ITF / IOM / ADA

South Caucasus Socio-Economic Reintegration Programme for Mine Victims (Phase III)

Interim Review Report

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Contents

Glossary

ADA	Austrian Development Agency
CDFTA	Comprehensive and Deep Free Trade Agreement
CRPD	Convention on the Rights of Persons with Disability
DPO	Disabled Persons' Organisation
ERW	Explosive remnant of war
EU	European Union
GDP	Gross domestic product
GRDF	Georgian Rural Development Fund
ICRC	International Committee of the Red Cross
ILO	International Labour Organisation
IOM	International Organisation of Migration
ITF	ITF Enhancing Human Security
M&E	Monitoring and Evaluation
MFO	Microfinance organisation
MoD	Ministry of Defence
MoES	Ministry of Education and Science (Georgia)
MoLHSA	Ministry of Labour Health and Social Affairs (Georgia)
MoLSI	Ministry of Labour and Social Issues (Armenia)
MV	Mine victim
NGO	Non-government organisation
OECD-DAC	Organisation of Economic Cooperation and Development – Development Assistance Committee
PWD	Person/people with disability
SESA	State Employment Services Agency (Armenia)
SME	Small and medium-sized enterprise
SME-DNC	Small and Medium Enterprise Development National Center (Armenia)
SSA	Social Service Agency (Georgia)
UN	United Nations
US	United States
UXO	Unexploded ordnance
VET	Vocational Education and Training
VTB	VTB Bank (Armenia)

Summary

This report presents findings of the **interim** review of the third phase (phase III) of the ITF/IOM/ADA project: '*Socioeconomic Reintegration for Mine Victims in the South Caucasus*'. This phase concentrates on intervention in two countries of the region: **Armenia** and **Georgia**.

The review process was conducted by an independent consultant, using remote interview with key informants in Armenia, and in-field interviews in Georgia.

The report includes an introductory section, assessing the economic, social, political and geopolitical context of project implementation in the region, and a main section following OECD-DAC/ADA standards on review/evaluation criteria – **Relevance, Efficiency, Effectiveness, Impact and Sustainability**. Additional, cross-cutting themes (**equity, gender, environment**) are woven into observations throughout and, where relevant, included as distinct commentary at the end of the body of the report.

A major focus of the interim review report is on **Sustainability**, not least since it may be argued that the interim stage of the third (and probably final) phase of the donor-supported project is the logical one in which to interrogate likelihood of project methods and/or objectives being sustained in the post-project period.

The major findings of the report are:

- A focus on mine victims (MV, as a distinct but continuous part of the wider community of persons with disability (PWD) is **legitimate** both conceptually and in relation to the politics and socioeconomics of this region.
- Project concept and design are sound, and management of day-to-day activities shows evidence of **conscientiousness** and **competence**.
- Localised effect of the project's interventions (on direct beneficiaries) appears positive – though impact remains to be judged for phase III. Significant **barriers** continue to limit the number of MVs willing to take up project offers of support.
- As a result, the scale of direct beneficiaries is **relatively very small** – which calls into question the cost-efficiency of the project model and its sustainability over the long-term.
- Although significant work has been put into identifying follow-on partners to take over and sustain project microfinance facilities in both countries, there are questions as to whether

such mechanisms truly reflect a **sustainability** which combines effective management of process with the principle of exceptional support to a particularly vulnerable group, and scale-efficiency of participation allowing for institutional and financial viability over the long-term. Clear criteria for hand-over are the necessary basis for selecting the appropriate local candidate organisation or entity (recognising that Georgia and Armenia are at somewhat different stages in this process, but equally recognising that both hand-over processes are, according to the analysis provided in this report, likely to be challenging both in the short-term and in terms of the concept of sustainability).

- Continuing provision of microloans and other support to a relatively small constituency of MVs beyond the end of the current project phase may constitute technical sustainability, but it would likely not achieve **broader change** in the conditions of a larger community of MVs and PWDs that appears to be at the heart of the project's original concept.

- It is suggested that, given positive changes in the administrative, political and policy environment for public sector and public-private support to PWD rights and inclusion in both Armenia and – in particular – Georgia, a greater degree of sustainable impact may be achieved by combining attention to continuing microfinance models and allocating project energy and resources to **targeted advocacy initiatives** over the remaining period of implementation. Suggestions for detail of such initiatives are given in the body of the report.

Introduction

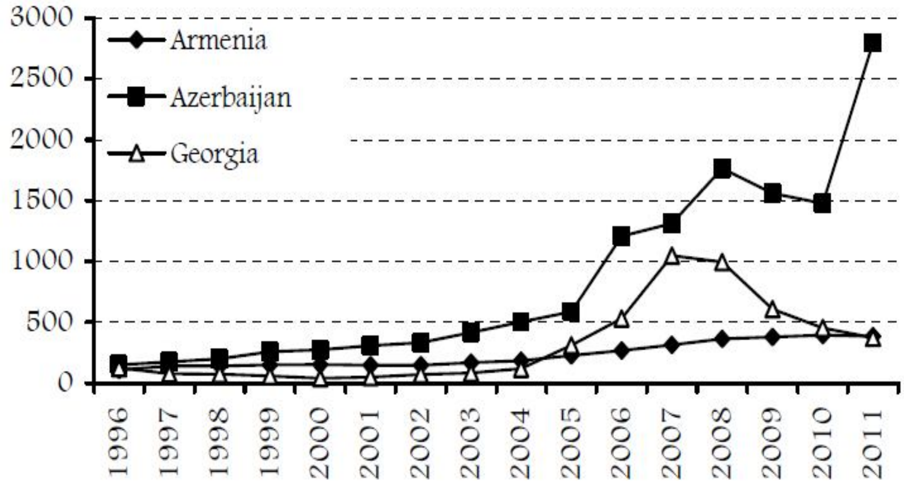
Several periods of sustained, extensive and highly kinetic warfare in the principal territories of the South Caucasus (Armenia, Azerbaijan, Georgia) have left a region substantially contaminated by landmines, unexploded ordnance (UXO) and other explosive remnants of war (ERW), as well as a small but significant sub-population of people injured and left often with permanent disability as a result (see map 1).

Map 1: Conflict dynamics in the South Caucasus

Excepting Azerbaijan – whose economic profile has been boosted since the expansion of commercial oil exploitation after 1994 – Armenia and Georgia both reflect post-Soviet conditions since 1990, incorporating extensive bureaucratic infrastructure of governance including for welfare, with sclerotic government, and sharply falling economic indicators in the initial period. In the later 1990s and the early 2000s, both Armenia and Georgia showed promising signs of economic recovery.

In Georgia, in particular, conflict in the late 2000s may have led to reallocation of national resources from social and productive sectors to defence and security spending (see graph 1). Yet we see that military spending as a proportion of total national budget in both Armenia and Georgia is moderate by 2011, compared with Azerbaijan, though still following an upward gradient over the longer term.

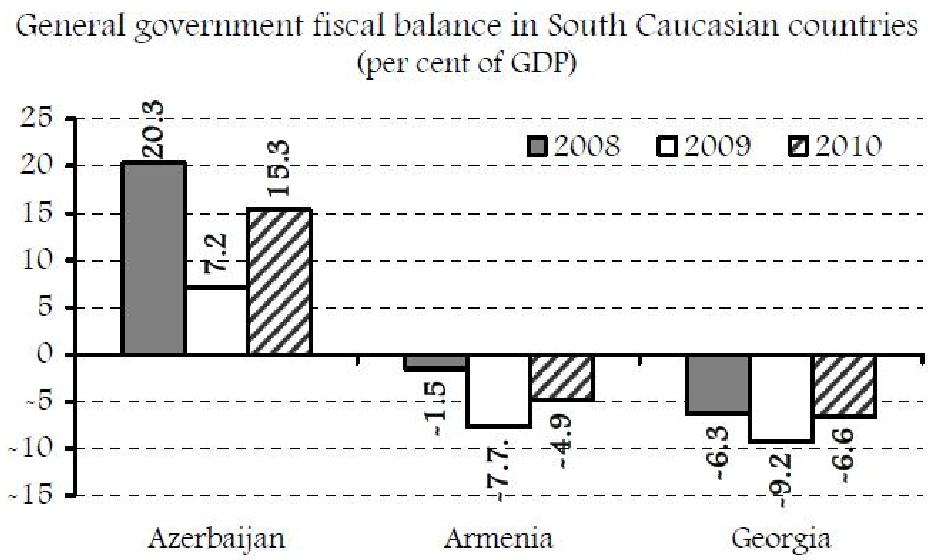
Graph 1: Military expenditure for Armenia, Azerbaijan & Georgia, 1996-2011



Source: SIPRI military expenditure database.

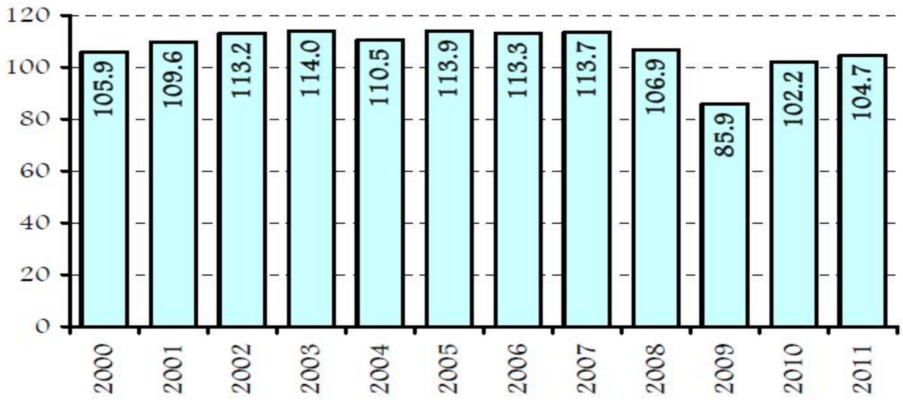
As, or more, important, is the apparent effect of the global economic crisis hitting both countries' economies hard after 2008 (with Georgia's banking system particularly adversely affected as a result of its closer links, after 2003, with US financial institutions). We can see that, excepting Azerbaijan, fiscal balance in both Georgia and Armenia has deepened negatively in the post-crisis period, with a slightly stronger recovery in the latter country. Both countries report more recent return to GDP growth – estimated at 7.2% for Armenia and 6.2% for Georgia – for 2012.

Graph 2: Fiscal balance in South Caucasian countries, 2008-2010 (% of GDP)



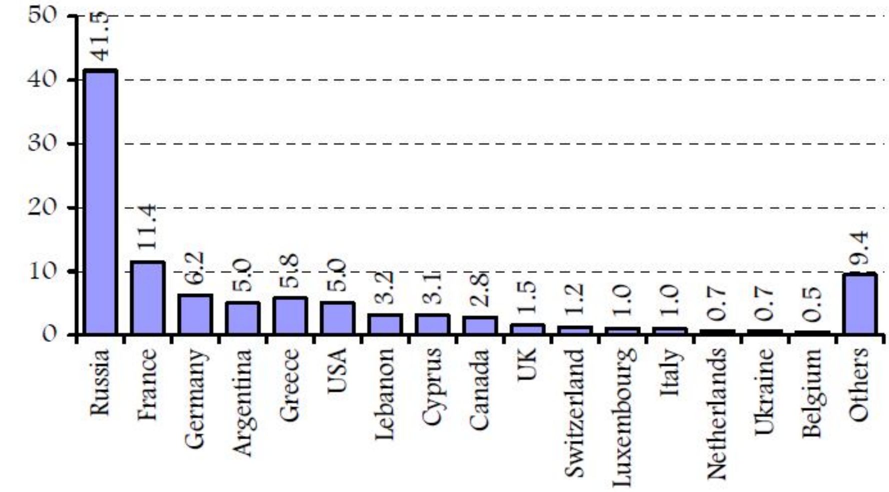
The impact of the global economic crisis in Armenia was relatively deep between 2008 and 2009, with residual decreases in foreign direct investment in 2010 and 2011 (graph 3), and continuing heavy reliance on trade with Russia (graph 4).

Graph 3: GDP growth rate, Armenia, 2000-2011



Source: National Statistical Service of Armenia; http://www.armstat.am

Graph 4: Armenia external tradition partners (proportion of total)

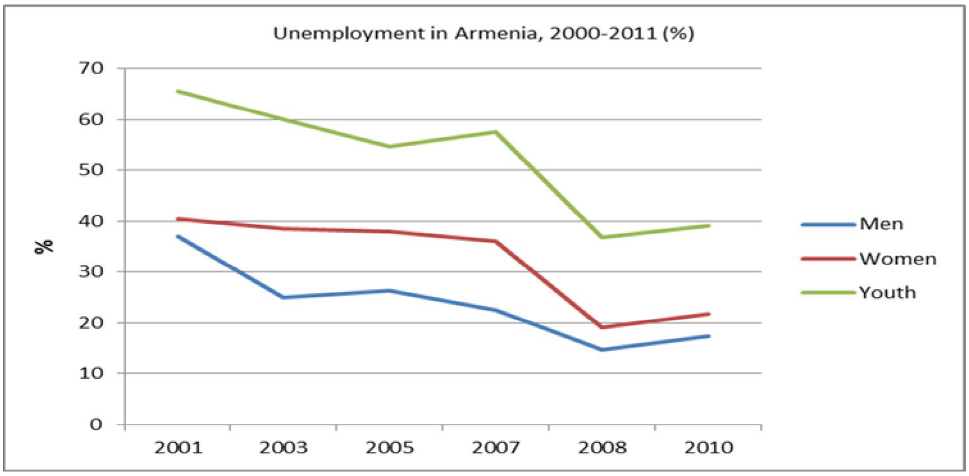


Source: Armenian Economic Association; http://www.aea.am/econdata.html

However, unemployment (according to official data) has fallen over the period from 2000, for both men and women – with early gains in male employment replaced by considerably accelerated reduction in female unemployment from 2007. Youth unemployment, whilst falling, remains a major challenge in Armenia (graph 5).[1]

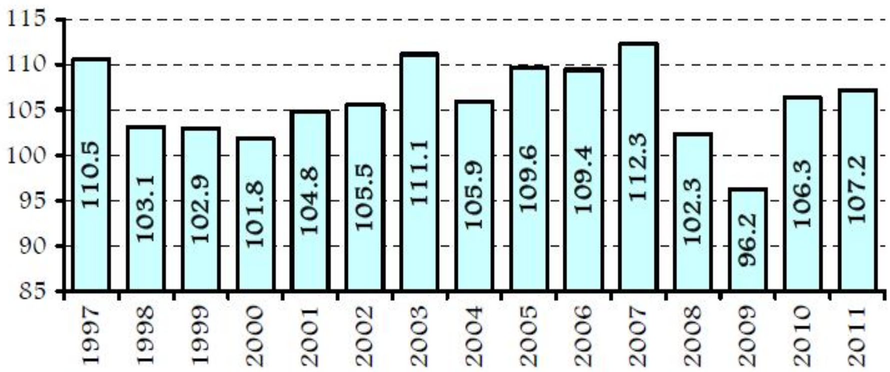
[1] Though the pitch of reduction in unemployment after 2007-08 in part reflects a change in the methodology of measurement adopted by the International labour Organisation.

Graph 5: Unemployment in Armenia, 2000-2011 [author's calculation]



Slower growth in Georgia in the early 2000s was replaced by relatively healthy growth in the mid-2000s, partly resulting from improved investor confidence in early reforms by the Saakashvili administration. The dual impact of the global economic crisis and the 5-day war, however, had a significant downward impact on growth rates, but with signs of recovery returning relatively quickly (graph 6).

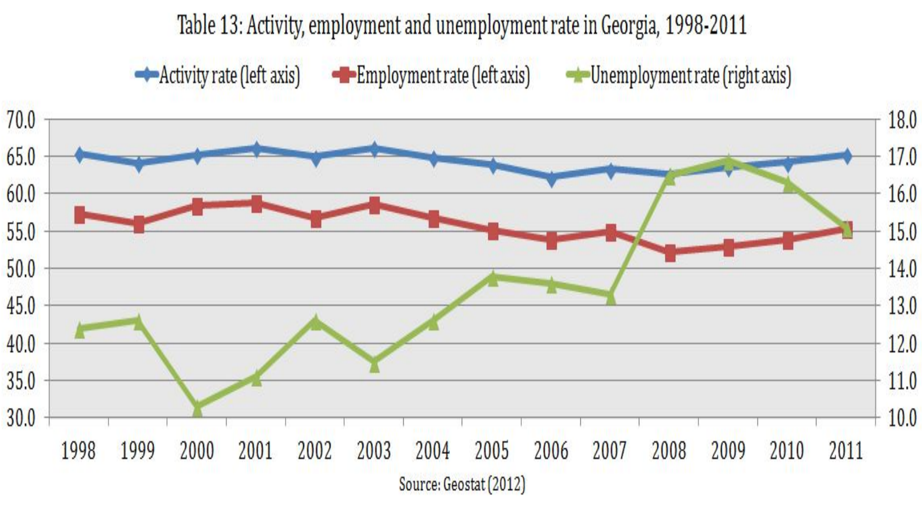
Graph 6: GDP growth rate, Georgia, 2000-2011



Source: National Statistics Office of Georgia;
http://geostat.ge/index.php?action=page&p_id=119&lang=eng

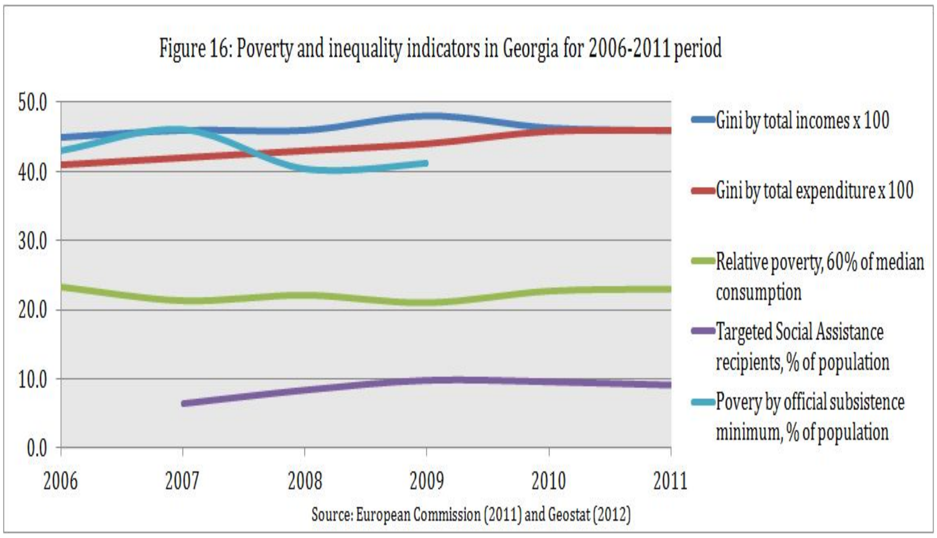
Notwithstanding this return to growth in the latter period, unemployment in Georgia (according to official data) rose relatively steeply throughout the decade from 2000 (graph 7) – probably reflecting the social effects of some of the major liberal reforms over this time. Overall unemployment peaked at 17% in 2009, falling back to 15.1% (est.) for 2013. Unofficial estimates of unemployment, though, are considerably higher. For both Georgia and Armenia, there is little consistent evidence on which to estimate the scale of unemployment among vulnerable groups such as mine victims and the wider community people with disability. This significantly hampers the development of social and economic policies designed to provide special assistance to such groups.

Graph 7: Unemployment in Georgia, 1998-2011



At the same time, relative and official subsistence poverty in Georgia have either been steady or on the rise, while the requirement for social assistance has, as one would expect, also been increasing over the period from 2006 (graph 8).

Graph 8: Poverty and inequality indices, and targeted social assistance expenditure, Georgia 2006-2011



Within the general picture of some return to economic health in terms of national GDP growth in both Armenia and Georgia, we see in both countries continuing relatively high proportions of population employed in rural sector activities, but relatively low contribution of agricultural production to national growth. We see poor capital mobility continuing to act as a brake on local entrepreneurial energy. We see evidence of high and entrenched unemployment, and anecdotal suggestion of very high relative rates of unemployment among people with disability. We see some evidence of youth emigration, and an aging residual population in poorer households increasingly reliant on external remittances.

In terms of government social and economic policy at a general level and specific to assistance to vulnerable groups such as PWDs/MVs, we see some interesting and potentially positive signs on paper (these will be explored in more detail in the main body of the review under Sustainability). However, the principal danger is that progressive policy changes in favour of enhancing support for socioeconomic integration among vulnerable groups (the key policy context for the ITF/IOM/ADA project) remain just that – paper commitments without solid evidence of implementation. There is a key opportunity at the present juncture in both countries (though perhaps more acutely in Georgia for the present analysis) to ramp up advocacy with government ministries and departments whose policies have a bearing on conditions for socioeconomic integration among PWDs/MVs. This is a central finding of the review – one that will be set out in more detail in the main body of the report.

A final note, though, must go to the wider regional and geostrategic context of the South Caucasus in early 2014. On one hand, prospects for regional economic integration – which have a clear bearing on prospects for small business development and wider employment trends – are in the balance as wider political and military interactions – specifically between the Russian Federation and Ukraine – play out. On the other hand, it may be expected that EU and US interests in the region will remain active, in particular as free-trade agreements and processes towards European accession are developed.

Between entrenched poverty, exclusion and underemployment among PWDs/MVs in both Georgia and Armenia, and significant geopolitical uncertainty, return to economic health and ostensible shifts in public policy in favour of more active support to disadvantaged groups in both countries offer a window of opportunity into which the ITF/IOM/ADA project's experience of microfinance and employment support as strategies for enhancing socioeconomic reintegration of MVs (as part of the PWD community) can very valuably fit. Alongside continuing work with direct beneficiaries, this policy opening may be a key opportunity in the remaining period of phase III's implementation, especially with a view to sustaining project impact following completion of the intervention.

Review Outcomes

The remainder of this report focuses on the five core dimensions of review/evaluation as set out in both OECD-DAC and ADA literature – Relevance; Efficiency; Effectiveness; Impact & Sustainability. Where relevant and possible, comment will also be made on three further cross-cutting aspects of project and programme implementation – Equity, Gender & Environment. In each dimension, comments will be made specific to each of the two country projects under review (Armenia and Georgia) and on commonalities where they emerge in the analysis.

1. Relevance

The relevance of this project in both Armenia and Georgia remains unchanged (e.g. from prior review reports) and broadly positive. Notwithstanding some statutory provisions for people injured and living with resultant disability in both countries, those mine victims who lie outside the stipulated category of former military employees continue to constitute a significant constituency of marginalised need – defined by economic poverty and social exclusion. This is a highly legitimate focus for additional and/or supplementary support.

Government in both Armenia and Georgia have demonstrated willingness to develop policy in the fields of rights and economic inclusion relevant to PWDs and MVs – the positive aspects of the evolving policy field contextualising this project will be explored further under the dimension of Sustainability. However, for the present, the ITF/IOM/ADA project remains the only (or most significant) material project effort to engage with and intervene in support of mine victims as a distinct group of need in both focus countries. At the same time, there is strong documentary and field-based evidence that the project in both Armenia and Georgia has, in the design of the third phase, engaged proactively and intelligently with the wider legal and policy context of government and governance relating both to victims of war and wider PWD issues. It remains to be seen whether this expanded and deepened approach to contextual analysis and understanding can be translated into increasing impact in terms, for example, of effective advocacy and policy change.

Indeed, the project as a whole (including both country interventions) has shown significant positive signs of design evolution through phases I and II, in particular increasing its connective approach to mine victims, situating them in its work increasingly as a part of the wider community of people with disability. This has the capacity to improve project relevance in two distinct respects – both building the project’s ability to capitalise on substantive changes in the wider policy and programming domain of PWDs, and – at the same time – increasing the potential policy and programme design value to that wider domain of the project's distinct experience of working with mine victims. The articulation of mine victims with the wider community of PWDs is a coherent approach to take, given the positive position of both country governments (as of early 2014) on the UN's Convention on the Rights of Persons with Disability (CRPD), relative to a much less clearly positive position with respect to key international humanitarian legislation around landmines, UXO, ERW and assistance to victims.[2]

This approach is also consistent with – and in fact pre-visioned – new strategic thinking within the UN mine action sector, where the current 4-year strategy for UNMAS encourages a focus on victim assistance that incorporates mine victim interventions within the broader rights-based policy and programme domain of the CRPD.

2. Efficiency

Project implementation in both Armenia and Georgia continues to demonstrate a high level of efficiency with respect to design and management of project processes. Project design documents show an admirable responsiveness to the assessment of prior phases, and interviews with key staff and external project counterpart organisations suggest strong performance in both managing the project and engagement – both with beneficiaries and with networks of NGO and state partners.

In terms of managerial and technical administration of the initiative, both country projects demonstrate sound leadership, backed by fairly rigorous documentation of beneficiary engagement and participation processes. There has been a clear increase in the attention to, development and use of more clearly disaggregated beneficiary profiling, including gender, age and rural/urban status, in order to understand who is engaging with the project (and by extension, who among MVs is not).

A major brake on the efficient design and delivery of interventions for mine victims (and PWDs more widely) is the poverty of reliable data on such groups – this is more substantively an issue for Georgia, where Armenia maintains an official register of PWD unemployment (GEOSTAT does not do the same). Although a database of MVs in Georgia has been under development and refinement for several years under the leadership of ICRC, culminating in 2013 in an estimate of an additional 300

[2] Primarily, the Mine Ban Treaty (Ottawa, 1997) and the Convention on Cluster Munitions (Oslo, 2008).

MVs on top of the original estimated MV population, this database could be more widely circulated, accepted and used. This is not an issue that reflects on the project directly. However, advocacy to ensure that data on MVs/PWDs are being strengthened is a vital basic aspect of ensuring that the project's governmental, non-governmental and intergovernmental partners are all focused on the same figures. Improving government-held data on rates of employment and unemployment among PWDs, including MVs, would be a very significant step in advocating for action on what may safely be assumed to be a major problem of disadvantage and under-employment amongst these vulnerable groups. Better data on PWD employment rates would also allow the project and its partners more accurately to assess how well government and other PWD employment programmes (including the Georgia Action Plan, 2013-16) are working in delivering higher rates of employment to disabled and MV constituencies. Expanding government capacities in, and commitment to robust use of, better data on socioeconomic conditions of MV/PWDs would be a major achievement in both country contexts, but perhaps for now with some clearer areas for improvement (in employment and education in particular) in Georgia.

A central element of partnership for the project in Georgia has been the operational relationship with ICRC. There is some evidence of improved coordination between IOM and ICRC, cross-checking participation of MVs in the ICRC grant-based support project with subsequent participation in IOM's microfinance intervention. This is a positive development. However, it would be useful to develop this further, by maintaining a record of project beneficiaries who are also beneficiaries of wider government support programmes. For example, it was unclear whether – or to what extent – IOM project beneficiaries were also accessing government initiatives to support PWD employment and enterprise. In the Armenian project, government, through SESA, reports starting to pilot small-scale enterprise support schemes, which could be of value to MV/PWDs. In the case of Georgia, IOM is already attempting to maximise the utility of the revitalised employment support units through information and outreach work with MV/PWDs who could benefit from it.

The major issues, with respect to efficiency in this project, are more pertinently related to the scale at which intervention services are being offered and utilised and, as a consequence, the cost-efficiency of the intervention model as a whole. Relative to the number of MVs in each country (and in both cases, relative to the much larger community of PWDs), the number of direct beneficiaries in both the Georgian and Armenian projects is relatively very low (including both vocational training and employment support, and self-employment/business microfinance). Given the necessary administrative and operational overheads attendant on implementation of projects such as this, it is important and incumbent on the operational agency/ies in future intervention design to consider, assess and demonstrate the relative cost-effectiveness (or cost-efficiency) of their project model. In so doing, it is legitimate to demonstrate lower or equivalent cost per capita of delivery to beneficiaries (and degree of benefit per unit of expenditure) when compared with other microfinance initiatives of a similar operational structure, or with alternate microcredit models such as commercial loan or community-managed revolving loans. But it is also legitimate to demonstrate the necessity of higher per capita costs (should this be the case) given the specialised context and specific requirements of the beneficiary group in question. This project's intensive, often one-to-one engagement with MVs is very valuable in terms of engaging and motivating especially vulnerable people. But the expense of operating in this manner through independent, external funding, may well transpire to be unsustainable.

It should be noted that the relatively small scale of loan beneficiaries in both Armenia and Georgia is, at least in part, determined by the scale and structure of the project funding as provided by the donor. Equally, the size of loan-to-beneficiary is strongly determined by the relatively limited demand for such loans, and the need for individual loans to be at a scale which is considered meaningful (primarily for business extension/expansion rather than for wholesale business start-up, for which a significantly larger starting fund would be necessary). Further commentary on a per capita cost analysis of the microloan component of this project, as a guide to genuinely realistic fiscal sustainability of a revolving fund after handover, is given under *Sustainability*, later in the report.

A consequential conclusion is that, following on from the valuable experience about how effectively and efficiently to engage with MVs and PWDs generated by the project in phase II and the first half of phase III, some more energy and resources could legitimately be used in the second part of phase III in developing project advocacy with partners, multi-actor institutions, and government in both countries, to try to motivate, inform and shape new state-level policy providing systemic and sustainable support to PWDs and within this MVs. It is interesting that, in Georgia, IOM's efforts to support national, ministerial and departmental action on strategies for economic inclusion among MV/PWDs have at the point of this report's submission, been somewhat rebuffed. It is possible that this is the effect of institutional resistance to new, inclusive practices which are challenging in terms of the capacities of core governmental staff. IOM's offers to support more systematic approaches to institutional support for MV/PWDs should be acknowledged.

3. Effectiveness

At the interim stage of a project review, assessment of 'effectiveness' is most usefully based on evidence of the delivery of project objectives, set against overall targets, bearing in mind the likelihood of maximum 50% objectives completion at the midway point. This section, following main-beams of the project's logical framework and M&E plan, will provide an interim assessment of delivery in four key project areas: Outreach; Employment support and job placement; Microfinance provision (including training); & Awareness.

Outreach

Of an estimated pool of 815 potential MV beneficiaries in Georgia, 387 households were included through outreach activities in the first year of phase III, with 328 persons registered to the project at a basic level of interest.[3] In the first quarter of 2014, an additional 234 people have been contacted through outreach activities, with 154 of these converting outreach into registration. This is an impressive rate of outreach overall and in the most recent reported data.

At midway point, this reflects a solid rate of primary contact with MVs. The ratio of persons contacted to those registered is also good. However, it should be noted that if there is further outreach in the second period of phase III, it will be important to distinguish between 're-contact' with households already reached in the first period, from new contacts (who would effectively increase the cumulative total as a proportion of the whole pool).

In Armenia, 264 of an estimated 585 beneficiaries have been contacted (with an additional 68 'households' contacted through outreach in the first three months of 2014). Again, this is a good proportion (approaching 50%). However, the number of those contacted who were subsequently registered was lower, proportionally, at 101 (though this rose marginally to 114 by end of the first quarter of 2014). A comparison of the two country projects on contact and conversion of contact into registration suggests a higher rate of effectiveness in the Georgia project (at approximately 40%) than in the Armenia project (at approximately 20%). While both lie below the 50% target in the streamlined M&E plan, this comparison might be worth analysing a little further to explore possible reasons for the difference: for example, there is frequently a significant time-lag between contact

[3] There is some need to be careful about mixing M&E units of analysis in areas such as 'outreach'. Here, 'households' are cited as unit for outreach but 'individuals' for registration. This could distort findings, where multiple individuals may register from single households.

and registration during which individuals and families consider the pros and cons of engaging with the project's opportunities. Maintaining outreach during that process may be key to increasing the conversion rate from contact to registration (and full participation), but it must be noted that such outreach is, generally, intensive and hence resource-intensive.

Both country projects appear to have been able to expand the reach of their work by extending participation and benefit to those associated with mine victims as well as to mine victims directly. In the Georgian project, a larger proportion of employer referrals, for example, was achieved among mine victim family members than directly with mine victims. In the Armenia project, extension of microloan benefit to mine victims is reported to have been achieved in part through conditionalities requiring participating loan businesses to take on one or more MVs as employees.

Although 'outreach', contact and registration are useful metrics for the projects' basic ability to engage with – and then engage – potential MV beneficiaries, the conversion rate from 'registration' to active participation in specific project activities (training, employment support, microloans) is relatively very low. A better way of measuring the projects' engagement with beneficiaries would be to use both ratio of outreach-registration and ratio of registration-participation (the latter being a more accurate measure of the amount of active 'demand' among the target population for the services and opportunities being offered).

One of the important lessons discernible from the ITF/IOM/ADA project over its several phases of implementation, and across the three core territories of the South Caucasus, is the vital importance of outreach as a proactive set of activities aimed at identifying, locating, contacting and engaging with the potential pool of target beneficiaries – critically when aiming to work with vulnerable people who have been subjected to sustained social marginalisation. Mine victims may constitute a special category with respect to disability insofar as they have often acquired their disability as a result of traumatic injury. But social attitudes to disability more generally in the region remain adverse, resulting in systematic disadvantage. Many MVs will be men of mid-adult years, often with a sustained history of exclusion from the labour force and dependence on social assistance at low levels. The ITF/IOM/ADA project's relatively deep understanding of these circumstances is invaluable in advocating that programmes and initiatives designed to enhance inclusion and support for PWDs (including MVs) incorporate a significant amount of resources (time, personnel, experience, finance) to sustained outreach and 'accompaniment', providing assistance to beneficiaries not on a one-off, but on a continuous basis of repeat interactions. It is generally recognised that the continuity and intensity of engagement is a key factor in maximising uptake of credit, training and employment opportunities amongst beneficiaries accustomed to permanent exclusion from socioeconomic activity, and clearly even where continuous engagement is attempted, uptake can still be low. Under these circumstances, the project must consider whether a) even more intensive engagement is possible or b) whether their project services are simply not going to be attractive to a proportion of the intended beneficiary community. In the latter case, the project should then consider how significant that proportion is likely, on sound numerical evidence, to be, and hence how viable the project strategy is as a whole.

Employment support and Job Placement

The streamlined M&E plan cites a potential baseline pool of 100 beneficiaries (Georgia) and 80 (Armenia) for inclusion in registration and processing through employment counselling and job placement processes. In Georgia, 142 people are reported to have been counselled and assessed vis a vis skills development and employment. However, of these, 23 have been referred through to vocational training. By the end of the first year of the project's third phase, a significant proportion (14) of vocationally-trained beneficiaries (20) had achieved employed status. However, this should be seen as a specific achievement in the wider project process of employment referral, where only around 8% of referrals resulted in confirmed employment. Moreover, only 3 people (out of an original target of 36) entered on-the-job training.[4] It is important to note, of course, that this is the interim stage of the project and that further positive results are entirely possible. One interpretation of these interim effects is that the apparent demand for vocational training over on-job or subsidy interventions could justify a transfer of resources from on-job and salary-subsidy to vocational training budget lines, depending on the strategic perspective of the country project managers.

There is, by contrast, evidence of very positive engagement by the Georgia project on job placement with government counterparts – in particular the Ministries of Labour Health and Social Affairs and Education and Science and, more latterly, with the Ministry of Defence (discussed further below). One finding at the interim stage for the Georgia intervention may be that the on-job training strategy may be confronted by significant challenges (for example, reticence of beneficiaries to commit to short-run (on-site training) employment which may compromise access to social assistance, without the assurance of sustained employment after training period. An alternate

[4] Georgia appears to be underperforming quite seriously, too, on business training participation, against targets set in the original proposal (Quarterly Progress Report, January-March 2014).

strategy – focusing on supporting beneficiaries through vocational education and training – may be more effective. The potential impact of enrolment in VET on access to social assistance should be investigated; the capacity (and willingness) of VET programmes due to be launched over the coming year, to take on especially vulnerable groups such as rural MVs (as well as the ability of different VET courses, both through the Ministry of Education and Science and the Ministry of Labour Health and Social Affairs to extend services to the full age range of MVs) should be explored further too. On the whole, relevant government counterparts express willingness to engage positively in proactive initiatives to bring MVs (and wider PWDs) into short-run and formal VET processes.

A key issue, in particular in the Georgia case, is the problem of data. Disability status of people seeking employment through the government's revived employment support units (and web portal) is not recorded, making it effectively impossible to assess the extent to which economically excluded MV/PWDs are being positively impacted by this flagship government project. Equally, and notwithstanding some extremely strong support for inclusive policies in the Ministry of Education, its specialised outreach vocational education and training interventions are likely to pursue the current standard of registering only individuals with 'special educational needs', thus systematically obscuring the potential impact of these initiatives on the wider community of MV/PWDs. Robust data can constitute a dual threat to entrenched government institutions, systems and personnel – on one hand, to show how large the potential pool of demand for support is (with commensurate cost implications for stretched departmental budgets),and on the other, to show how initiatives may be under-performing with regard to especially challenging constituencies for inclusion such as MV/PWDs. It is a key task of all partners to sustainable change in disability and inclusion in this region to encourage and support governments in using and responding to better data with greater confidence.

Relating to this, although the project M&E plan cites an increase in employer organisations offering job subsidisation, there is no nominated target for this, and hence little chance of measuring actual project-related change. This is unfortunate insofar as positive changes in the behaviour of employers towards taking on MVs/PWDs is a key index of wider change in societal attitudes to disability, and a fundamental indicator of sustainable change in PWD employment opportunities. However, we note that job subsidisation was a small and experimental component of the overall project, and one that, over a trial period, has actually shown little sign of major effect (possibly related to the limits placed on the size of subsidies, and the somewhat short timeframe in which they apply). .

An interesting –and potentially very positive evolution within the project as a whole – is the development in the Armenia design of PWD employment commitments from micro-loan beneficiaries (see Sustainability for more detail). Where some MV/PWDs have been reticent to take on the obligation and risk associated with even a micro-loan, the use of loans to leverage employment offers to MV/PWDs in supported small business ventures offers a useful model for wider uptake by government counterparts – especially where SESA has itself developed initiatives designed to enhance PWD employability through employer subsidies. This also will be discussed further under the section on Sustainability.

Micro-loans

The M&E plan cites target numbers for provision of microloans at 38 for Georgia and 37 for Armenia. Compared with the potential pool of beneficiaries (actual, outreached or registered), these are comparatively modest figures.[5] Notwithstanding, rates of accomplishment (completed business training, business plan completion and approval, and loan extension) are even lower. In Georgia, of 38 projected loans, 20 loans to 21 beneficiaries were extant at the mid-year of 2014. The rise of almost 25% uptake in the second quarter of 2014 reflects intensive outreach to convert registrees into loan-takers. Taking into account the limits to staff capacity in the project, and the considerable demands of outreach in terms not only of time but also travel, transport and personal engagement, this is a sign of positive progress. The performance rate is, notwithstanding, arguably lower than one would hope for at this stage in the current project cycle, partly accounted for by the challenges associated with establishing a new Georgian microloan partner (FinAgro), whose agreement to be involved was concluded after the spring seasonal surge in demand for loans, in particular in the agricultural sector.

The ratio of business plans submitted to loans awarded in Georgia may point to some of the key barriers to effective delivery of this project objective – including motivation and confidence of registered beneficiaries, quality of business plan, and credit history of applicants applying for credit (this has become an acute issue with the involvement of FinAgro as MFO partner, since their due diligence on loan applicants will identify poor credit background among applicant MVs). Nonetheless, comparing the rate of loan applications to the scale of registration in Georgia, we can see that the demand for loans among the potential pool of MV beneficiaries is low – at around 10%. It appears clear that a weak demand-side for microcredit remains one of the major barriers to

[5] Recalling earlier commentary about the extent to which the scale of the project's loan beneficiary group is heavily determined by the overall scale of project budget and the structure of the loan fund component within that.

achieving project goals in this dimension of intervention – and more widely, a major indication of one of the barriers to loan-taking amongst vulnerable groups in Georgia as a whole. The need for support to change the dynamics of credit demand in the country appears to be a key conclusion from this analysis – and hence, from that, the question is what the project may be able to do, in the remaining part of phase III, either directly or – more likely indirectly – to stimulate that demand.

In general, stimulating demand where there is evidence of market failure (that is, a significant disconnect between the willingness of credit markets to supply loans to poor and marginalised groups perceived to be high-risk and the willingness and ability of such groups to demand – and utilise – access to credit) requires the intervention of non-market actors. Such actors may include government and non-government parties. The valuable experience derived from microfinance work with vulnerable MVs in both Georgia and Armenia could valuably be used to advocate for stronger collaboration between domestic NGOs and relevant government ministries in each country, to develop mechanisms for leveraging microcredit demand among vulnerable and marginalised groups – specifically, here, MVs and PWDs.

Against a target for the whole of phase III of 37 microloans, the Armenia project reports 81 beneficiaries completing business training, with 24 loans confirmed as of March 2014.[6] The expectation for the remainder of phase III project implementation is in the region of 30 loans overall – a small shortfall on the target. Once again, and consistent with findings from the Georgia project, major barriers to loan uptake exist on the demand side – in particular confidence and prior business experience, capital to offset risk of loan obligations, collateral and the quality of business plans submitted.[7] In the Armenia project, 47 of 70 trainees did not proceed through to loan uptake (some, reportedly, preferring to re-apply training experience through employment rather than business development). In both Georgia and Armenia, project management confirm that relatively strict quality criteria have to be applied to business plans approval and loan provision, to maximise likelihood of productive loan use and the ability of the loan-takers to make repayment schedules. While repayment rates for outstanding loans in Georgia are reported at 100% as of March 2014, the normally very high repayment performance in Armenia fell significantly in the first quarter of the current project year, to 73.1% (though this is likely to reflect the seasonal effect of winter months on especially rural productivity).

[6] Due to a strategic decision to increase the size of individual loans, the revolving fund is, in fact, expected to be fully disbursed on a somewhat smaller number of beneficiaries.
[7] Noting that collateral is not required in the case of Georgia.

In a sense, we can see here a paradox at the heart of microfinance for vulnerable groups. On one hand, the capabilities on the demand side are weak – necessarily as a result of poverty and socioeconomic exclusion. But on the other, requirements on the supply-side are quite high (notwithstanding significant efforts to soften such requirements to increase chances of MV loan uptake). Such requirements are considered necessary in order to enhance the sustainability of microloan funding mechanisms, itself dependent on high levels of repayment.[8]

It is notable that, according to data in the most recent quarterly update for the first three months of 2014, the majority of new microloans appear to be 'extensions' as opposed to 'start-ups'. In the case of Armenia, the ratio of extensions to start-ups is dramatically skewed in favour of the former. Whilst this is understandable – loan-takers can build both confidence and experience requisite for new loan-taking where first-time loan-takers may demonstrate higher levels of inexperience and lack confidence – it presents an issue for an intervention that proposes to extend and expand access to opportunity among its target beneficiary population.[9] At present, the microloan component of the ITF/IOM/ADA project appears to consolidate benefit among a relatively confined group of loan-takers, including those who re-submit to the project for new loan finance. Whilst an iterative process of loan and re-loan facilitation may reflect quite solid prospects of sustainability (as re-submitting loan-takers tend to have performed well in prior loan repayments), that sustainability is itself limited to what must be described as a very small group of cumulative benefit.

While the Armenia project appears to have hit its overall target for training beneficiaries, encouraging participants to engage in training (and indeed on-job training) in Georgia appears more challenging. Training processes associated with business and employment enhancement show relatively very high approval ratings in both countries. Consistent mid- to high-90% scores by trainees in the Armenia training are impressive, though perhaps a little undermined by a lower positive response rate (around 70%) on the trainees expectation of being able to apply learning in practical business settings. Similarly, the Georgia training appears to have attracted very positive assessment from participants, with the exception of 'duration of training' which appears to have been judged by some to be too short. Additionally, as with Armenia, although overall approval for training was extremely high, anticipation of being able to apply training in business/self-employment

[8] On this note, repayment rates nominated in the phase III project plan are 70% for Armenia, and 60% for Georgia. At these rates of repayment, a revolving fund established as follow-on from the ADA-sponsored intervention would be unlikely to be sustainable. Much higher repayment performance is noted in the Armenia project, but not in Georgia.
[9] Though it does also point to the possibility that MV/PWDs may not evince the capacity and confidence to launch their own small enterprises, but may be more willing to take on employment where it is offered by someone who *is* able to launch such an enterprise.

was less wholly positive, with a third of respondents indicating that the training ‘might be’ (rather than ‘would be’) applicable. One explanation for this, is that a proportion of trainees in any given intake have agreed to undergo training without necessarily having a clear business concept or plan on which to put the training to use. This would substantiate a proportion of trainees being unable to assert a direct utility from the training experience.

Awareness – advocacy and outreach

An important area of objectives set out in the phase III plan is ‘increased awareness and knowledge’. This is a broad aim, but can be parsed in three distinct manifestations: first, awareness and knowledge of the ITF/IOM/ADA project work itself, and its focus on MVs/PWDs; second, institutional awareness and knowledge of MV/PWD issues among relevant counterpart organisations and institutions (both civil society and governmental) in project countries; and third, awareness and knowledge of MV/PWD issues among the general public in project countries.

There is evidence that the ITF/IOM/ADA project is well-known and broadly understood in both Georgia and Armenia. In both countries, strong relationships of contact and communication continue to be evident both at the level of counterpart ministries and among relevant international and domestic non-government (and inter-governmental) organisations. Moreover, in both countries, the project appears to be well linked into existing networks and policy forums (and has shown a marked strengthening of its political economy analysis of such forums in project planning documents).

Both the Armenia and Georgia projects show evidence of actively pursuing network opportunities with government, non-government and private sector counterparts relevant to the education and employment options available to MVs and PWDS. The development of strong networked relations between IOM and key local civil society groups in Georgia[10] is impressive and is the product of sustained and proactive engagement by IOM with potential partners. The impact of this networking can be seen in the extent to which NGOs in partnership with IOM have been able to influence government thinking and action (at least in a formal sense). In Armenia, IOM’s work with a range of regional domestic NGOs (Unision, Pyunik, Khariskh, Ughekic), as well as with Save the Children’s LIFE Programme, shows promise. It remains to be seen (hence requiring careful documentation) whether such network arrangements are associated with effective change in the policy and practice

[10] In particular, DEA and Coalition for Independent Life.

landscape for MVs/PWDs in Armenia. Moreover, while there has been some effort to network at the higher level of unifying awareness, policy and advocacy activities, often networking is more closely associated with practical referral processes – ensuring that individual MVs (victims or family members) are linked up with education, vocational training, employment and/or business development lines of support. These highly practical referral processes, whilst undoubtedly good work, remain as noted elsewhere in this report, of a very small scale. This raises questions regarding the ultimate sustainability of the intervention model.

But at the same time, it raises a critical question about the way project's such as this are financed. Budget allocations to advocacy, outreach and/or awareness-raising are reported to be relatively low. Given the nature of sustained socioeconomic exclusion among MV/PWDs, and the consequent need to spend time and resources engaging with them to building confidence and sense of self-efficacy as the basis for subsequent material participation in project activities such as training, job placement and business loan management, projects aiming to enhance socioeconomic inclusion among conventionally marginalised groups must consider carefully whether adequate resources are included for those 'soft-skill' outreach activities.

There is also evidence that the issue of PWDs (and in some quarters a specific focus on MVs) is present and in some cases increasing in the policy processes of government institutions – in particular, the State Employment Services Agency (SESA) in Armenia, and in Georgia, the Employment Policy Department in the Ministry of Labour Health and Social Affairs (including the Social Service Agency (SSA) and the newly-revived Employment Support Service as well as the Ministry of Education and Science). These institutional relationships and awareness they appear to entail will be discussed further in the next section on Impact.

There is evidence, more widely, though of limitations on the project's achievement, to this point, in institutional and public awareness at a larger scale. In Armenia, for example, although IOM has developed a very strong working relationship with VTB bank (as its counterpart in loan provision and management), VTB reports no major change in its institutional willingness to create new commercial loan instruments that are explicitly designed to facilitate uptake among high-risk (vulnerable, poor and socially marginalised) groups. To this extent, it may be argued that although sympathetic to the aims of the project, VTB has not translated that sympathetic disposition to IOM into an internal institutional commitment to extending 'socially-structured' loan offers.

In both Georgia and Armenia, there is a persisting view among key informants for this review process that PWDs (and MVs within this group) remain largely invisible to the public at large – including the community of business and employers. As such, a realistic understanding of the needs – but also of the often very significant productive and contributory capabilities – of PWDs and MVs to social and economic life remains severely under-developed. This is not, directly, an area in which the ITF/IOM/ADA project has been able to place primary emphasis, and the project should not be held accountable for the dearth of public awareness regarding MVs and PWDs. But given the importance of such public awareness to sustaining both the political salience of enhancing policy support to MVs/PWDs and the practical attitude of employers to taking on MV/PWD employees, the project should certainly consider if there are ways, in the remaining period of phase III, to leverage greater popular attention to the issue.[11]

A final additional note relates to the M&E plan for phase III. Although, as noted 'knowledge and awareness' are important objectives contextualising the core interventions of a project such as this, changes in those objectives – that is to say indicators – are hard to measure. The absence of clear metrics in the M&E plan makes it difficult for the project to demonstrate clear impact. Equally, objectives relating to increased 'social participation' among beneficiaries remain hard to assess (as noted in past reviews) without adequately established metrics and regular measurement through the life of the intervention. More rigorous, independent analysis of intervention effect would require additional resources. This report takes the view that the ability to show, with credible data, positive change in the core 'social' dynamics of the project's beneficiary groups is of considerable use in substantiating the value of this kind of intervention.

4. Impact

At the interim stage of a project review, there is generally limited evidence that can be construed as 'impact' relating to attributable complete effects of the intervention itself. From project outreach and uptake data, we can see that there are distinct challenges in achieving large-scale participation by target beneficiaries in key intervention areas (job placement, training and microfinance). From prior review processes, though, we know that among those beneficiaries who have accessed interventions (in particular microloans), there has been some positive impact in relation to business

[11] The project has recently finalised production for broadcasting of a public service advert/ announcement (PSA). With edited versions running between one and four minutes, the films will be customized for Armenia and Georgia, and will be broadcast on national and regional TV stations in both countries. The films will focus on positive perceptions of PWDs, consistent with provision of international human rights law, including the Convention on the Rights of Persons with Disability (CRPD).

productivity, assets and household earnings. There are good reasons to expect similar findings over the lifetime of the project's third phase (though confirmation must wait to the final review).

But, as is argued throughout this review report, the achievement of even high rates of positive impact with a relatively very small group within the potential pool of target beneficiaries (MVs and more widely PWDs), represents a more limited type of value for money.[12] A genuinely significant scale of impact is likely to come, rather, through using the experience the ITF/IOM/ADA project has gained in its interaction with a small group of beneficiaries, to feed into the policy and institutional practices of larger entities in both countries – in particular, relevant government ministries and departments, microfinance organisations, and businesses and employers. As such, while the balance of the project to-date has been on direct engagement with and support to a small group of self-selecting beneficiary participants, future value in terms of scale and sustainability of impact may be better sought by using advocacy (based on unique project understanding of MVs) to leverage stronger supportive behaviour by government and private sector actors.

There is emerging evidence of quite significant new policy initiatives and opportunities for influence in both Armenia and Georgia – and some evidence (albeit hard to attribute directly and exclusively) of positive engagement and influence on the part of the ITF/IOM/ADA project in that process. As noted by recent analysis by the International Labour Organisation (ILO, 2011), Armenia has put in place new initiatives in support of inclusive employment and self-employment opportunities for vulnerable groups, including PWDs. Much of this work has been spearheaded by SESA, with whom IOM maintain a good working relationship. However, as noted by SESA, the main thrust of initiatives is designated to support 'vulnerable groups'. Although such groups are defined by government (and include PWDs as a prominent category), it remains to be seen whether PWDs will constitute a significant beneficiary group in relation to such initiatives.

A collaboration between SESA and the World Bank, piloting counselling to start-up businesses, aims to engage with 1000 beneficiaries in the post-pilot phase, but defines beneficiaries as broadly vulnerable rather than disabled. Moreover, where SESA has led on providing in-kind support to small businesses, including PWDs as an eligible constituency, it is not clear at this stage whether

[12] 'Value for money' is an increasingly popular concept of project impact measurement among traditional bilateral donors. It is included here to reflect that interest, and the legitimate donor perspective seeking to understand how much 'value' has been achieved per unit of funding applied. However, it is important to emphasise that, when working with a highly specific group, to change highly specific – and deeply socially-embedded – conditions of living, the simple calculus of impact per dollar is only marginally applicable.

beneficiaries from the ITF/IOM/ADA project have bridged to access this kind of state support. Evidence of such bridging would support the contention that substantive linkages have been established between the project's offer and the wider set of opportunities underwritten – arguably more sustainably – by the state. At this point, subsidy arrangements (supporting wages to PWDs taken on by employers in Armenia) have been characterised by low uptake. There is an argument that this (subsidised employment initiatives) is an area in which IOM's experience and SESA's aspirations coincide. As such, this may be an area in which the ITF/IOM/ADA project could place more emphasis on advocacy over the coming period.

The Armenian government has clearly made progress in recent years in developing policies relevant to supporting PWDs/MVs, including on poverty reduction, the Convention on the Rights of Persons with Disability (after 2010), the National Commission on Persons with Disabilities, the Law on the Social Protection of People with Disabilities, the Government Decision on Financial Support to Unemployed and Disabled for State Registration of their Businesses, and the Strategy for Social Protection of Persons with Disability in Armenia, 2006-15. The major problem appears not to be political will, but practical implementation. Again, IOM's experience of barriers to effective inclusion of potential beneficiaries in employment and business interventions should be of great value in helping SESA improve its ability to reach and engage PWDs and MVs.

Although difficult to attribute directly to the project's work in any unique sense, there is evidence from the Georgia context of very significant changes in the political, administrative and policy context in which the ITF/IOM/ADA project operates. Following the change of government in 2012-13, some of the more extreme liberal market reforms (for example dismantling the government's employment agency) have been modified in favour of more supportive action for disadvantaged and vulnerable groups, including PWDs.

The establishment – but perhaps more importantly the recent revival of the National Coordinating Council for People with Disability appears to be not only a viable forum for project interaction with networked Disabled Persons Organisations (DPO) but also with senior government. The role of IOM's advocacy – often overlooked as a key element of this kind of project – should not be under-estimated. Culminating in the Action Plan (2013-16), a range of significant policy shifts in favour of support to PWDs have happened in the last 12 months or so, with further changes planned in for a deadline of 2015. These include: ratification of the Convention on the Rights of Persons with

Disability (CRPD); the raising of the minimum income tax threshold from 3000 to 6000 GEL, increasing retained income for very low earning households which is likely to impact positively on vulnerable families including those with PWD and MV members;[13] plan to modify all government buildings for PWD access by 2015; and, potentially very significantly, the plan to shift from a medical to a social model of disability assessment, and the deployment of multi-disciplinary assessment teams to regions.

The Action Plan itself incorporates some clear indicators of progress (though in relation to PWD/MV employment rates, there is no baseline from which to assess change).[14] A couple of opportunities emerge from this. First, IOM may want to add its voice to advocacy supporting the continuing status of the Coordinating Council as a parastatal entity (as opposed to its conversion to a 'foundation'). It is vital that government remains ultimately accountable for implementation of the Council's recommendations or decisions, insofar as they relate to the fulfilment of rights. Moreover, the Action Plan can now be used as an effective advocacy and accountability tool, holding responsible parties to account for progress over the coming period.[15] The ITF/IOM/ADA project should continue to allocate time and energy to engaging, alongside others, in a concerted effort to monitor progress towards the Plan's enactment, as one of the strongest avenues towards sustainable and scalable change in political recognition of, and socioeconomic opportunities for PWDs and MVs.

These changes in the political and policy environment in Georgia are likely related to a range of macro-level factors. It is hard to argue that the ITF/IOM/ADA project can claim direct impact in any of the major shifts. However, it can claim to have remained engaged in processes such as the Coordinating Council throughout, and to have worked in a coordinated fashion alongside DPOs, and therefore, plausibly, to have been a partial contributor to a softening of policy line on assistance to PWDs, and adoption of more progressive approaches. A key observation, following this, is that the more significant opportunity to achieve sustainable policy impact lies in the immediate future, and hence in the second period of the project's phase III. In order to maximise that opportunity, the project should strategise now on specific areas in which its expertise and experience with MVs can contribute to a more effective wider policy and programme environment for PWDs. This will likely include advocacy on means of supporting both employment (skills, training, placement) and self-

[13] Though in some interviews this was report as a rise from 3000 to 5000 GEL.
[14] Please see earlier comments on the value of and resistance to improving basic governmental data.
[15] It is encouraging that the Action Plan has already been costed with financing agreements reported to be in place. However, it is also notable that social assistance to vulnerable populations such as PWDs, as compared with pensions, for example, still gets the smallest portion of budgetary allocation.

employment (skills, credit) – and may constitute the project's best hope of inculcating sustainable change for MVs and PWDs in Georgia in years to come. This will be discussed further under the next section on Sustainability.

A final note can be made on evidence of impact in the policy domain in Georgia. Key informants (in particular in the Ministry of Labour Health and Social Affairs) were keen to emphasise how strongly they value the working relationship with IOM on MV/PWD issues. While it is agreed that the scale of direct beneficiary assistance in the ITF/IOM/ADA project is relatively minor, it is generally felt that the practical insights and experience derived from that direct engagement with a very hard-to-reach and -engage group has been, and remains, prized by institutional partners in the Georgian administration. This report encourages the continuing efforts of the IOM project and allocation of project resources to advocacy in the second period of phase III, to enhance positive policy changes ongoing in Georgia (and Armenia). Positive perspectives on the utility of IOM's advocatorial role only reinforce this view.[16] That said, it is important to remain realistic about the extent and speed of the Georgian government's likely shift in favour of inclusive policies for MV/PWDs. For example, beyond the formal establishment of the National Council, it is reported that Council's function has all but stalled over the six months leading up to this report submission.

5. Sustainability

The interim phase of the third (and probably final) phase of the ITF/IOM/ADA socioeconomic reintegration for mine victims in the South Caucasus is arguably the critical moment to consider long-range sustainability of the project's aims and approaches. It should be noted that sustainability of aims does not necessarily imply sustainability of approaches, though.

This section will discuss sustainability in relation to two key project objectives: first, microfinance extension for enhanced (self)-employment and business opportunities among mine victims; second, various forms of support to sustainable placement of mine victims – as PWDs – in formal employment.

[16] At a slightly wider level, there is narrative (anecdotal) evidence of a positive impact on participating agencies of the cross-country study visits to Slovenia and Austria – showing how government has been able to structure assistance to vulnerable groups such as PWDs to enhance their participation in the workforce – at a key time in employment policy and legislative evolution in both Armenia and Georgia.

Microfinance

The Armenia project has maintained a strong positive record of managing loans for mine victims over the life of this project. The model of implementation has involved IOM as loan management, and its partner bank VTB as administrator. Although income impact of loans has generally been positive, and repayment rates exceptionally high, the volume of loans has remained relatively very small. Indeed, even if that full target of loan beneficiaries had been met, the scale relative to the MV community would still be considered small. As has been pointed out elsewhere, this is an artefact of the way the project has been financed and structured. The total fund limits the number of loan-takers; the scale of the fund limits the size of individual loans below that necessary for full business start-up. Nonetheless, this report would still make the case that, while loans for a small group of MVs may be viable and productive, that intervention alone is incommensurate with the scale of potential need among MVs and PWDs more widely, and hence weakly sustainable as an independent venture, given likely overhead costs and poor scale efficiency.

It is reported unlikely that banks such as VTB – although VTB itself has become sensitised to the condition of MVs, and sensible of their viability as loan-takers – will extend concessionary loans of the form supplied under the project, targeted to vulnerable groups such as MVs and PWDs in the foreseeable future. As such, any continuation of the project model, under a revolving fund for example, would likely continue to operate at a small scale. Independent analysis has been contracted into the project, as part of phase III, to assess options for sustainable transfer of the microfinance model. Findings from the preliminary draft and subsequent iterations of that analysis have been processed as part of this review, and are included as input to the conclusions regarding sustainability in this report.

There are two critical dimensions to projecting sustainability of microfinance in the Armenian context. The first is the background and specific conditions (physical, psychosocial, social, economic, political) of the target beneficiary group – MVs. The second is the kind of institutional environment in which concessionary credit would be likely to achieve levels of supply and demand adequate to generating and satisfying a sustainable level of transactions within the beneficiary group.

On the first point, the special condition of the ITF/IOM/ADA project's beneficiaries is unlikely to change substantially over the foreseeable future. Demand for non-concessionary loans remains small, and even with concessionary loans, uptake appears weighted in favour of better off MVs (in terms of business acumen, experience, capital or other anterior forms of social and financial support). In other words, increasing demand to a sustainable level (in terms of real per capita overhead costs, for example, as well as fund replenishment) will rely on a loan package that needs to be sufficiently concessionary (no/low collateral, close to zero interest, repayment holiday and financial buffer against defaults) that few or no commercial finance entities will be prepared to supply it. This is a clear example of market failure.

Such concessionary loan instruments are only really plausibly the product of either governmental or non-government engagement (each being able to subsidise concessionary loan arrangements from either charitable resource mobilisation or from the general tax and income base). Moreover, as argued earlier, evidence from the project – in all three operational countries – shows that generation of adequate demand relies on extensive outreach and intensive support to a beneficiary group with low levels of confidence and high levels of ambivalence towards inclusion in labour markets than may be short-term and/or may compromise access to other heretofore more reliable social benefits. Again, such ancillary services require resource allocation, on a social rather than commercial footing, and hence are more likely to be forthcoming from non-commercial entities.

One model of sustainable microfinance for MVs in Armenia is, effectively, a continuation of the project's collaboration between IOM and VTB, utilising a fund projected to be in the region of approximately USD$100,000 as the basis for a revolving credit facility. On the positive side, IOM has developed a good working relationship with VTB (within limits as set out earlier), and has, itself, substantial experience of microfinance operations, through its wider MED programme.

It is expected that a lower-than-market interest rate would continue to be applied (probably around 10%). This is better than the commercial standards of 20-24%, but still appears to act as a deterrent to loan uptake among a significant proportion of the target group. It may be argued that, in reality, lack of business expertise, confidence, and prior capital are more significant causes of low loan demand among MVs to date. However, even if this were the case, there is need for a clear projection of how the IOM/VTB model would continue (and expand) its support to business training and capital development among MVs as a means of increasing demand.[17] And, should demand start to rise significantly, there is a need to clarify on what basis the IOM/VTB model would replenish and increase its fund base. An attempt to replenish from international or domestic capital markets, for

[17] And, of course, substantial upshift in demand would, itself, necessitate commensurate increase in fund supply.

example, would in all likelihood entail rates of interest that would have a significant upward knock-on effect on rates chargeable to loan takers.

With regard to the IOM/VTB option, it would be useful to see a concise modelling of per capita costs projected for managing loans in the post-project period of loan provision. Should such overheads be financed by IOM itself, there is a question about the genuine sustainability of the model, since such financing would, in essence, be the equivalent of grant funding by an external agency and hence not strictly sustainable with respect to a continuous endogenous capacity to finance and manage an activity.[18]

An alternative model identified by the independent consultants for sustainable microfinance in Armenia is the transfer of the remaining loan fund at the termination of phase III to a domestic entity specialising in microcredit in non-commercial and concessionary settings, including programmes dedicated to socially vulnerable groups. One such entity is SME-DNC. Although more analysis is required – not least in terms of assessing the willingness of this entity to take on a relatively small-scale MV-specific revolving loan facility – there are some notable aspects of SME-DNC that encourage positive consideration of this model for sustainability.

According to the independent consultants advising IOM, SME-DNC is a creation of the Armenia government, specifically designed to extend concessionary lending within Armenia. It operates through multiple branches, and is constituted as a permanent (effectively parastatal) entity, providing some confidence in its long-term presence throughout the country. These are key hallmarks of true sustainability. The independent assessment is that SME-DNC has experience in providing both financial and non-financial support to vulnerable groups, and that it is capable of cross-subsidising relatively highly concessionary loan instruments as a result of its wider portfolio of microfinance and SME work.[19]

[18] A per capita cost modelling exercise can be done in a variety of ways. A strict model should include only the number of expected loan takers (as opposed to a cumulative total of beneficiaries participating in the range of ancillary activities around the microfinance component). That said, it should also be valid to include indirect beneficiaries (household/family members likely to benefit from increased business and income as a result of the loan-taker beneficiary's direct activity). The ratio is something of a moveable feast, but a ratio of four indirect to one direct beneficiary is not unreasonable. The cost of the revolving micro-fund itself can be omitted from the model (assuming full repayment). However, the whole cost of salary overheads associated with project administration should be included. Even if the current project, after handover, reduces to, say, one-third of its original activities (focusing on the microloan element), it is not valid simply to cut the expected salary overhead burden by two-thirds since projects tend only to be able to hire whole people.

[19] Although, in reality, this contravenes a core criterion of sustainability insofar as SME-DNC may continue to require such external subsidy from government. However, if government subsidies are constituted as an inherent and stable element of

In institutional terms, it would be important to investigate further the interest and capability of SME-DNC to take on microfinance from the project after the current phase. It is also arguably important to assess the existence or possibility of cross-linkages between such a microfinance model and other state-level support to microfinance and poor/vulnerable populations. For example, although there are microloan and business training facilities developed through SESA, it is as yet unclear how a transferred MV microloan facility might bridge with such initiatives to enhance overall scale and impact. SESA reports little information on demand for its credit and training services from especially rural PWDs (including MVs), and there is little evidence of the kind of intensive outreach in their initiatives on which demand generation among the very vulnerable depends. Any model of sustainable microfinance facility dedicated to MVs should, in addition to internal sustainability, provide a clear model of future interaction with wider state (and non-state) programmes through which both demand and supply can be enhanced.

The independent analysis produced an overview report of the state of play of commercial and non-commercial small and microfinance entities in the country, and presented three additional candidate organisations for a sustainable hand-over of the project microfinance budget as a revolving fund – the French-Armenian Development Foundation (FADF), the Gegharkunik Chamber of Commerce and Industry (GCCI), and the Children of Armenia Fund (COAF). However, further analysis – in particular comparative costs and scale modelling of the principal options set out in the consultants' report and this review – would be helpful in ascertaining with more empirical robustness the potential of each candidate organisation for genuine sustainability, in relation both to covering administrative overheads and ensuring requisite replenishment resources for the fund.

The choice of model for sustainable hand-over of the Armenia mine victims microfinance intervention must be based on clear understanding of the defining criteria of 'sustainability'.[20]

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national funding to social programmes, such subsidies should not be interpreted as fatally undermining a reasonable definition of sustainability (see below).

[20] For example, a relatively 'pure' form of sustainability could be assessed against four main criteria: 1) The enterprise or project can continue to function, indefinitely (or within an agreed timeframe), without requiring any substantial resources external to what it can generate for itself. 2) The enterprise or project can be maintained, managerially, technically and financially, without external human capacity support (not excluding short-term advisory services which may be available to any and all comparable enterprises/projects). 3) The enterprise or project is neither controlled by, nor in any substantial respect dependent on, external direction or management (the major functions of the enterprise or project are fully nationalised within the original host country of the intervention). 4) There is ongoing public demand for the services or interventions of the enterprise or project without any reason to anticipate reduction in demand within a reasonable timeframe (related to the first criterion).
On the whole, when using these criteria for sustainability, in the context of social programmes aimed at progressive outreach to constituencies marginalised or failed by existing bureaucratic and market/economic systems, the criteria

Residual reliance on external resources – be they financial, human or technical – undermines the concept of sustainable nationalisation of intervention ownership. In this sense, a continuing role for a multilateral (external) agency like IOM must be understood to be problematic. Were it the case that insurmountable obstacles to any other local organisational option were discovered, it might be argued that a model involving IOM's continued engagement would be preferable to complete closure of the funding mechanism, but this would have to be construed as exceptional to the precise meaning of sustainability. On the whole, this review concurs with the dominant conclusion of the independent consultants' assessment, identifying SME-DNC as the most plausible candidate for genuinely sustainable microfinance for MV communities.

The search for a transition model for sustaining microfinance to MVs in Georgia took a sharp negative turn with the collapse of negotiations with Crystal MF, but then a somewhat more positive turn with more recent collaboration with FinAgro. At the time of the interim review report, a sustainable model of MV microfinance, transferring the remaining fund estimated at Euro51,300, is based on this collaboration (or failing that, reversion of residual funding to the donor). What follows is an assessment of that model.

The provenance of the Georgian Rural Development Fund (GRDF) and its wholly-owned joint-stock enterprise, FinAgro, lie in USAID support to agricultural development from the mid-1990s, in many instances implemented with the partnership of international NGOs. Remaining agricultural credit cooperatives formed GRDF and, subsequent to changes in the legal framework for microfinance organisations and entities pursuing 'social programmes', GRDF established FinAgro – dividing support to smallholder farmers into technical inputs (GRDF) and financial inputs (FinAgro).

The resulting orientation of both GRDF and FinAgro is towards social interventions in agriculture, that is interventions with a strong element of concessionary allowance explicitly to encourage engagement with vulnerable groups – both entailed by the rate of generalised poverty in the rural sector during this period, but also by distinct disadvantaged groups within the broad agricultural community. This institutional experience with and commitment to specialised concessionary interventions to address *both* agricultural productivity at the small-holder end, *and* rural poverty and vulnerability – allied with sustained experience of designing and providing microfinance packages –

themselves dictate a significant involvement, if not major ownership, of such initiatives after handover by national or local government or parastatal entities, consistent with ADA's own conditions of sustainability.

would appear to put FinAgro in a strong position to take on the ITF/IOM/ADA project's microfinance fund following the current phase.

However, the apparent suitability of FinAgro (identification of which is a clear positive achievement) does not necessarily imply a sustainable model. FinAgro itself recently lost a significant portion of its capital base (relating to questionable behaviour on the part of the Saakashvili administration according to reports), obliging it to liquidate positive loan assets, leaving behind a weaker loan stock (estimated around 950 loans currently). A capital base of over 6m GEL was reduced to a current base of 4.5m GEL.[21]

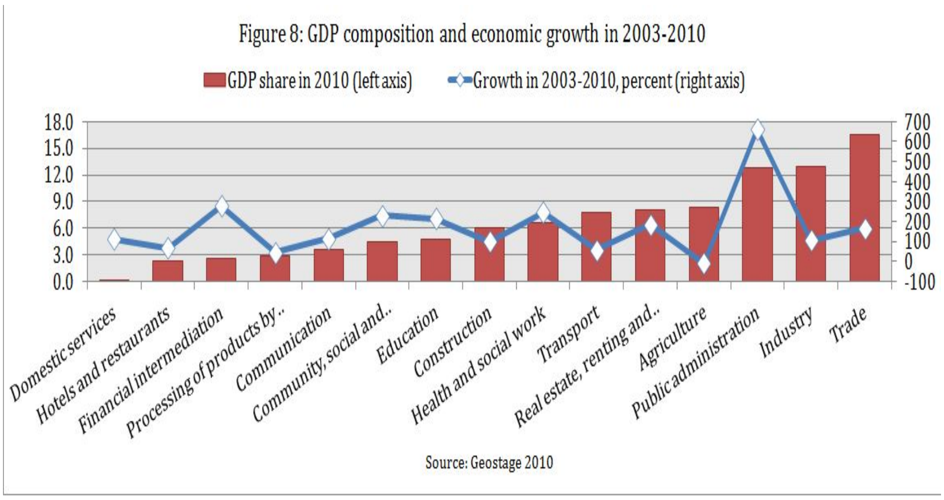
Although FinAgro operates deliberately concessionary loan instruments (nominal 12% actualising as more like 7.6% annualised interest), it seeks clients who have some prior basis in agricultural production and business (capital, experience, assets), and expects an in-kind contribution of 10-15% of the loan sought. Although comparatively soft in relation to commercial loan instruments, such conditionalities would, as the project has discovered, likely deter many of the more vulnerable and less well-endowed MV originally explicitly targeted by ITF/IOM/ADA. Whilst FinAgro's loan conditions (including a thorough approach to due diligence which may exclude loan uptake from households with bad credit elsewhere) may enhance the likelihood of high repayment rates, it may also recreate conditions of exclusion for the poorest and most vulnerable that the original ITF/IOM/ADA project sought to address – and hence the substantive sustainability of the model – even if it works well – can be called into question. As with the Armenia model for sustaining microfinance for MVs, the Georgia project should aim to model in detail how the transferrable fund would be managed, reconciling for example the rates of repayment currently targeted in the project (65%) with those of FinAgro (>95%).[22] FinAgro's management itself is realistic about the limits to social programming and agricultural microfinance, arguing that their microcredit operation needs a complementary grant-based programme providing start-up finance to MV households unable to take on the risk or clear the conditionalities of even concessionary loans.

There is little doubt that extending credit and training to vulnerable groups in the rural sector is an important strategy for reducing poverty in general and mitigating exclusion amongst highly

[21] Although the ITF/IOM/ADA transferrable fund is relatively small, the offer of fresh capital may be one of the reasons the IOM prospect appeals to FinAgro.
[22] The lower rate of repayment in the current ITF/IOM/ADA project could be problematic for the hand-over partner unless a) that repayment rate was improved or b) the hand-over partner was willing to reduce its repayment expectation in the specific case of MV loans.

disadvantaged groups such as households with MVs. There is considerable space for increasing both crop production and small-holder contributions to food processing in Georgia.[23] More than half of the national labour force works in the rural sector – yet agricultural production in 2013 contributed less than 10% of GDP. Growth in agriculture, between 2003 and 2010, was the lowest of any sector of the Georgian economy (graph 9).[24] For confidence in the agricultural sector (including smallholder production for local markets, agribusiness development, processing and agritourism), concessionary loans and technical support of the kind provided by FinAgro and GRDF need to be complemented – indeed contextualised – by a more proactive strategy of state investment, including grant-based, outreach-intensive interventions to address rural isolation and socioeconomic exclusion. The dynamics of that isolation and socioeconomic exclusion are not likely to be mitigated at anything like an adequate scale through the provision of microfinance in the forms envisaged to date by the ITF/IOM/ADA project or by its Georgian partner FinAgro. Interestingly, it is FinAgro that appears to be relatively clear-eyed on this matter.

Graph 9: GDP composition and contribution to growth, Georgia, 2003-10



Employment

As has been noted, government legislation and policy positions on supporting employment for vulnerable groups in Armenia looks on the whole very positive. SESA, as the lead agency in this area,

[23] Papava, 2013; Athukorala & Waglé, 2013.

[24] Moreover, recent EU analysis of the potential effects of the Association Agreement (AA) and completion of the Comprehensive and Deep Free Trade Agreement (CDFTA) suggests that there may be further downward pressure on the viability of smallholder farming in Georgia (EU External Action Service in Georgia, 2014).

appears to have developed a strong working relationship with IOM and the project. But the systems that would ensure a sustainable improvement in employability and inclusion in the labour market for MVs and PWDs are characterised by dysfunction, or simply weak commitment to enactment (both on the supply side of government outreach and the demand side of employers engaging with the PWD issue and PWDs/MVs recognising subsidised employment as a reliable alternative to assistance dependency. Clearly, finding ways to may existing policies on paper happen in reality is key to improving – in a sustainable fashion – the employment and labour conditions of the ITF/IOM/ADA project's target beneficiary group. A key question, therefore, is whether the project can engage more actively in targeted advocacy over the final phase, with a view to putting in place enhanced systems through which MVs and PWDs more widely may be able to access better routes to sustainable and decent work.

The project has claimed some success in leveraging employment of MVs as conditionality of its microloan service (with a reported 41 MV or family employees in microbusinesses supported through project loans as of the first quarter of 2014). This may serve as an example of effective inclusive employment intervention at a relatively small scale. At the same time, SESA and partners (including the World Bank) are developing larger-scale interventions to support, train and subsidise SME growth and wider forms of enterprise. It seems clear that the project should be working closely with these larger intervention models both to share its insights and to advocate aggressively for such interventions to include provision specifically and distinctly for PWDs (including MVs) rather than simply for a generic category of vulnerable groups (where national policy may favour generalised poverty reduction targets rather than investment in helping extreme pockets of disadvantage).

There has, over the life of the ITF/IOM/ADA project, been a somewhat stronger focus on employment strategies (as a counterweight to microfinance-supported business and self-employment) in Georgia. However, as we have seen, this area of intervention has been implemented in a quite seriously adverse economic and political climate. Rising rates of unemployment and withdrawal of state support from labour protections and employment promotion contextualised the project's efforts to encourage MV beneficiaries to engage with counselling, job placement and strategies such as on-job training. Rates of uptake in phase III have remained low and, in the case of on-job training, disappointing. Yet employment in salaried positions (in particular in the urban sector) remains a solid strategy for sustainably improving the social participation and economic condition of MVs and their households. Over the long-term, therefore, one of the key strategies for the project in the final phase should be a concerted, targeted advocacy drive to enhance the inclusion of MVs as part of the PWD community in employment opportunities directly, and indirectly in opportunities to enhance employability through counselling, education and vocational training.

The political and policy context in which the ITF/IOM/ADA project operates with regard to employment in Georgia has, as noted elsewhere, changed dramatically in the last two years. Substantial redrafting of employment law and the labour code has significantly reintroduced a role for government and pubic private partnership in promotion of increased employment and better labour conditions. Alongside this, the government has ratified its accession to the CRPD. New budget has been allocated accordingly (to areas such as vocational education and training, employment policy, and social protection), and regional outreach infrastructure for skills and employment has been re-established through the offices of the Social Service Agency (SSA).

However, significant challenges remain with regard to ensuring that these general improvements in the institutional context of employment and labour promotion extend to specific vulnerable groups like MVs and PWDs. Up to this point, new or revitalised government employment services appear to be somewhat passive – on one hand a continuing emphasis on poverty-related social assistance and statutory pension obligations, on the other, regionalised employment agencies which rely substantially on the 'WorkNet' web portal, registering, analysing and connecting job seekers with employers. The IT-centric nature of this strategy is unlikely, without greater attention to more targeted, physical outreach and supportive engagement, to facilitate significantly larger inclusion among PWDs, especially in rural areas and in higher age brackets (where familiarity with exclusion and unemployability may have become psychosocially entrenched). IOM's clear insights into the need to intensive outreach to engage PWDs and MVs in employment processes should be used to inform the positive, but still limited, policy and programme efforts of the Georgian government.

In particular, IOM could advocate for the WorkNet portal to incorporate specific data on the disability status of registrees (allowing us to see whether the service is, in fact, working for this constituency). At the same time, the ITF/IOM/ADA project should seek to enhance linkages between the SSA-run Employment Support Centres[25] and the Day Care Centres managed through the Ministry of Labour Health and Social Affairs, Social Protection Department – insofar as more integration between the two infrastructures could enhance significantly their collective ability to identify and

[25] It is important to note that the term 'centre; may be somewhat misleading here. In reality, these are in the main single individuals (or pairs of individuals) situated regionally, principally tasked with facilitating job-seekers to enter their on-line 'portal' mechanism. It is doubtful that these individuals in general are equipped with the specialist skills in outreach, engagement and counselling that the project's wider experience suggests is absolutely necessary to work effectively with marginalised groups like MV/PWDs.

work with PWDs on a more sustained approach to employment preparation and placement. A key barrier here is the experience and capacity of often newly-recruited staff in regional employment support positions. IOM reports having offered to merge its more experienced staff with the government's appointees, which could strengthen outreach and engagement capacity, including ability to identify MV/PWD needs and extend bridging support (for example between employment and day care centres if appropriate). However, these offers have not, at the date of this report, been taken up – possibly, as noted elsewhere, reflecting some resistance on the part of government institutions to new and unfamiliar modes of working.

The opportunity for creating a concerted advocacy effort to ensure monitoring and accountability relating to the Action Plan for PWDs has already been noted. Alongside this, the Ministry of Labour Health and Social Affairs notes the need for stronger monitoring and sanctions relating to new obligations in the labour code. With support from the US Department of Labour and the International Labour Organisation, a monitoring agency is deadlined for operationalization by 2015. Once again, the specific operating mandate of this agency should include a focus on PWD issues, and the ITF/IOM/ADA project is in a strong position to provide direct input to that process, at least in the preparatory phase, up to the first quarter of 2015.

Finally, in terms of MV/PWD direct employment strategies, there is still an acknowledged need to strengthen national data on PWDs (which will include MVs), identifying and monitoring changes in key dimensions of their economic status and socioeconomic participation. The ITF/IOM/ADA project is in a key position to help coordinate advocacy with government (including directly with GEOSTAT) to develop this. Without distinct data on PWDs, it will remain much more difficult for DPOs with whom IOM collaborates to hold government to account.

There has been significant movement in indirect employment and labour skills strategy development on the part of the new Georgian administration in the last period. Attention has now shifted from inclusive schooling to inclusive education, vocation and training. Although the numbers of participating PWDs in VET institutions to date are likely to be relatively small, the initiative may provide a good model of on the basis of which wider inclusive training may be built. Alongside the formal VET institutional reform and development (led by the Ministry of Education and Science), the Ministry of Labour Health and Social Affairs provides a range of shorter professional training courses. An area in which the ITF/IOM/ADA project could engage here is in ensuring that, between the formal

VET and the short-course vocation trainings, vulnerable groups such as PWDs are properly targeted for inclusion, and across the full age range. The VET programmes tend to focus on the 17-25 age range, and the short-course trainings (although nominally open-ended) are reported to attract most attention from those under 35. It is possible, therefore, that older unemployed people – in which group we may find a disproportionate number of PWDs and MVs (the latter having been mainly men of fighting age between 1990 and 2010, and hence potentially in their 40s and 50s) – will find it harder to enter available training programmes.[26] This is both unfair – perpetuating long-standing exclusion among older PWDs and MVs – but also potentially economically counterproductive, given a structural demographic of population ageing in the country as a whole (graph 10), and the proclivity of a substantial number of younger, better trained Georgians to emigrate for work (although the current structures for transborder working are reported to be weak and largely confined to black/grey market activity).From a purely practical MV-focused point of view, IOM should be able to leverage a strong advocacy position to ensure that training opportunities are proactively extended to MVs/PWDs in general, and to those in older age groups in particular.

Graph 10: Age pyramid for Georgia, 1981-2020

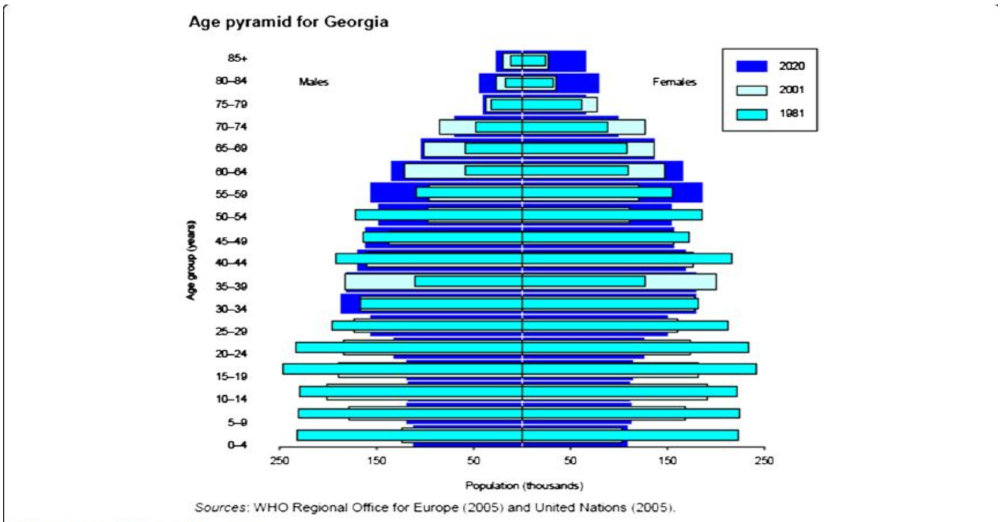


Figure 1 Age pyramid of Georgia.

[26] It is notable that the primary age range for beneficiaries in both Armenia and Georgia is 35-65 or above (with a slight weighting in favour of older males). This suggests a clear need to ensure that the older age bracket of MV/PWDs is not inadvertently re-excluded through policy or practical access issues relating to new vocational training, education and employment opportunities in both countries. This is an area in which the ITF/IOM/ADA project has distinct – and arguably unique – insight and experience to add to the advocacy debate.

Given the challenges of microfinance for especially vulnerable groups in Georgia noted earlier, emphasis on employment and employability for PWDs and MVs may be a more sustainable and scale-effective strategy for the project to pursue in its final phase. One – perhaps somewhat unexpected institution – which might provide a model for supporting employment and socioeconomic inclusion for MVs/PWDs in Georgia, is the Ministry of Defence, through its Wound Warriors initiative. Although this initiative currently targets only enlisted soldiers injured in action under the aegis of the MoD, the initiative's managers recognise the need to extend the focus to the larger group of 'veterans' (including those without military papers), injured during various conflicts over recent decades inside and outside Georgia. Although it is reported that socioeconomic reintegration initiatives for Georgian military war victims were never translated from plan to action, the MoD's planned human resource initiative supporting transition for ex-military to socioeconomic functions in civilian life could itself be used as a blueprint for wider support to veterans and, beyond that, to PWDs in general.[27] This, finally, is another area in which there appears to be a significant opportunity for the ITF/IOM/ADA project to deploy its specialist insight into the continuity between MVs and PWDs as a basis for informing and supporting new government initiatives.

Equity

There is some evidence of increasing attention to baseline beneficiary profiling, as the benchmark against which impact can be assessed subsequently. Efforts to enhance gender equity among participating beneficiaries in relation to both microfinance and employment opportunity support are in evidence (e.g. through sex-disaggregated monitoring data), with some notable signs of success, for example in the proportion of females recruited to project registration and, thereafter, to vocational training, though with less evidence of success in relation to uptake of micro-loans. Male dominance on the microfinance demand-side is noted as a consistent feature of project experience, and a sociocultural barrier to equitable microfinance participation. This is not surprising given the preponderance of males among mine victims not only in the South Caucasus but globally. And it does not imply that the benefits of micro-loans may not have equitable impact on both males and females in loan-taking households. Indeed, extension of project participation to mine victim family members is an important element of strategy to build participatory gender equity.

[27] However, in reality, it is not at all clear that this wider commitment to socioeconomic integration for former military serving personnel has genuine recognition (or traction) across the institution of the MoD and hence whether it is liable to serve as much more than a policy idea within certain circles within the MoD. Nonetheless, accession to the validity of the concept is arguably an indicator of some susceptibility within the defence sector to the recognition of its wider social responsibility, and one that therefore should not be summarily overlooked by actors interested in extending the range of institutional committed to victim assistance in its broadest forms.

There is, overall, less evidence of a change in the equity base among beneficiaries on socioeconomic lines – that is encouraging participation in the project from among poorer and more socially excluded members of the MV community. Challenges here include relatively poor motivation of the very marginalised to perceive benefit in participation, relative to MVs with access to business experience, collateral and/or prior capital. The demands of participation – in particular in the area of micro-loans with collateral requirements and/or interest repayment obligations (allbethey below market levels) may act as a disincentive to project engagement among those who are least endowed with respect to other resources of business acumen, confidence and supporting assets.

This may be, to a degree, understandable. MVs and PWDs falling into the 3rd (most severe) category of disability may not, in practical terms, be in a position to engage directly in aspects of business development, training or employment. It is notable that the majority of loan-takers in the Armenia project fall into category 2 disability. Given the relatively moderate forms of category 1, this is in reality probably where one would expect most participation and benefit to occur. But that raises a wider question – the extent to which it makes sense for projects such as ITF/IOM/ADA's to extend opportunities more broadly, not simply to MV/PWDs themselves, but to their family members and – perhaps looking at the Armenia project's work on using small business loans to encourage hiring of MVs – to the wider local business community.

Gender

As a whole, the project in both Armenia and Georgia has shown a marked increase in attention to gender as a key dimension of participation in a project that, under normal circumstances, tends to skew heavily in favour of males (as the majority of former combatants and, often, the primary victim group for landmine/UXO/ERW incidents). As a result, both country projects also show a significant increase in institutional awareness of relative beneficiary engagement. However, in terms of net effect, whilst outreach, registration and training appear to have made considerable headway on equalising engagement with men and women, Armenia shows considerably better performance on the practical matter of extending business loans to women, while women's uptake of microloans in Georgia remains relatively small. This is not surprising. Although attitudes to male and female employment and income earning appear quite positive among surveyed households, sociocultural and economic interests are likely to remain quite heavily biased against equitable participation of men and women, especially where capital, business and formal employment opportunities remain squeezed and hence highly competitive in both country contexts. It should be noted, though, that the Armenia project has made promising progress by extending the availability of microloans to businesses willing to employ mine victims – thus obviating the gender problem of very few direct female victims. This approach is being recommended for uptake in Georgia too, and this review supports the strategy wholeheartedly.

Project capability to specific gender as a dimension of beneficiary participation has clearly been enhanced in particular in enumeration data relating to registration and subsequent intervention participation. An important insight from the gender gap analysis conducted as part of extended phase III gender focus, is the relative time poverty of household women, relative to their male counterparts – and the potential adverse effect this may have in undermining the ability of household women, without additional support, to engage with, and benefit from project interventions. This crosses the range of interventions from registration through participation in training to business development and loan-taking. One area in which it may not play such a strong barrier role is in formal (or subsidised SME) employment, to the extent that additional household income may equate with or actively off-set the value of time subducted from women's household and family work through time spent in waged work.

Environment

There is clearly value in extending environmentally protective behaviour to small and medium-sized enterprises, as well as legal requirement so to do. The contracting in of an environmental expert to support analysis, within the ITF/IOM/ADA project, of the environmental impact and legal compliance aspects of microloan-recipient business plan, appears to have worked well in terms of raising awareness and identifying specific issues to be addressed. Environmental impact training has now been incorporated into the business training prospectus. However, from a purely practical perspective, it may also be recognised that, given the scale of the project's microfinance activity and the number of very small business plans and loans, environmental assessments of each loan business model could, ultimately, add a layer of bureaucratic compliance that may in the end deter some MV/PWDs from progressing through the business planning and loan uptake process.

Conclusion

The findings of this interim review are, overall, positive. Phase III of the project shows marked signs of conceptual and design progress – widening the intervention focus to PWDs, and engaging in a significantly deeper analysis of government institutional, legal and policy processes, as well as NGO and private sector networking, as vital context in which MV/PWD reintegration happens. The key, hereon in, is to show how that deeper project analysis can be converted into greater effect at the level of institutional and policy influence.

There is, throughout, strong evidence of good project management in both the Armenia and Georgia projects. There is, relating to this, some evidence of effective delivery – in particular looking at outreach and engagement in Georgia, and microfinance delivery in Armenia.

But there are two distinct concerns. First, even where intervention has been successful (according to rates of delivery against original project proposal targets), it has been so mainly at relatively very low levels of beneficiary participation. So, while the project can claim to have done what it set out to do, it can also be argued that it has done so at a relatively high per capita cost. In order for this argument to be played out credibly, in the case of future projects of a similar design and purpose, it is recommended that resources be included to finance an analysis of the per capita cost of impact in such a project design. This will provide the basis on which alternative models of intervention could be assessed more rigorously; but it will also, and perhaps more importantly, provide the basis for an assessment of the true sustainability of such interventions in the future.

Second, there are some distinct areas in which project progress falls short of targets set in the original design. On the whole, the interim review accepts as genuine the social, economic, political and institutional challenges that are offered as reasons for shortfall. In particular, the report notes the twin challenges of engaging MV/PWD demand for education, training and employment support, and of encouraging government and private sector counterparts in both countries to use non-market mechanisms to promote inclusion of specific vulnerable groups (whose vulnerability operates in economic and non-economic dimensions of poverty and marginalisation) in economic activity.

The experience of both success and failure at this interim stage should be viewed as an important opportunity. A key activity for the second half of this project's final phase should be not only to maintain and manage direct beneficiary interventions, but to document, carefully and rigorously, the factors that contribute to successful engagement with and reintegration of MVs, and the factors that contribute to failure. Whilst there is always a tendency to want to report on the upside (especially to the donor), the ITF/IOM/ADA project reflects some truly valuable learning regarding how to work with vulnerable marginalised groups, and who should be involved in such work. This learning, it may be argued, is as valuable as an overall project outcome, as positive changes in the lives of individual beneficiaries.

That learning is also, potentially, the key to sustainable impact. Although it is likely that plans will proceed to convert project microfinance into 'locally-owned' revolving funds in both countries, the evidence for genuine sustainability of such funds remains to be demonstrated. Whatever fund mechanisms is finally chosen for each case, a clear 5-year model should have been constructed and tested with variable parameters for fund performance, to assess robustly the prospect of a lasting mechanism.

Beyond such models, and pertaining to sustainable impact in both the self-employed and formal employment sectors of Georgia and Armenia, it is recommended that the project redouble its energy and effort – using the knowledge it has gained over past phases about how MVs/PWDs can be supported into education, training and work – to advocate systemic change and institutionally-sustained government support, creating an environment in which MV/PWD employment is incentivised (even subsidised), and facilitated by all parties.

Annex A: Key informants

Armenia

- International Organisation of Migration, Armenia, Khachatur Kazazyan
- VTB Bank
- Ministry of Labour and Social Issues, Armenia/State Employment Service Agency – Artak
- Independent Consultants, Gohar

Georgia

- International Organisation of Migration, Georgia, Natia
- International Committee of the Red Cross, Khatuna Chumburidze, Ecosec Field officer
- Ministry of Education and Science of Georgia, Tamar Kitiashvili, Head of the Department on Vocational Education Development and Maia Bagrationi, Department of Inclusive Education
- Ministry of Defence of Georgia, Paata Patiashvili, Wounded Warriors project Manager and Mamuka Mikabadze, Health Department
- DPO "Social Service League", Bela Songulashvili, Member of the National Coordination Council
- JMC MFO 'FinAgro', Giorgi Chonishvili, Supervisory Board Chairman
- USAID, Nana Chkonia, Disability Advocacy Project. Programme Management Assistant, Georgia
- Ministry of Economy and Sustainable Development of Georgia, Oleg Gochashvili, DELTA, LEPL
- Ministry of Labour Health and Social Affairs of Georgia, Tea Sturua, Head of the Employment Programmes Department, Social Service Agency
- Ministry of Labour Health and Social Affairs of Georgia, David Okropiridze, Deputy Head of Department of Labor and Employment Policy
- Ministry of Labour Health and Social Affairs of Georgia, Gia Kakachia, Head of the Social Protection Department

Annex B: Project documents reviewed

- Annual Progress Report: 1 November 2012-31 December 2013. Socioeconomic Reintegration of Mine Victims in South Caucasus – Phase III, ITF/IOM report to the Austrian Development Agency.
- Progress Report: January-March 2014. Socioeconomic Reintegration for Mine Victims in the South Caucasus Project – Phase III, ITF/IOM report.
- Insights, Recommendations and Conclusions of the Study Visit in Slovenia and Austria (14-18 October 2013).
- Presentation and Report of the Qualitative Study Results: Employment of People with Disabilities in Armenia – needs and barriers, 29 October, 2013 (USAID, SCF, ITF, IOM, ADA).
- Socioeconomic Reintegration Programme for Mine Victims in Georgia: workshop on reintegration of mine victims – challenges and opportunities, October 30, 2012.
- Ghabuzyan G, Mkrtchyan H, Mkrtchyan H (2014). Review of Microcredit Environment of Armenia: 2nd draft report.
- Memorandum of Understanding between the Ministry of Labour and Social Affairs (and the State Employment Support Agency (SESA)) and the International Organisation of Migration (IOM), May 17 2013.
- Loan-awarded Business (Georgia), November 2012-December 2013, with recommendations by Environmental Expert.
- Trainer and Trainees Evaluation Analysis (Georgia)
- Consolidated Training Evaluation (Armenia)
- Project Statistics, Georgia
- Plan for implementation of two workshops with support of Austrian Ministry of Social Affairs
- Matrix of relevant project stakeholders, their roles and focal points in Armenia and Georgia
- ITF Concept plan and guidelines for the implementation of ADA visibility guidelines in the project "Socio-Economic Reintegration Programme for Mine Victims in South Caucasus"
- Annual Time-Work Plan for the First Year of Project Implementation (Armenia, Georgia)
- Monitoring and Evaluation Plan (Georgia and Armenia)
- Business Training Module (Georgia and Armenia)
- Plan to Implement Specific Gender and Environment Recommendations in Georgia/Armenia
- Streamlined Project Logical Framework
- Baseline data for Armenia and Georgia
- ITF Narrative Inception Report, 30 January 2013

- Project Proposal: Socioeconomic Reintegration of Mine Victims in the South Caucasus, Phase III (Armenia & Georgia)

Annex C: Additional sources

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International Labour Organisation (2012). Armenia: Decent Work Country Profile. ILO, Geneva, 2011.

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Annex D: Independent Report on Options for Sustainable Microfinance Handover, Armenia

REVIEW OF MICRO CREDIT ENVIRONMENT IN ARMENIA

FINAL REPORT

ITF Enhancing Human Security

09/7/2014

Team of consultants:

Gohar Ghabuzyan, Hrayr Mkrtchyan, Hayk Mkrtchyan

This report reflects on assessment of micro environment of Armenia including suggested option for handover of micro-credit revolving fund.

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Table of Contents

1. BACKGROUND

The "South Caucasus Socio-Economic Reintegration Programme for Mine Victims" Project implements rights based approach and is promoting the rights and needs of mine victims through the framework of Convention on the Rights of Persons with Disabilities for the purpose of guaranteeing mine victims the exercise and enjoyment of the human rights set out in the Convention. The project targets mine victims including their families, as part of the population of persons with disabilities and a vulnerable group in the general population of Armenia and Georgia. A total number of mine victims in Armenia is estimated to be at least 582 mine victims according to the accounts of Armenian National Committee of International Campaign to Ban Landmines (no female victims identified yet).

Faced with high unemployment levels mine victims rely on self-employment as the only accessible option for mine survivors as well as many people with disabilities to earn for livelihood, because, in general, it is difficult to find a formal job in developing and transition countries. One of the main obstacles to self-employment of mine survivors is access to capital for small business start-ups. Thus, mine victims are being deprived of possibility to earn income, due to their disability, lack of collateral, steady employment and a verifiable credit history (cannot meet even minimum qualifications to gain access to traditional bank loan).

The project aims to extend reach and impact by combining microfinance and employment efforts with specifically targeted group of beneficiaries (mine victims).

A project aim and exit strategy is a sustainable model for handover of revolving fund to national ownership in Armenia in order to support socio economic reintegration of project beneficiaries which will be developed and presented to Austrian development Agency (ADA). The sustainable model should include a selected government or financial institution as lead project partner, which is eligible for administration of the revolving fund and disbursement of micro credits in Armenia, respectively, a feasible three years business plan including acceptable soft loan conditions, appropriate trainings and counseling services– if financially feasible –, and a project budget reflecting those elements.

To this purpose, a team of micro-credit consultants was assigned to review Armenian micro credit environment including mapping of relevant stakeholders and potential revolving fund recipients, parameters relevant to sustainability and options for handing over the micro-credit programme to national bodies.

2. PREVIOUS EXPERIENCE OF THE FUND

International Organization of Migration (IOM) Armenia Office is the local implementing agency of the "South Caucasus Socio-Economic Reintegration Programme for Mine Victims" Project started in 2009. The pilot phase of the Project was implemented in the period of 2009-2012 (30 months) and the main phase started in November, 2012 and will last until April, 2015. In frames of this Project, IOM has been providing micro loans to mine victims. The loans were provided through VTB Bank, for up to 2 year period, the average amount – 2000 EUR. The loans are provided in USD, with 10% annual interest rate and requirement of collateral. The maximum amount is 10.000USD but the highest loan so far was for 5.500USD.

All the preparatory process for credit provision is done by IOM (identification of the client, assessment of creditability, elaboration of the business plan, decision on credit provision); and in the end the bank gives the credit from IOM deposit fund. The interest rate is divided between IOM and the Bank.

Besides the loans, the mine victims are also provided with a small business training course for 4-5 days which includes such trainings as marketing, management functions, legal types of businesses, taxation, basic bookkeeping, business planning etc. After the training an IOM consultant works with the beneficiary on development of the business plan and creation of individual repayment schedule for each case. Then, together with the bank representative, they analyze the collateral and open the credit case. The decision about providing the loan is made in 2-3 working days.

During the whole period of the Project, 43 start-ups received loans through this mechanism (of which 17 in the pilot phase and 26 in the main phase of the Project). Out of 43, 5 cases are out of the target group: those are businesses which have received the loan with a precondition to create job places for disabled mine victims. The financed businesses are from different sectors of economy – production, agriculture, trade. More than 50% of the borrowers are from the regions of Armenia (outside of Yerevan).

During the pilot phase, 100% repayment rate was registered and 80% - during the main phase of the Project 2 of 26 borrowers have problems with repayment due to unpredictable obstacles in their business activity.

The size of the current revolving fund is 74.000 EUR, about 100.000 USD of which 82.700 USD are distributed by the end of March 31, 2014. This is a very good result taking into consideration that the target group is very specific and is not easy to reach because of 2 main reasons:

- Mine victims are difficult to be reached by Project staff. It is not easy to find these people in the regions of Armenia. The only source of information is the list by the Ministry of Defense of Armenia which is old and not updated. The Project staff visits the communities, conducts meetings with municipalities and local social services to find mine victims there but that is a hard work which requires lots of time and efforts.

- Lack of motivation among beneficiaries. 90% of mine victims are affected during the military actions and therefore are very specific people – with health issues, psychological problems and financial problems because all of them are disabled and do not have opportunity to get any income.

IOM is doing monitoring visits to all credit borrowers – 2 times per month to check if the business is running and to identify the ongoing problems and consult on solutions. The Project staff emphasizes that permanent dialogue with beneficiaries is crucial for successful operation of the revolving fund. Besides the ongoing monitoring, IOM also performs impact monitoring to check changes in life quality. The results of impact monitoring are extremely good – 93% of beneficiaries registered positive changes in their lives.

Based on the previous experience of the fund, it becomes obvious that financial sustainability of the Fund is under big question. Even if the fund is fully distributed, the realistic yearly income will be 6500 USD which is equal to monthly income of 542USD. This amount is not sufficient at all for operation of the revolving fund. According to the Project staff at IOM, at least 3 people are necessary to work for operation of the fund to cover all the work on training, monitoring, reporting etc. Besides, they are lots of transportation costs for identification of the clients and monitoring of the provided loans.
The revolving fund under this Project is only one part of IOM's experience in provision of micro loans. IOM has experience in working with different types of vulnerable groups such as displaced people, returning migrants, refugees, social vulnerable groups etc. Since 1997, IOM's Micro-enterprise Development Project (MED) has sought to increase the economic self-sufficiency of vulnerable people as well as to facilitate integration of returnees, refugees and displaced persons through provision of micro-enterprise training, credit and employment opportunities.

- Over 3400 persons have completed training in micro-business management and business planning. Development of a comprehensive training curriculum.
- Over 9,900 loans, amounting to more than USD 8.5 million have been extended. This has served 5212 direct beneficiaries, loan recipients as well as persons employed.
- 3,547 businesses were supported.
- Close to 55% of the beneficiaries are women.

Both IOM and VTB Armenia Bank acknowledged their readiness to continue already established cooperation for the benefit of mine victims and their families.

3. INSTITUTIONAL FRAMEWORK

In general, there are two types of organizations who are legally eligible for providing credits in Armenia. Those are banks and universal credit organizations UCOs. All in all, there are 22 banks and 33 credit organizations in Armenia. Financial system of Armenia is regulated by Central Bank of Armenia (www.cba.am). It is also the official licensing authority for banks and UCOs.
Besides the banks and UCOs, there are also other organizations (supporting institutions) which provide financial support to businesses mainly in cooperation with different donor agencies. These are mainly foundations and NGOs. But they are not eligible for providing loans (with interest rates). Therefore, they are either providing loans through the existing banks or providing interest-free loans or grants.
Micro-credit products available in the financial market as well as financial support products for businesses are presented in Chapter 3.

4. MICTO-CREDITS AVAILABLE IN ARMENIA

4.1. Credits by banks and UCOs

19 banks suggest credits to businesses operating in Armenia. Different types of credits are provided for 1-3 year period, with 20-24% annual interest rate for AMD loans and 14-16% for USD loans. There are also other payments/fees: withdrawal rate – 0,5%, commission fee - 3%. The average size of micro credits provided to small business varies from 1 to 3mln AMD (about 1500 – 5000 EUR).
Below are presented credit products of the banks:

No	Banks name	Product name	Conditions		
			Amount	Annual interest rate	Max repayment

					period
1	ACBA Credit Agricole Bank	Express loans	50,0 – 3mln AMD	20-22% (AMD) 18-22% (foreign currency)	24 months
		Commercial business loans with collateral	Up to 50% of collateral	11-24$	60 months
2	Ameria Bank	SME loans	Up to 1,5mln USD	13-15%	5 years
		Express loans	Up to 100,0 USD	From 18%	1 year
3	Anelik Bank	EBRD SME Development Program	Up to 500,0 USD	13-24%	60 months
		GAF SME Development Progra	Up to 60mln AMD	13-24%	60 months
		SME DNC Program	Up to 45mln AMD	Up to 15%	60 months
4	Areksimbank	Small business loans	350,0 to 40mln AMD	15-18% (AMD) 14-16% (foreign currency)	120 months
		Medium business credits	Up to 400mln AMD / 1mln USD / 700,0 EUR	15-18% (AMD) 13-15% (foreign currency)	84 months
5	Ararat Bank	Express loans	Up to 1.5mln AMD	20% (AMD) 18% (foreign currency)	24 months
		Micro business loans	Up to 8mln AMD	14% (AMD) 12% (USD)	72 months
		Small business loans		13% (AMD) 11% (USD)	48-84 months
		Middle-sized business loans	35mln to 100mln AMD	13% (AMD) 11% (USD)	48-84 months
6	Ardshininvestbank (ASHIB)	SME loans	3000 – 100000 USD	19% (AMD) 17% (USD) 15% (EUR)	36-60 months
		Express loans	1000 – 5000 USD	16-18%	6-36 months
7	Artsakh bank	Business loans	Up to 70% of collateral	16-20%	6-7 years
8	Byblos bank	Small business loans	2mln to 20mln AMD	14-16% (AMD) 12-14% (USD)	48-84 months
9	BTA Bank	SME loans	100,0 – 20mln USD	13-15% (AMD) 12-14% (USD)	3-60 months
10	Armenian Development Bank	Development loans	1mln – 15mln AMD	15%	7 years
		Express business loans	1mln – 10mln AMD	16% (USD) 15% (EUR)	5 years
		Business loans	500,0 AMD	12-17% (AMD)	8 years

				10-15% (USD) 9-14% (EUR)	
11	Inecobank	SME loans	From 11mln AMD	13-16% (AMD) 10-14% (USD / EUR)	48-84 months
		Micro loans	3,5 – 11mln AMD	19-23% (AMD) 16-20% (USD / EUR)	60 months
12	Converse bank	Micro fast loans	Up to 3mln AMD	18-20%	5 years
13	Pan-Armenian bank	Business loans	0,5 – 2mln USD	12.5-14.5%	4-10 years
14	ArmBusinessBank	EBRD / SME loans	100,0 – 8mln USD	14%	60 months
		World bank / SME loans	Up to 100 mln AMD	15% (AMD) 14% (USD)	-
15	ArmEconomBank	Trade promotion loans	From 50,0 USD	6-12%	18 months
		Easy commercial loans	Up to 3,5 mln AMD	18% (AMD) 16% (USD)	36 months
		Easy+ commercial loans	Up to 5mln AMD	18% (AMD) 16% (USD)	36 months
		Commercial loans	Up to 60 mln AMD	15% (AMD) From 12% (USD)	7 years
16	Melant bank	Business loans	Up to 100 mln AMD		48 months
17	Unibank	No-collateral loans	Up to 8,0 USD	20% (USD) 17% (EUR)	36 months
		No-collateral+ loans	Up to 3.5mln AMD	22-23% (AMD) 19-20% (USD) 16-17% (EUR)	24-36 months
		Uni micro	1.5mln – 6mln AMD	20% (AMD) 18% (USD) 15.5% (EUR)	-
		Business loans	Up to 500 mln AMD	12-15.5% (USD/EUR)	120 months
		Bonus	Up to 50,0 USD	14-15%	36 months
18	Pro Credit Bank	Pro-express loans	2mln – 4mln AMD	20-23% (AMD) 16-18% (USD)	24-36 months
		Progress loans	2mln – 12mln AMD	18-20% (AMD) 13-17% (USD)	36-48 months
		Business loans	2mln – 60mln AMD	11-20%	24-144 months
		Pro-business loans	From 12mln AMD	11-19%	84 months
19	Prometey bank	Loans for trade, restaurant and hotel businesses	1bln AMD	12-20%	10 years
		“Now” loans	300,0 – 3mln	22%	24 months
			3mln – 15mln	20%	60 months

21 UCOs suggest credits to businesses operating in Armenia. Different types of credits are provided for up to 3 year period, with 22% average annual interest. The withdrawal rate is 2,5%. The amount of micro credits provided to small business is up to 1,5mln AMD (about 2700 EUR).

Below are credit products by credit organizations (UCOs):

No	UCO name	Product name	Conditions		
			Amount	**Annual interest rate**	**Max repayment period**
1	Aniv	SME development credit	1,5 – 40,0 USD	14%	36 months
2	Aregak	Business credits	Up to 5mln AMD	21% (can go down to 18% for regular clients)	48 months
3	Bless	Commercial credits	Up to 7mln AMD	15-22%	10 years
4	Garni Invest	Fast loan	Up to 6 mln AMD		
5	Gladzor	Business loans	Up to 1mln AMD	14-24%	60 months
6	Global credit	Business loans	Up to 500,0 AMD	14-22%	60 months
7	Express credit universal	Business loans	From 300,0 AMD	15-22%	3-24 months
8	Kamurj	Entrepreneurship loans	Up to 4mln AMD	20-22% (AMD) 15-16% (USD)	36 months
9	Kilikia	Commercial loans “NOW”	Up to 4mln AMD	17-20%	3 years
		“Sustainable growth”	Up to 10mln AMD	16-19%	5 years
		“Reliable partner”	Up to 40mln AMD	15-18%	5 years
10	Malatia	Commercial loans	-	18-24% (AMD) 18-22% (foreign currency)	7 years
11	New Horizon	Business loans	100,0 – 4mln AMD	18% (foreign currency)	48 months
12	Norvik	Small business loans	5,0 – 50,0 USD	16-20% (USD)	36 months
		Middle business loans	50,0 – 200,0 USD	13-18% (USD)	36 months
		Big business loans	From 200,0 USD	10-16% (USD)	36 months
13	GFC General Financial and Credit Company	Commercial loans	2mln – 25mln AMD	21-24%	48 months
14	G&A	Commercial middle loans	3mln – 60 mln AMD	14%	60 months
		Commercial micro loans	2mln – 3mln AMD	18%	60 months
		Commercial	50,0 – 2mln	20%	60 months

		express loans	AMD		
15	SEF International	Business development loans	250 – 40,0 USD	10-15% (USD)	36 months
		Business express+ loans	3,0- 10,0 USD	16%	36 months
16	SME Invest	-	Up to 10mln AMD	12%	60 months
17	CARD Agro Credit	Business/ commercial loans	1 – 120mln AMD	15-22% (AMD) 12-20% (USD)	60 months
18	FICO	Business loans	No limits	14-16% (USD) 22% (AMD)	36-60 months
		Business express	500 – 20,0 USD	18% (USD) 22% (AMD)	24-36 monthzs
		Business gold	500 – 1999 USD	18% (USD)	24-36 months
			2000 – 9999 USD	16% (USD)	
			From 10,000 USD	14% (USD)	
19	Fast Credit Capital	Business and agricultural loans	-	24% (AMD) 16-17% (USD)	5 years
20	Farm Credit Armenia	Agrobusiness / SME loans	300,0 – 20mln AMD	12-20% (AMD) 8-16% (USD)	84 months
21	FINCA	Simple loans	57,0 – 2mln AMD	24%	36 months
		Business loans	5,0 – 50,0 USD	From 13%	60 months

Though there are a lot of banks and UCOs in Armenia, the demand of loans is also quite high. Therefore, the banks are not so eager to soften loan conditions and to work with vulnerable groups. Not only vulnerable groups, but also start-up businesses and law-income businesses (which have an important role in poverty reduction in Armenia) usually do not have access to micro credits provided by banks and UCOs. In this situation, supporting institutions are addressing this market failure and providing favorable loans to different groups of beneficiaries (start-ups, returnees, women entrepreneurs etc.).

4.2 Credits by Supporting Institutions

Besides banks and UCOs, there are also a few supporting institutions which provide financial services to SMEs. Those services include loans with favorable conditions, interest-free loans and grants. As only banks and UCOs are legal for providing loans with interests, the supporting institutions mainly provide interest-free loans or grants with support of donor agencies. Only SME DNC is providing loans with interest in cooperation with VTB Bank of Armenia. It is doing all the procedures itself and approving the loan with own experts and then the Bank is providing the loan based on SME DNC's guarantee.
Below are presented the main supporting institutions which provide also financial support for creation of businesses in Armenia.

SME DNC

The Fund "Small and Medium Entrepreneurship Development National Center of Armenia" (SME DNC of Armenia) was established by the Government of Armenia in 2002. SME DNC of Armenia is authorized to provide state support to small and medium entrepreneurship (SME) in the country, as well as implement projects directed to SME sector development in Armenia, with the resources allocated from State budget and contributions from international and donor organizations.

SME DNC of Armenia is governed by Board of Trustees headed by the Minister of Economy. The members of the Board are representing different government structures and public organizations advocating the interests of SMEs.

SME Support Programs include:

- Information and Consulting Support
- Training Support (Focusing on Start-up Business Support)
- Financial Support (provision of loan guarantees)
- Local Economic Development Activities
- Development and Introduction of new Business Models
- Business Internationalization

Starting from 2008 SME Development National Centre of Armenia has become a member of Enterprise Europe Network and currently also acts as an Enterprise Europe Network Correspondence Centre in Armenia.

This new European initiative gives an opportunity to Armenian SMEs to participate in the European business stimulation processes and take advantage of network services on identification of new business partners, establishment of business relations, carrying out the negotiations and endorsing cooperation agreements, promotion of export/import activities, getting and upgrading knowledge and skills for doing business in European Single market and other related services.

SME DNC of Armenia has considerable experience in implementation of joint projects with international organizations like United Nations Development Program (UNDP), Representation of the United Nations High Commissioner for Refugees in Armenia (UNHCR), UNIDO, German International Organization (GIZ), Japanese International Cooperation Agency (JICA), Organization for Security and Cooperation in Europe office in Yerevan (OSCE), Asian Development Bank (ADB), United Kingdom Department for International Development (UK DFID), Dutch "Centre for promotion of Imports from developing countries" (CBI) and Dutch Agency for International Business and Cooperation (EVD), etc.

The SME DNC of Armenia carries out its activities through well-developed network of regional branches and representative offices covering all regions of Armenia (10 branches + 3 representative offices) coordinated by the Central office in Yerevan. Currently SMEDNC has 79 employees (24 employees work at the central office in Yerevan, and 53 - at the regional branch offices).
SME DNC has experience in working with different types of vulnerable groups such as women, young entrepreneurs, refugees, displaced people from Syria and others.
"SME Development National Center (SME DNC) of Armenia" Foundation provides favorable loans to start-up entrepreneurs since 2005. The conditions are as follows: up to 5mln AMD (about 8700 EUR); up to 5 years; 10% annual interest rate. Prior to the financial support, SME DNC also provides training and consulting services to the start-up entrepreneurs. The latter develop their business plans with support of consultants, and then present it to the committee applying for financial support. In average, SME DNC trains about 500 start-ups and provides more than 250 loans annually. The overall size of the revolving fund operated by SME DNC is about 1727 mln AMD (about 4,3 mln

USD) of which about 1200 mln (about 3mln USD) is currently distributed. About 700 start-ups have received loans so far and more than 92% repayment rate is registered.

COAF

The Children of Armenia Fund (COAF) is a non-profit organization that implements community-led approaches to reduce rural poverty, with a particular focus on children. Founded in 2003, it aims to reduce poverty through the revitalization of rural Armenia and the realization of projects that are instrumental to the development of rural children and youth.
Since 2004, COAF has funded and implemented education, health, social, economic development and infrastructure programs serving more than 25,000 people from Armavir and Aragatsotn districts of Armenia. Through these cross-cutting activities COAF seeks to address existing issues in a comprehensive fashion.

- COAF's Economic Development Program assists in creating attractive business environment for investments in rural areas of Armenia as well as establishment of new and startup businesses and creation of new jobs.
- Health interventions are targeting prevention and early detection of diseases through health education and health screenings.
- Education programs focus on improving the quality of education, facilitating the evolution of village schools into child-friendly institutions that also offer extracurricular enrichment opportunities, and contributing to the future of the children by helping to foster professional orientation and career choices.
- Child and Family Support Program provides additional support for these efforts by offering social counseling that target adolescents and youth.

The Economic Development program is implementing a number of projects aimed at stimulating entrepreneurship initiatives in rural regions. These include the “Successful Business” project, as well as a joint program in partnership with the crowd funding organization – FA Microloans.
Our ‘Successful Business” project benefited over 100 entrepreneurs who participated in trainings and consultancies, receiving essential knowledge and skills for effective business management, strategic planning and business plan development. A total of 21 enterprisers have thus far received interest free loans from COAF, enabling them to implement their business ideas. 95,000 USD was distributed from a loan fund with an initial value of 66,000 USD. The average sum of the interest free loans provided was 4,000 USD. Full repayments were made by 78% of borrowers with the remainder making payments according to the set timeline. These loans with preferable conditions created 39 new jobs.
Collaboration with FA Microloans resulted in 3 small business owners receiving interest free loans for developing their small family businesses. A total of $4,300 USD was lent to these businessmen who are making payments on schedule.
The COAF Economic Development team performs need-based trainings and consultancies for its beneficiaries, such as:

- High value agriculture technologies -65 beneficiary farmers
- New changes in tax legislation – 14 beneficiary enterprises
- Milk processing -10 beneficiary enterprises
- Business planning -100 beneficiary enterprises

COAF is performing accurate monitoring and evaluation of its activities, as well as those of its borrowers. In addition to following repayment schedules, representatives of the Economic

Development team routinely visit borrowers and conduct firsthand observations. COAF specialists also provide on-job consultancies on a needed basis.
COAF is operating in 22 communities throughout the Armavir and Aragatsotn regions of Armenia with over 25,000 beneficiaries. The organization has offices both in Yerevan and New York City.

GCCI

Gegharkunik Chamber of Commerce and Industry (GCCI) was established in 2003. GCCI addresses business society needs in Gegharkunik region as well as in neighbor regions in RA. The mission of GCCI is the formation and strengthening of the business community in Gegharkunik region and unification of enterprises around common and prospective benefits.

GCCI has experience in different groups of entrepreneurs such as young entrepreneurs, women entrepreneurs, abused women, rural businesses and farms.

In 2004, GCCI established the Successful Start Fund. The philosophy of Successful Start Fund is to help establish new businesses or make the existing ones competitive by providing micro loans with no interest rates or collateral. Businesses in the bordering and rural communities have difficulty in accessing or obtaining funds. Banks offer loans with high interests and with long procedures. Before clearing the financing of the proposed projects of the businesses, GCCI improves business competencies of the applicant entrepreneurs through business training in CEFE (Competency based economy through formation of enterprises) methodology mechanism. The main topics of trainings are “Business planning”, “Strategic planning” and “Micro franchise standards”. The total amount of the trained beneficiaries is 570.

During 10 years this fund provided loans to about 100 rural businesses – up to 500 000 AMD (about 1000 euro) per business. The main criteria of working with beneficiaries are the business characteristics, loan repayment opportunities and guarantees of startup businesses sustainability. GCCI’s experts coach and monitor the start-ups in their development process to ensure the stability.

There are two mechanisms for provision of financial support by GCCI:

1. Providing no more than 500 000 AMD (about 1000 euro) with the 4 Euro fund maintenance fee monthly.
2. Providing no more than 1 500 000 AMD (About 300 euro) with the 8 % interest rate

Now the fund capacity is about 30 000 Euro. The returning rate is 98 %.

SEAF

Small Enterprise Assistance Fund (SEAF) is a global investment management fund which provides equity finance to SMEs in amount of 0.5 to 1mln USD. It targets companies which have net sales less than USD 15 mln for the last fiscal year; total number of employees less than 250; minimum operational history of 2 years.
No experience in working with vulnerable groups and also no interest as SEAF is an investment management fund with clear focus on profit generation for its founders.

FADF

The French Armenian Development Foundation (FADF) was founded in 2004 by Association Armenienne d'Aide Sociale (AAAS) with the purpose to contribute to the sustainable development of Armenia. As a nonprofit making organization, the FADF focuses its activities on the advocacy, promotion and protection of the Rights of people with disabilities, children and other vulnerable groups of RA society. All its projects are in line with priorities of European and International institutions, Development agencies and Armenian authorities.

The key objectives set by the organization are:

- To contribute to the realization of the social, cultural, educational and scientific initiatives.
- To promote the Rights of children, people with disabilities and other vulnerable groups of RA population.
- To support and contribute to the social and economic development of RA regions.

The FADF is a member of the Coalition of local non-governmental organizations, National Child Rights protection Network (which is a member of the Regional Coalition for Child Protection in the Wider Black Sea Area), Child Rights Monitoring group under the RA Ministry of Education and Science and the member of the Ombudsman's consulting group.

Since 2004 the FADF developed and implanted more than 200 projects dedicated to the protection of the Fundamental Rights of children, migrants, youth and people with disabilities.

The target vulnerable groups are: returnees from France and Germany (more than 1100 persons) children and adolescents with special educational needs, disabilities and behavioral problems (more than 2300), youth with disabilities (more than 700), youth living in remote regions, people with disabilities, their family members, specialists and services dealing with them (more than 500).

PROJETCS:

- "Dialogue" Center for education and integration of people with hearing impairments was created in cooperation with the European Union and AAAS. The Center provides social counselling, referral, sign language interpretation service and Armenian sign language classes for family members and specialists dealing with them. This ongoing project is funded by the FADF.
- Three psychosocial counselling centers (one in Vanadzor and two in Yerevan) were created within the frameworks of the "Promoting the Rights of Children and Adolescents with Mental health problems in Armenia" project Funded by the European Union, co-funded by the FADF and implemented in cooperation with "Child Psychiatrists and Psychologists association of Armenian". These Centers continuing their operation till nowadays by the State Funding (centers were created within the special schools).
- Rehabilitation and social integration center for children with visual problems was created within the Special school for children with visual impairments in the model of the apartment where the children can learn to prepare food, serve, and develop the everyday routine.
- Information and education web platform www.deaf.am for deaf and hard of hearing persons was created in cooperation with Orange Armenia Foundation. This web resource is managing by youth with hearing problems and serves also for specialists and people dealing with them. It has the only online Armenian Sign language dictionary which is updating every week. The website provides the deaf society with news updates translated in sign language as well as translates the preferred TV programs.
- Post arrival reintegration services for returnees from France and Germany. Since 2005 the program has been providing to his more than 1100 beneficiaries with social counselling, referral, professional education and consultations regarding the business setup.

Financial support provided by the Office Français de l'Immigration et de l'Intégration (OFII) and Federal Office for Migration and Refugees (Bundesamtfür Migration und Flüchtlinge-BAMF) is dedicated to the socio-economic integration of the returned migrants from France and Germany, by creation of small enterprises and development of professional skills of returnees.

The mechanism of financial support is as follows:

1. Beneficiary's needs and capacity assessment
2. Referral to the educational institution in case if there is need for additional education
3. Consultations regarding the entrepreneurship and relevant legislative regulations
4. Finalization and concretization of the business idea
5. Market analyze and feasibility study
6. Counselling and development of the business project
7. Evaluation and approval of business projects
8. Purchase of necessary equipment and supplies
9. Set up of business
10. Monitoring during the first year of implementation.

Number of supported businesses: 211 financed small businesses with an average 6400 Euro funding for each business. These funds are provided as grants and are not subject to be reimbursed. For all 211 start-ups short term personalized trainings on tax legislation, small business registration and management were organized. For 48 beneficiaries, who were interested in reinforcement of their professional skills in specific areas, a referral mechanism enabled to organize successfully all vocational trainings.

All beneficiaries are in permanent contact with the relevant project team, particularly social and small business adviser by phone. Field regular visits are organized for assessment and possible adjustment of income generating activities.

The FADF do not distribute micro credits but only grants to its beneficiaries in form of in-kind contribution since 2005. This amount is at least more than 200 000 EUR per year (30 to 35 small business projects).

5. MAIN CONSTRAINTS IN MICRO-CREDIT ENVIRONMENT

Analyses have revealed that in spite of large variety of available loans, there are several constraints which hinder SMEs' access to financial resources. Those are:

- ***Short repayment period***

  There is a lack of long-term loans (more than 5 years) which are necessary for development of SMEs, especially for start-ups. As the repayment periods are quite short, SMEs do not have opportunity to keep the capital in the business for its development.
- ***High interest rates***

  The average interest rates of loans provided by banks and UCOs are quite high. This is mainly because of high risk in Armenia. 20-24% is a very high price for SMEs whose average profitability is usually 20%.
- ***Collateral***

  There is always a problem of collateral for SMEs. This problem is even more actual in the regions where the market price of real estate is much lower than in Yerevan and even entrepreneur's own real estate is not enough as collateral for taking the loan.

- ***Lack of credits for start-ups***

  Banks and UCOs are usually not ready to provide financial services to start-ups. This is because of high failure risk for start-up companies. Therefore, start-ups have to launch a business with own resources and/or support of relatives/friend which is usually very limited.

For the Project target group the access to financial resources is even more limited because they are disabled people with low capacity to run a business, most of them do not have enough collateral and are not considered as clients by banks because of having low or no income.

6. CONCLUSIONS AND RECOMMENDATIONS

- Banks/UCOs products are not accessible for micro businesses, especially for start-ups. This is because on one hand banks/UCOs don't want to work with start-ups because of high risk and on the other hand start-ups don't have enough income/collateral to meet the conditions of financial institutions. This means that there is a market failure which could be and should be addressed by supporting institutions.
- It is recommended to combine financial support with training/consulting services. Without this, even favorable loans can create huge problems for start-ups instead of supporting them. If financial risks are not properly considered and there is lack of knowledge and entrepreneurial skills, than taking a loan can accelerate business failure. This is even more actual for the project target group – MV/PWDs – given the fact they there are sometimes isolated from the society and the training will help them to better understand the market conditions before entering it.
- In addition to ADA sustainability conditions[28], the following criteria were developed for assessment of the potential candidates for handover of the revolving fund:
    * legal status
    * experience in working with vulnerable groups
    * capacity/experience to operate a revolving fund
    *capacity/readiness to provide training and consulting services to the beneficiaries-mine victims)
    * proved monitoring mechanism
    * interest in handover of the revolving fund under soft loan conditions
    * financial capacity (naming funding sources, the amount of funding implemented)
    * outreach (the number of branches of the organization, regions covered)
- 4 of the above mentioned organizations (SME DNC, COAF, GCCI and FFAD) have experience in working with vulnerable groups. All 4 organizations have experience and capacity to provide training and consulting services to potential start-ups. All of them have also experience in provision of financial services, mostly in form of interest-free loans or grants. Only SME DNC has experience to provide loans to SMEs, mainly start-ups with a mechanism similar to IOM. SME DNC is also the only organization from the mentioned 4 which has governmental support (about 375 000 USD annually).
- The potential candidates have expressed some concerns regarding takeover of the revolving fund. They clearly mention that a small revolving fund, with a very limited target of beneficiaries, can hardly be sustainable and will probably need additional funding for operation costs and for provision of technical assistance to the beneficiaries.
- It is recommended to further explore the handover opportunities with 4 of the above mentioned institutions – SME DNC, COAF, GCCI and FFAD, which meet ADA conditions and seem to be most relevant from the Project goal and exit strategy point of view.

[28] TOR, point 1.4.Project Sustainability: A sustainable model for handover of revolving fund to national ownership in Armenia in order to support socio economic reintegration of project beneficiaries will be in place by end of February 2015 and presented to ADA. The sustainable model includes a selected government or financial institution as lead project partner, which is eligible for administration of the revolving fund and disbursement of micro credits in Armenia, respectively, a feasible three years business plan including acceptable soft loan conditions, appropriate trainings and counselling services– if financially feasible –, and a project budget reflecting those elements.

- Another option for handover of the revolving fund is IOM. Though it doesn't meet ADA's sustainability conditions but nevertheless IOM was the operator of the Fund during the Project implementation period and has a valuable experience in working with the Project target group. Besides, IOM has an exit strategy to spin-off the Micro Enterprise Development Project and make it as a separate agency. Roadmap and timeframe for this still have to be decided.
- To increase the sustainability chances of the revolving fund, it is recommended to:
1. Expand the target of the Project from mine victims to people with disabilities in general.
2. Reduce the revolving fund (or recruit extra fund) and instead provide additional funding for technical assistance in form of a grant, so in addition to revolving fund capital there would be additional funding secured for technical assistance costs. This will also increase motivation of potential handover candidates which seem to be not so motivated.