)	52%	28%
FDI (USD millions) (2010) (source: MAE)	815	-
Net ODA received (USD millions) (2009) (source: OECD)	908	-

Table 2: Georgia's economy between 2006 and 2011

Georgian economic data	2006	2007	2008	2009	2010	2011*
GDP (USD billions)	7.75	10.17	12.80	10.77	11.67	
GDP growth (%)	9.4	12.3	2.3	-3.8	6.4	4.6
Per capita GDP (USD)	1,761	2,318	2,919	2,441	2,620	
Exports of goods and services (USD millions)	2,546	3,175	3,662	3,202	4,060	na
Imports of goods and services (USD millions)	4,416	5,895	7,473	5,269	6,101	na
Trade balance (USD millions)	-1,871	-2,721	-3,811	-2,067	-2,041	na
Exports of goods and services (% of GDP)	32.9	31.2	28.6	29.7	34.8	na
Imports of goods and services (% of GDP)	57	58	58.4	48.9	52.3	na
FDI (USD millions)	1,170	1,750	1,564	658	815	na
Government debt / GDP (%)	na	na	na	37.3	39	36.8

Source: World Bank / * estimated by Coface.

Georgia is a country undergoing reconstruction where growth was affected by the 2008 conflict with Russia

Georgia, with its population of 4.4 million, is a country located in the Transcaucasia region. It shares borders with Russia, Azerbaijan, Armenia and Turkey. Its coastline on the Black Sea lies to the west.

It is a former Republic of the USSR that became independent again in 1991 under difficult circumstances, with separatist conflicts and political instability. Since then, the decade from 2000 to 2010 saw the restoration of government authority in Georgia, a marked improvement in its economy, up until 2008, and gradual strengthening of its ties with the West (European Union and NATO) that started at the end of the nineteen-nineties. However, its economic growth, which was largely driven by major inflows of foreign investment, faltered as a result of the armed conflict between Georgia and Russia that broke out between 7 and 12 August 2008. In addition to destroying strategic infrastructures, the conflict displaced several thousand people and undermined investors' confidence in Georgia.

After the conflict, Georgia rapidly received help from the International Monetary Fund and massive international assistance following the donors' conference in Brussels on 22 October 2008, where \$US 3.2 billion in assistance was promised for 2008-2011. This assistance curbed the country's economic decline.

The airspace safety project financed by the RPE under the terms of the intergovernmental memorandum of understanding signed on 24 November 2008

Under the terms of the intergovernmental memorandum of understanding signed by France and Georgia on 24 November 2008, the Georgian government received a loan from the Ministry for the Economy and Finance (Directorate General of the Treasury) for the first time. The loan was made using the French cooperation instrument, the "Emerging Country Facility" (RPE) to finance a project to supply a civil radar station and the associated equipment and services.

The project was initiated in response to a request from the Georgian civil aviation agency. The intention was to remedy the lack of overflight radar coverage in the east of Georgia's airspace following the bombing of the Tbilisi airport on the night of 11 August 2008.

The project was carried out by Thales, a French manufacturer. It consisted of a turnkey contract worth 4.69 million euros to provide Sakaeronavigatsia, the Georgian air navigation service provider and beneficiary of the project with a civil radar station. According to the commercial contract signed by both parties, the project covers:

- ▶ “equipment” meaning the supply, installation and commissioning of the radars and associated equipment, including civil engineering work prior to the installation of the radars;
- ▶ “services”, meaning theoretical and practical training in France and in Georgia for Sakaeronavigatsia personnel, logistical support, delivery of spare parts for the equipment supplied, connection of the radar to the centre and support for commissioning, delivery of a complete set of documentation written in English and the 12-month warranty on the equipment.

As is the case for any action financed by the RPE, and in compliance with its eligibility criteria, the project evaluated was part of a strategy with a dual objective:

- ▶ first: supporting Georgia’s economic and social reconstruction and development;
- ▶ second: promoting the know-how of French businesses and raising the profile of French technology in Georgia.

Technical characteristics of RPE loans

- The loans are considered on a project-by-project basis (no quotas by country and no predetermined financial terms); RPE loans are primarily used to finance French goods and services. The French share of the loan must be more than 70%.
- The financial terms are governed by the rules of the OECD Arrangement on Export Credit: no financing of projects that would be viable if they were financed by commercial loans; the financial terms of the loan must have a concessionality level of 35% or more (i.e. the net present value of the future debt service payments to be made by the borrower must be less than 65% of the nominal value of the loan).
- The financial terms of the loan are negotiated on a case-by-case basis between the Directorate General of the Treasury and the Ministry with responsibility for the Economy and Finance in the beneficiary country.
- Intergovernmental loans are generally blends of loans from the Treasury and trade credits guaranteed by COFACE (*Compagnie française d'assurance pour le commerce extérieur*), but this is not always the case. It is not the case for the project evaluated.

2 Summary of the main conclusions of the evaluation

This is a summary of the final report on the ex-post evaluation of the project to restore airspace safety in Georgia financed by the Emerging Country Facility (RPE). It is based on the detailed analysis in the evaluation report and presents the main findings for each evaluation question.

The Ministry for the Economy and Finance – Directorate General of the Treasury – wished to conduct an ex-post-evaluation of the project to restore airspace safety in Georgia, which was financed by the RPE. The evaluation was entrusted to Ernst & Young for the purpose of obtaining an independent and reasoned opinion on:

- ▶ the relevance, effectiveness and efficiency of the project;
- ▶ its compliance with the RPE eligibility criteria;
- ▶ its internal and external coherence with other French bilateral assistance instruments, as well as with the action of bilateral and multilateral donors present in Georgia;
- ▶ its impact with regard to the two desired effects of the RPE, i.e. its impact on Georgia's development and on the promotion of French know-how and technology.

The evaluation process was carried out in three phases between the end of October 2011 and May 2012:

1. a phase for structuring the evaluation process (end of October 2011-beginning of November 2011), devising the evaluation questions and developing the judgment criteria and the indicators used for each evaluation criterion;
2. a data-collection phase in France and Georgia (second half of November 2011), during which different information sources were compared: full documentary review, nearly 30 interviews with pre-selected participants (French and Georgian institutional stakeholders, Sakaeronavigatsia, Thales, donors, etc.) and site visits (radar site, maintenance site and air traffic control site).
3. an analytical phase, during which the report was drafted and the evaluation findings and recommendations were formulated (December 2011-May 2012).

Some specific features of this project should be highlighted with respect to the analysis carried out, such as:

- ▶ the post-crisis nature of the project, which entailed specific constraints stemming from the urgency of the situation;
- ▶ the memorandum of understanding was signed very quickly and did not go through the usual RPE project assessment process. Consequently, the project assessment was carried out rapidly using a simplified process that did not require a preliminary evaluation before the project was submitted to the interministerial committee;
- ▶ the scope of the project was restricted with regard to its ambition of restoring airspace safety in Georgia, which depends on many factors outside the scope of the project.

2.1 Physical and financial execution

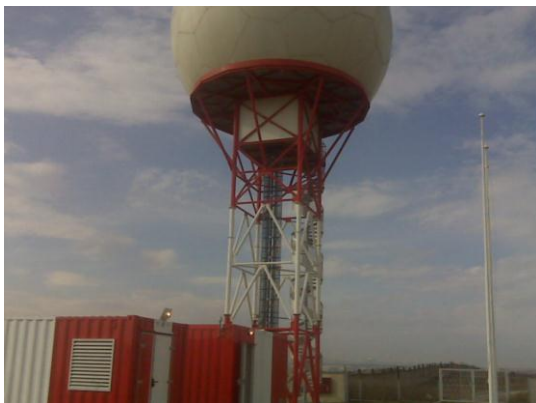
The physical and financial execution of the project complied with the terms of the commercial contract between Thales and the beneficiary, Sakaeronavigatsia. The level of operational effectiveness was also good, working under a tight schedule.

The project involved the manufacture, shipping, delivery and installation of a station at the Tbilisi international airport by Thales. The station is made up of two different types of civil radars:

- ▶ a primary radar for detecting the presence, position and flight speed of aircraft with or without transponders;
- ▶ a secondary radar to interrogate aircraft equipped with “transponders¹” to exchange data (cooperative system based on a dialogue between the radar and the aircraft located in its detection area).

These radars comply with the international standards defined by EUROCONTROL and the ICAO They are suited to the needs and outlook for air traffic control in Georgia. The radars are not yet operating at their full potential (e.g. "S" mode interrogation of aircraft), but their inherent capacities will cope with the growth of air traffic expected in Georgia in the coming years.

The Thales radar station, built as part of the project, and a Russian radar still present at the Tbilisi airport.



¹ On-board equipment that enables air traffic control stations on the ground to determine the position of the aircraft in the area under surveillance and to provide position information to other aircraft in the vicinity.

The project was properly executed with no delays or disputes. Thales carried out a special “crash” programme to reduce the installation times for the equipment, compared a conventional programme, which usually lasts for eleven months. This meant that the radars could be inaugurated in July 2009. They then went into operation in August 2009, **less than nine months after the commercial contract was signed and less than one year after the previous radars were destroyed in August 2008.**

According to the information gathered in France and Georgia, **the installation of the radars complied with the contractual terms** and was carried out using a **coherent project organisation**, which seems to have been successful.

The manufacture, delivery and installation of the two radars, including their connection to the air traffic management systems (Selex), were followed up by work to familiarise Sakaeronavigatsia’s technical personnel with the proper use of the radars. The project was a **“turnkey” package** that included helpful and necessary supplementary services that seemed to meet the Georgians’ expectations: two training courses at the factory and then at the Tbilisi airport, provision of maintenance manuals, support hotline, 12-month warranty, and a set of spare parts.

Maintenance manuals at the radar site (left) and in the radar control room (right)



Vigilance was needed with regard to some points, but these are relatively common risks involved in such contracts:

- ▶ detection errors were identified following commissioning of the radars. False echoes and unwarranted triggering of alarms are considered normal for any new radar installation. Thales analysed them and then mitigated them during the warranty period and after a series of updates of software systems;
- ▶ some of the spare parts for the generator cooling system turned out to be defective. It appears that Thales changed suppliers to remedy the problem;
- ▶ finally, there are still some questions about the English language fluency of the technical personnel trained. The English language fluency criteria used for the selection of participants for the radar maintenance training organised by Thales may not have been strict enough. This may have caused communications problems between the trainers and the trainees. In more general terms, the trainees suggested improvements, which included requests for more in-depth treatment of some of the topics covered and longer training courses. Some of the trainees taking the skills upgrading courses recently offered under the terms of the maintenance contract between Thales and Sakaeronavigatsia felt that the courses were too short.

2.2 Relevance

France's action was very relevant given the urgent need to replace the destroyed radars in Georgia

Russian bombing on the night of 11 August 2008 destroyed the American-made radar used for surveillance of overflight of Georgia's eastern airspace and flights heading for the Tbilisi international airport. This led to the temporary closure of part of the country's airspace, before the Georgian civil aviation agency deployed an alternative airspace surveillance system. The destruction of the radar was a violation of the Georgian government's sovereignty over its airspace and thus led to a loss of confidence in airspace safety in Georgia. It may have explained some of the decline in the number of overflights of Georgian territory (see Table 4), which, in turn, led to a reduction in revenue from overflight fees for the air navigation service provider, Sakaeronavigatsia, which could affect its financial soundness. More generally speaking, the destruction of the radar may have had an indirect impact on Georgia's economy by leading to an overall drop in investor confidence in the country.

The project to replace the destroyed radar did meet the urgent need for post-crisis reconstruction. The reconstruction needs assessment report drafted at the initiative of the United Nations and the World Bank following the conflict between Russia and Georgia in the autumn of 2008 identified this action as a priority.

France's action was very relevant to strengthening Thales' position and enhancing opportunities for bilateral cooperation between France and Georgia

The project was a perfect fit for the opportunities to expand French exports and enhance relations between France and Georgia.

For France, the project was **an opportunity to re-establish economic cooperation with Georgia**, which had been stalled since the end of the nineteen-nineties. In 2008, despite very friendly relations at the highest levels, Georgia had not benefited from any French project assistance since its independence. This project aptly demonstrated France's commitment to Georgia's reconstruction in a high-profile project that was consistent with Georgia's needs. The project was justifiably identified as both **strategic and highly symbolic**. It was also seen as a way to invest in the transportation sector, which is a high-potential sector for France, both in terms of French businesses and French economic and financial cooperation.

For French businesses, the project met the need to strengthen Thales' position in Georgia. Thales already had a presence in Georgia before the project, with the installation of a radar in early 2008, but its competitors also enjoyed strong positions in the bid to replace the destroyed radar, especially American manufacturers, which had recently installed radars in Georgia. In addition to the destroyed radar, the radar still operating at Senaki was built by Americans.

Generally speaking, the project was in line with the **determination to resume economic and trade relations between France and Georgia** at a time when French businesses have little presence in Georgia, despite the opportunities open in the South Caucasian regional market (Azerbaijan, Armenia and Georgia).

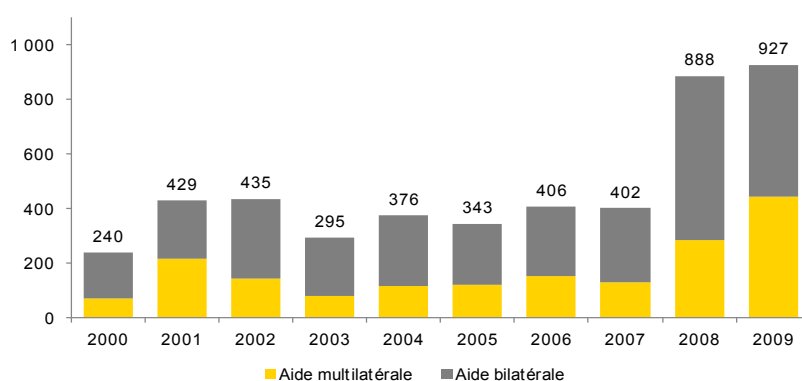
2.3 External coherence

Georgia attracts many donors and France plays a secondary role among these donors.

Georgia is seen as an attractive country, because of its efficient administration, its effective public policies and its resolutely Western focus. Despite its vulnerability following the 2008 conflict and a slowing economy, Georgia is still making major progress on implementation of its structural reform programme, on fighting corruption and on protecting foreign investments. Various international institutions rank Georgia's business climate as one of the best. The 2011 World Bank *Doing Business* ranking put Georgia in twelfth place, a gain of 26 places compared to its 2007 ranking. Between 2005 and 2009, 45 donors (17 multilateral donors and 28 bilateral donors) were present in Georgia.

At the end of the conflict between Georgia and Russia in the summer of 2008, the donors' conference held in Brussels committed 3.2 billion dollars in assistance from 2008 to 2011, which is double the annual ODA amounts received by Georgia since 2008. This outstanding effort led to **assistance flows equal to one third of Georgia's GDP** and mitigated the compounded effects of the armed conflict and the worldwide crisis.

Chart 1: Net ODA disbursements in Georgia (USD millions)

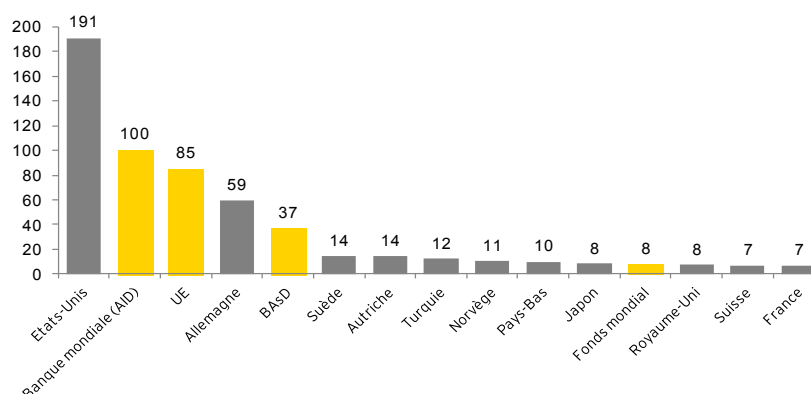


Multilateral assistance Bilateral assistance

Source: www.aidflows.org

The **United States** holds a dominant position as a bilateral donor in terms of ODA flows, with approximately 190 million dollars per year from 2005 to 2009, followed by Germany, with 59 million dollars per year. Multilateral donors, namely the World Bank and the European Union, rank second and third (see chart below).

Chart 2: Leading donors in Georgia
(average net disbursements in USD millions from 2005 to 2009)



United States, World Bank (IDA), EU, Germany, ADB, Sweden, Austria, Turkey, Norway, Netherlands, Japan, Global Fund, United Kingdom, Switzerland, France

Source: www.aidflows.org

The project complemented the action of other donors as part of the international post-conflict assistance

France announced the project, funded by the RPE, at the donors' conference in Brussels on 22 October 2008. The project was on the list of priorities drawn up by the donor community in the joint needs assessment report (estimated budget of 8 million dollars to replace the radars out of total needs estimated at 3.2 billion dollars). **RPE financing was coordinated with other donors** because it was announced at the conference and put on the list of priorities for Georgia.

The project is in line with the strategies and actions of the multilateral development banks and with the action of bilateral donors present in Georgia. French assistance **was clearly identified as coming from one of Georgia's partners in the aviation sector**.

Finally, **the project is neither complementary nor redundant with other forms of French development assistance** in Georgia, which focuses more on education and university cooperation, with a limited budget up until now. The AFD's recent mandate for action in Georgia opens up new possibilities of synergy for the Directorate General of the Treasury's project assistance instruments.

2.4 Appropriateness of processes and the RPE

The project financing is consistent with the RPE's objectives and operating procedures

The financing is consistent with the RPE's objectives and operating procedures. Georgia was not initially on the list of eligible countries for the project assistance instruments of the Directorate General of the Treasury in 2008, but a derogation was obtained to implement the project under an RPE loan agreement. The project met the various criteria for the instrument: high-potential beneficiary country, an RPE priority sector (transportation), and strategic investment with major potential impact on the development of the beneficiary country.

The financial terms of the loan agreement comply with the rules set by the OECD for tied aid loans and are particularly attractive for Georgia

1. a concessionality level of 41.89%, versus a minimum requirement of 35% for tied aid;
2. 100% financing by France (Directorate General of the Treasury);
3. a repayment term that is longer than average for RPE loan agreements.

The financing provided by the French government is part of the overall contribution of 7 million euros to post-conflict reconstruction in Georgia announced by France at the donors' conference that was initially to be made in the form of grants.

Table 3: Terms of the RPE loan agreement between France and Georgia to finance the replacement of radars

Loan features	
Total amount of the loan agreement	€4,690,000
French government loan	€4,690,000
Private loans guaranteed	€0
Proportion of loan to private loans guaranteed	100/0
Concessionality level	41.89%
Term of government loan	18 years
Grace period	6 years
Annual rate of interest	1.1%

French assistance turned out to be even more legitimate, since the RPE process proved its flexibility and its adaptability to Georgia's emergency

The project assessment process that usually applies to RPE financing was adapted for the Georgia project in order to achieve rapid replacement of the destroyed radar. Only six months passed between the destruction of the radars in August 2008, the signature of the RPE loan agreement in November 2008 and the entry into force of the commercial contract in February 2009.

This owes much to the responsiveness and intense involvement of French and Georgian authorities at the highest levels of government. The absence of a preliminary project assessment and competitive bidding also helped to expedite the launch of the project. The lack of a preliminary project assessment could have entailed a risk stemming from the absence of external opinions and detailed verification of the timeliness of the project, but, in practice, this did not affect the relevance or smooth implementation of the project, which did not require in-depth preliminary analysis, since it involved the straightforward replacement of destroyed equipment.

No verification was made of the coherence of the objectives and the expected outcomes prior to the launch of the project

The intervention logic was not defined before the project was launched. This was due to the urgency of the project and the need for rapid progress on negotiations under a tight schedule. Consequently, the various project documents proclaim many ambitious objectives, relating to post-crisis reconstruction, improving air safety in general and Georgia's economic development.

2.5 Impact for Georgia

The project produced utility and (mainly indirect) immediate impacts for Sakaeronavigatsia and for Georgia

By achieving rapid replacement of the destroyed radar, the project restored **Georgia's sovereignty and re-established its control over all of its airspace**. In 2011, it is one of the three Thales radar stations that Sakaeronavigatsia² has purchased. These three stations, along with a fourth American-made station, now provide **full primary and secondary coverage of Georgia's airspace**.

The radar models provided incorporate the latest technological advances. They are compatible with "S" mode and they comply with the international standards set by ICAO and EUROCONTROL. Sakaeronavigatsia does not yet use all of the radar functions, and more particularly the "S" mode information transmission between radars and aircraft to optimise surveillance operations, **the radars provided will be able to cope with the projected growth of air traffic in Georgia**.

Table 4: Flights and overflights in Georgia's airspace

	Overflights	%	International flights	%	Domestic flights	%	TOTAL	%
2006	60,253		10,919		583		71,755	
2007	64,299	7%	11,264	3%	882	51%	76,445	7%
2008	62,302	-3%	13,336	18%	736	-17%	76,374	0%
2009	60,902	-2%	12,726	-5%	542	-26%	74,170	-3%
2010	74,626	23%	15,277	20%	688	27%	90,591	22%
2011(I-X)	71,197	14%	14,569	14%	1,166	103%	86,932	15%

Source: Sakaeronavigatsia.

Less directly, the project helped **rebuild confidence in airspace safety** and the reliability of air navigation services in Georgia. This renewed confidence led to a **major increase in the number of flights and overflights in the territory covered** by Sakaeronavigatsia after 2010, with a 22% increase in 2010, compared to 2009. This generated enough revenue to cover maintenance of the equipment. The radar financed under this project contributed indirectly to the increase in both cargo and passenger air traffic in Georgia.

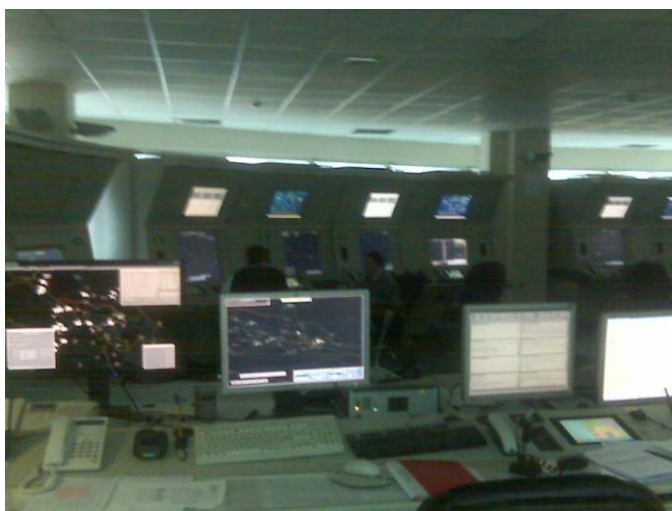
Traffic growth, combined with Georgia's determination to apply European and international safety standards, have led Georgia's civil aviation agency to carry out several projects simultaneously to bring its procedures and equipment into compliance. This project was part of the strategic plans to upgrade technology and modernise the civil aviation business sector in Georgia³ as determined by two main factors:

- ▶ adapting economic development to match European economic, political and social standards and levels (political determination to join the European Union);
- ▶ complying with international and European civil aviation standards and recommendations. Georgia is a Contracting State of the ICAO, a member of ECAC and is in the process of joining EUROCONTROL. It would also like to join IFATSEA.

² Another Thales radar was installed on Kvishiana hill near the Tbilisi airport in 2008. It was installed under a contract signed in 2003, and a third Thales radar was commissioned in Poti in 2010 under a contract signed in 2009. These two radars did not benefit from RPE financing.

³ The modernisation process was initiated before the project and stepped up in recent years, without any connection to the conflict with Russia and the destroyed radar.

Air traffic control centre (control tower)



Several infrastructure modernisation projects are planned in the short term. In addition to renovating the runway at Tbilisi airport, which has been identified as a post-conflict reconstruction need in Georgia following the 2008 conflict, Georgia is also planning to renovate the Kutaisi airport using its own budget to finance the work. Furthermore, there should be a modernisation project for the air traffic management system in the short term.

Georgia's membership of the ICAO and the ECAC has facilitated the harmonisation of practices and deployment of resources in compliance with European standards. Many areas of cooperation have been drawn up with EUROCONTROL, making it possible to draft the LSSIP report and the Local Convergence and Implementation Plan. According to the ICAO, Georgia is one of the five countries causing concern for the organisation, but remedial actions are now being implemented and have accelerated the upgrading process. In many areas, training is required to achieve international standards. The civil aviation agency still lacks tools, procedures, check lists, guides and orientation documents, etc. Fluency in English is also often a problem.

In addition, the EU and Georgia signed an air transportation agreement on 2 December 2010. This agreement brought Georgia into the European Common Aviation Area. This comprehensive agreement reinforces economic, trade and touristic relations between Georgia and the EU. It also makes Georgia a full partner of the EU in the area of air transportation.

2.6 Impact for France

The project provided major leverage for Thales, which now has three radars installed in Georgia

The project contributed directly to **enhancing Thales' position on the radar market in Georgia**. The leverage came into play with the signature of two further contracts in 2009 and 2010, worth a total of 4 million euros, for the supply of a third radar at Poti and the provision of maintenance services for the three Thales radars over a five-year period. The contract enabled Thales to develop a local relationship with the Georgian civil aviation agency. This relationship has now opened up attractive prospects for Thales, in addition to the radar market (air traffic management systems, assisted landing systems, etc.) The project could also provide leverage for Thales in the regional market with regard to American and European competitors.

The impact of the project for other French businesses in the sector and other sectors was more limited

On the other hand, there are few significant impacts for other French businesses. The spillover for sub-contracting small and medium-sized enterprises was limited. These sub-contractors did not develop special business relationships in Georgia and their contribution was not made with a view to opening up any prospects for the international development of their business.

In more general terms, **the project did not have any notable impact on French exports**. France still has a low profile in Georgia, despite growing numbers of initiatives to support businesses and promote opportunities in the Georgian market. Furthermore, Georgia may be a small market, but it is located in a wider region that offers attractive prospects for French businesses in such diverse sectors as infrastructure, hydroelectric energy management, tourism and agriculture. Georgia has a number of attractions for businesses seeking to develop their operations in the Caucasian region (business climate, in particular).

Table 5: Trade between France and Georgia from 2006 to 2010

France – Georgia Trade	2006*	2007*	2008**	2009**	2010**
Exports of goods and services to Georgia (USD millions)	74	101	55	58	72
Imports of goods and services from Georgia (USD millions)	31	12	58	8	12
France's trade balance with Georgia (USD millions)	43	89	-3	50	60

Sources: * Georgian Ministry of Foreign Affairs, **French Ministry of Foreign Affairs.

Most of all, the project strongly enhanced the image of France's international development assistance as a whole

The project was backed by Georgia's political leaders. The radar was inaugurated by President Saakashvili. It was a high profile project that enhanced the image of France's international development assistance as a whole, as can be seen in the Georgians' appreciation of the RPE financing granted and the rapidity of the response from French institutions and businesses. The French authorities demonstrated their ability to participate in the overall post-crisis reconstruction effort for a country successfully and rapidly.

The project had positive repercussions for the economic and financial partnership forged between France and Georgia. It was the first project to be financed by the RPE in Georgia since the reform of the Directorate General of the Treasury's financial agreements. It built up confidence between France and Georgia and helped forge close relations, especially in matters relating to transportation. It was followed by further assistance projects:

- ▶ ADPi obtained 0.7 million euros in financing from the Private Sector Aid Fund (FASEP) to carry out feasibility study for the renovation of the second runway at the Tbilisi airport. At the end of 2011, talks were under way on financing for the renovation work;
- ▶ SYSTRA is currently using FASEP financing of 0.93 million euros to conduct a feasibility study for building a tram network in Tbilisi in two stages;
- ▶ the RPE-financed project to provide equipment for a new ski resort in Mestia, in the north of Georgia, was initiated after an agreement was signed during the visit of President Nicolas Sarkozy on 7 October 2011. The project will be carried out by Pomagalski with a budget of some 18 million euros;
- ▶ other projects are being considered, by the AFD in particular. In addition to financing the renovation of the runway at the Tbilisi airport, the AFD may also take part in financing research into intercity bus services.

2.7 Recommendations

Given the findings of the project ex-post evaluation, **three main recommendations** are made.

Recommendation 1: continue the economic partnership with Georgia and seek to maximise complementary effects with France's other forms of development assistance in Georgia.

France's development assistance capitalised on the project: new projects were carried out (with or without financing from the Directorate General of the Treasury), and others are under way. New projects relating to civil aviation, and to the aeronautical sector more generally, are currently in the negotiation stage. The evaluation recommends:

- ▶ **continuing the type of relations forged with the Georgian authorities**, which are broadly based on good regular personal contacts and building mutual trust (economic staff at the French embassy, Thales, Georgian Civil Aviation Agency, Sakaeronavigatsia). These relations have given France a good grasp of Georgia's needs and enabled it to provide appropriate support. These relations helped to identify projects at an early stage and gave France a head start when it came to supporting French businesses and technologies;
- ▶ in addition to the transportation sector and France's recent presence in the tourism sector (RPE project in Mestia), where it enjoys a clear comparative advantage, France should **continue developing relations in other areas of French expertise, such as rail and hydroelectric energy**. This could be achieved under the memorandum of understanding on cooperation in transportation, tourism and energy signed by France and Georgia during the visit of President Nicolas Sarkozy in October 2011. Continuing France and Georgia's economic partnership is especially important, since there is great potential for expanding trade relations between the two countries;
- ▶ **in more operational terms, seeking to maximise** the complementary effects of RPE-financed projects and other existing and potential forms of development assistance between France and Georgia to develop mutual support. The possible synergy in the field of civil aviation with assistance provided by France's National Civil Aviation School, which is responsible for training Georgia's air traffic controllers, and the Directorate General of Civil Aviation, whose forms of development assistance still need to be defined, could be studied so that economic assistance is coupled with other types of assistance in the same sector.
- ▶ working more specifically with the AFD, which has been authorised to take action in Georgia since 2011, examining the possibilities for joint financing, ensuring that the Georgian partners receive clear information and messages about the specific features of the various assistance instruments offered by France.

Recommendation 2: enhance the impact for French businesses besides the company that won the RPE-financed contract

The project provided direct leverage for the company that signed the contract, but it had less of an impact for other French businesses. In operational terms, for this type of project, recommendation would involve:

- ▶ during the preparation stage: **establishing the necessary conditions to ensure positive repercussions for businesses other than the main beneficiary of the project** by promoting the selection of sub-contractors, where appropriate, to benefit companies that are likely to benefit from the project as part of an export strategy (conditions to be defined *ex ante*);

- ▶ during the execution stage: **coordinate the project with other existing export actions** (e.g. actions by MEDEF International, or events organised by the France-Georgia Chamber of Commerce and Industry);
- ▶ after completion of the project: in addition to using the contacts established, **capitalise on the success of the project through regional events** to promote France's expertise in civil aviation and aeronautics (e.g. organising trade shows, printing promotional brochures, etc.)

Recommendation 3: build on the experience with this project to promote the RPE and define a doctrine for using the RPE in post-crisis situations

The project demonstrated that the RPE is adaptable and provides value added for urgent post-crisis action: the RPE acted quickly to support Georgia's reconstruction effort. The success of the project was made possible by the responsiveness of the French and Georgian parties, and by a simpler project assessment process than usual (in particular, no competitive bidding and no preliminary project assessment). It would be helpful:

- ▶ **to use the experience of this project to assert and promote the RPE as a tool that can be used in this specific type of situation;**
- ▶ **to clarify the doctrine for RPE-financed action in urgent situations and to define the streamlined procedure**, e.g. by setting up a "rapid" preliminary project assessment system that would at least ensure that projects meet some of the key RPE criteria.

3 Evaluation by criterion⁴

Criteria		Rating				Remarks
		<div></div>	<div></div>	<div></div>	<div></div>	
Relevance and internal coherence						
Coherence of objectives		<div></div>	<div></div>	<div></div>	<div></div>	The declared objectives were ambitious and unrealistic (relating to air safety as a whole). The undeclared objectives were preponderant (showcase for French development assistance, windfall for France).
Relevance of objectives with regard to Georgia's priorities and needs		<div></div>	<div></div>	<div></div>	<div></div>	
Relevance of objectives with regard to France's priorities and needs		<div></div>	<div></div>	<div></div>	<div></div>	
External coherence						
Compliance with the RPE eligibility criteria		<div></div>	<div></div>	<div></div>	<div></div>	
Coherence with other French development assistance instruments		Neutral				
Coherence with development assistance from other donors		<div></div>	<div></div>	<div></div>	<div></div>	
Quality of implementation at the institutional level						
Quality of project assessment		<div></div>	<div></div>	<div></div>	<div></div>	Rapidity, adaptability/flexibility and strong involvement of authorities, but no preliminary project assessment (potential risk factor).
Quality of project oversight by French administration		<div></div>	<div></div>	<div></div>	<div></div>	
Operational effectiveness and efficiency						
Technical and financial execution		<div></div>	<div></div>	<div></div>	<div></div>	
Compliance with timetable, beneficiary satisfaction		<div></div>	<div></div>	<div></div>	<div></div>	
Technical and financial performance		<div></div>	<div></div>	<div></div>	<div></div>	Technical performance affected by minor points requiring attention that are not specific to the project: lack of English language fluency of the ATSEPs trained under the project, defective spare parts and defective parameters of radar software during initial operation.
Outcomes and impacts						
Economic, technical and institutional impacts for Georgia		<div></div>	<div></div>	<div></div>	<div></div>	A project to replace destroyed radar that was necessary for Georgia. The project had immediate impacts on surveillance of the airspace, but its impacts on overall airspace safety were indirect only owing to the large number of external factors.
Leverage for French contractors		<div></div>	<div></div>	<div></div>	<div></div>	Strong leverage for Thales, weak leverage for other French businesses.
Impacts on promoting French technology and know-how		<div></div>	<div></div>	<div></div>	<div></div>	A generally positive image of French technology and know-how, which was sustained by this project
Other impacts for France		<div></div>	<div></div>	<div></div>	<div></div>	Very large impact on French-Georgian relations and continued economic cooperation between the two countries.
<div></div>	Very satisfactory relevance, efficiency, coherence, or very strong impact				<div></div>	Unsatisfactory relevance, efficiency, coherence, or weak impact
<div></div>	Satisfactory relevance, efficiency, coherence, or strong impact				<div></div>	Highly unsatisfactory relevance, efficiency, coherence, or negligible impact

⁴ Scorecard required under the terms of reference for the evaluation.

4 Acronyms

ADB	Asian Development Bank
AFD	<i>Agence Française de Développement</i>
ATC	Air Traffic Control
ATM	Air Traffic Management
CCI	Chamber of Commerce and Industry
DG Treasury	Directorate General of the Treasury of the Ministry for the Economy and Finance
EC	European Commission
ECAC	European Civil Aviation Conference
ENAC	<i>École Nationale d'Aviation Civile</i> (National Civil Aviation School)
EU	European Union
FASEP	<i>Fonds d'Aide au Secteur Privé</i> (Private Sector Aid Fund)
GDP	Gross Domestic Product
HDI	Human Development Index
ICAO	International Civil Aviation Organisation
LSSIP	Local Single Sky ImPlementation
MAE	<i>Ministère des Affaires Etrangères</i> (French Ministry of Foreign Affairs)
MEDEF	<i>Mouvement des entreprises de France</i> (French Employers' Association)
RPE	<i>Réserve Pays Émergents</i> (Emerging Country Facility)
SME	Small and Medium-sized Enterprises
USSR	Union of Soviet Socialist Republics

Steering Committee Members

Ex-post evaluation of the project to restore airspace safety in Georgia financed by the Emerging Country Facility (RPE)

1. Chair:

- Franck Giraud, Minister for Ecology, Sustainable Development, Transport and Housing, Directorate General of Civil Aviation (DGCAC) –Department of International Cooperation

2. Steering Committee Secretary:

- Michelle Marlard, Deputy Head of the Development Activities Evaluation Unit (UEAD), Directorate General of the Treasury (Ministry for the Economy and Finance)

3. Ministries:

Ministry for the Economy, Finance and Industry

- Gaëlle Assayag, DG Treasury (Turkey, CIS, the Balkans and the Middle East Office)
- Jonathan Gindt, DG Treasury (Project Assistance Office)
- Daniel Patat, DG Treasury - Bakou Economic Department (responsible for Georgia)

Ministry of Foreign and European Affairs

- Julien Paubert – Directorate for Continental Europe (Sub-Directorate for Caucasus and Central Asia)
- Axel Champey – Directorate General for Globalisation, Development and Partnerships (Sub-Directorate for Innovation and Business)

4. Agence française de développement (AFD):

- Laurent Fontaine, Evaluation Office

5. Other experts:

- Bernard Lemperière, Natixis - Deputy Director of Institutional Operations
- Philippe Tichadelle-Sue – National Civil Aviation School (Head of Programme)

STEERING COMMITTEE'S ASSESSMENT OF THE CONSULTANTS' WORK

In compliance with the quality standards for development evaluation established by the OECD Development Assistance Committee, the Directorate General of the Treasury drew up an evaluation quality grid for the consultants' work with ten criteria. Each Steering Committee member fills out the grid at the end of the evaluation and their ratings are aggregated to obtain an indicator of the quality and relevance of the evaluation findings.

1. Rationale, purpose and objectives of the evaluation	++	+	=	-	--	Rating: 4.8/5ⁱ
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The report describes why and for whom the evaluation is being undertaken and why it is carried out at a particular point in time. The evaluation's purpose is in line with the learning and accountability function of evaluations. The objectives of the evaluation specify what the evaluation aims to achieve.

The purpose and objectives of the evaluation are perfectly well defined (relevance, effectiveness and efficiency of the project, compliance with the RPE criteria, internal and external coherence, impact on support and leverage) and covered in the final report.

2. Evaluation scope	++	+	=	-	--	Rating: 4.6/5
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The scope of the evaluation is clearly defined (issues covered, funds spent, the time period, types of intervention, geographical coverage, target groups, etc.) The evaluation report analyses the intervention logic and distinguishes between findings at different levels (inputs, activities, outcomes and impacts). The DAC criteria are applied. If a particular criterion is not applied, this is explained in the evaluation report, just as any additional criteria applied. The evaluation questions are clearly answered.

The scope of the evaluation is not very clear at the beginning of the report (the title is confusing), but this was cleared up by the Steering Committee and the DAC criteria were met. The logic for this post-crisis intervention was described very well, with detailed and specific answers to the evaluation questions.

3. Context	++	+	=	-	--	Rating: 4.4/5
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The evaluation report provides a description of the development agency's and partners' policy documents, objectives and strategies. The evaluation report provides a description of the institutional environment, the socio-political context as well as the implementation arrangements.

The specific context of this post-crisis action (conflict with Russia, Donors' Conference, importance of re-establishing airspace safety and acting rapidly, etc.) was very well explained, along with the donor's and the beneficiary's strategies and objectives. The Steering Committee's assistance made decisive contribution to this.

4. Methodology	++	+	=	-	--	Rating: 4.2/5
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The report describes the evaluation methods and process and discusses its validity and reliability. The choices are justified and any limitations and shortcomings are explained. Relevant stakeholders are involved in the evaluation process. The report indicates the criteria for their selection and describes stakeholders' participation. The sampling criteria are presented and explained.

The methodology applied by Ernst & Young was satisfactory. However, it required the Steering Committee to make some adjustments, since Ernst & Young did not initially have all the necessary expertise to understand the structure of air navigation services in Tbilisi. The choice of stakeholders and their contributions, which were approved by the Steering Committee, were very satisfactory. Despite its initial shortcoming, Ernst & Young managed to carry out its evaluation in compliance with the methodology submitted to and approved by the Steering Committee. There was no sampling, but sampling did not seem necessary for this type of specific evaluation of a given project.

5. Information sources	++	+	=	-	--	Rating: 4.6/5
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The report describes the information sources used in sufficient detail and ensures that they are valid by cross-checking data and applying various methods. Lists of the interviewees and the consulted documents are included, with due regard for confidentiality.

The information sources were also properly verified and validated. Once again, Ernst & Young's initial lack of air navigation expertise required some discussions with the Steering Committee to ensure proper evaluation of the data. The large number and diverse range of contacts ensured the validity of the information gathered. The contacts are listed in the report, with due regard for confidentiality.

6. Independence	++	+	=	-	--	Rating: 4.4/5
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The report confirms the independence of the evaluators; possible conflicts of interest are addressed openly. The evaluation team (gender balanced and including local consultants) has experts in various areas and stated that it was able to work freely without any interference, and that it had access to all relevant information.

The group of experts in various areas was balanced. Ernst & Young, which is not specialised in air navigation, did not report any conflicts of interest and turned out to be completely independent. This independence was extended to their recommendations, which were not necessarily approved by all Steering Committee members. However, the limits on this independence (the team worked exclusively with documents provided by the interviewees) are stressed in the report.

7. Evaluation ethics	++	+	=	-	--	Rating: 4.2/5
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The evaluation process shows sensitivity to the participants' welfare. It was conducted with integrity; anonymity and confidentiality were protected. The members of the team were able to disagree with particular judgments or recommendations. The disagreements are explained.

Ernst & Young's independence, particularly in the field of air navigation, along with the methods used, guaranteed the integrity of the evaluation. However, at the Steering Committee meetings, the consultants at times seemed to take the remarks made by the Committee somewhat too personally.

8. Quality assurance	++	+	=	-	--	Rating: 4.2/5
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Stakeholders were given the opportunity to comment on findings, conclusions and recommendations. Quality control is exercised throughout the evaluation process.

The French stakeholders had many opportunities to talk during the Steering Committee meetings, making a major contribution to the quality of the evaluation. Even though the Steering Committee decided not to hold a workshop to present the evaluation findings, some members felt that such a workshop, attended by external experts, would have produced a more global vision of the report.

9. Relevance of the evaluation results	++	+	=	-	--	Rating: 4.2/5
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The findings and lessons learned are relevant to the evaluation objectives. Any discrepancies are explained. The evaluation is conducted within the allocated time and budget.

Except for a small delay with respect to the initial timetable, the evaluation was conducted on schedule and on budget. The findings are very relevant, even though the nature of the evaluation meant that there was unlikely to be any doubt about the tenor of its findings.

The recommendations are relevant even though the first two ("continue the economic partnership with Georgia and seek to maximise complementary effects with France's other forms of development assistance in Georgia" and "enhance the impact for French businesses besides the company that won the RPE-financed contract" seem to be somewhat simplistic. There are disagreements about the substance the evaluators' recommendations, but the proposals made are within their remit.

10. Completeness	++	+	=	-	--	Rating: 4.4/5
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The evaluation report answers all of the questions asked. It includes an executive summary. The conclusions, recommendations and lessons learned are presented with a clear logical distinction between them and they are backed up by the findings and the analysis presented in a logical manner.

No special remarks to be made on the form of the report. On the substance of the report, some passages draw broadly on the documents provided by the people interviewed or found on the institutional websites. Some of the recommendations, such as Recommendation 3 on the need to adapt the RPE to post-crisis situations) could have been developed further.

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