



# NEWSLETTER

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## Disbursement report gives ENPARD the thumbs up



In May 2015, a three-member independent team inspected the ENPARD programme to evaluate to which extent Georgia was fulfilling the set of conditions agreed between the government and the European Union for boosting the agriculture sector. Their report brought good news: ENPARD, they found, has met or exceeded every one of its targets so far – and the EU should therefore release the next tranche of €8 million to continue the project.

**ENPARD has met or exceeded every one of its targets so far**

When the budget support element of ENPARD was designed, it had three core preconditions: macroeconomic stability, Public Financial Management

(PFM) transparency, and a coherent government strategy for agriculture. In all three areas, the assessment team found excellent results. Progress in macroeconomic stability and PFM provide a strong basis for budget support. The government's agricultural strategy is extremely relevant.

ENPARD is also on track in terms of the indicators for its variable component. By 19 May 2015, ➡





## Disbursement report gives ENPARD the thumbs up



888 agricultural cooperatives had been officially registered since the start of the programme - far beyond 50 contained in the indicator. Four of them are "second-level" cooperatives, which are higher up the value chain than the farmer-led cooperatives. And the number of cooperatives is still growing. ENPARD has exceeded other targets too. By now, more than 30 district-level Information and Consultation Centres (ICCs) should be providing

### In total, agricultural output grew by 10% last year

consultation and advice to small farmers across Georgia. In fact, 54 ICCs have been established so far, nine of which work on a regional level. The report found that all of them are working according to international standards. As a result,

approximately 250,000 farmers (between 30-40% of all the farmers in Georgia) have directly or indirectly received information from the ICCs so far – a significant achievement, given that the ICCs only started in 2013.

Georgia is also making progress in terms of agricultural statistics. In 2014, Georgia carried out an agricultural census, the full results of which will be published next year. This could not have been carried ➔

# ENPARD Programme



budget support to the Ministry of Agriculture



agricultural cooperatives registered



second-level cooperatives (or larger scale cooperatives)



information and consultation centres (ICCs) of which 9 at the regional level





out without a solid data collection system. Similarly, the report found that Georgia has a reliable and accurate system for the collection of agricultural prices, through annual surveys.

The study team reserved particular praise for the Georgian government, which it says has demonstrated

### The economic benefits of this are plain to see

“excellent and constructive dialogue” with all stakeholders, ranging from the farmers themselves and their cooperatives to international

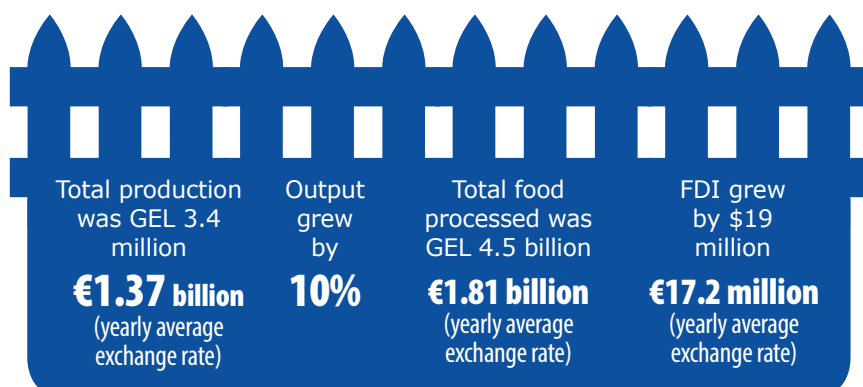
organisations. The government’s awareness of further reforms that need to be made, and their willingness to pursue them, provides a strong basis for future project implementation.

The economic benefits of this are plain to see. During 2014, the total value of agricultural production in the country amounted to GEL3.4 billion (€1.37 billion). Agricultural processing created products worth GEL4.5 billion (€1.81 billion). In total, agricultural output grew by 10% last year and foreign investors are supporting these developments: FDI in the agricultural sector increased from just under \$12 million (€10.8 million) in 2013 to just over \$19 million (€17.2 million) in 2014.

That is making a difference to Georgia’s stubbornly high current account deficit. In 2014, the export of agricultural goods increased by 6.7% compared to the previous year. This helped to decrease the negative trade balance of agricultural goods by 7.3% compared with 2013 – and by a whopping 37% compared to 2012. ■

# ENPARD

## 2014 Agriculture data



Export increased by  
**6.7%**







# Georgia's agriculture is going nuts

Hazelnuts are Georgian agriculture's best-kept secret. One of the country's oldest products, it is indigenous to the region between the Black Sea and the Caucasus mountain range – historical research records hazelnut production dating back to the 6th century BC as climate and soil are ideal for the trees.

But the legacy is no memory to the past and hazelnuts are becoming a leading sub-sector for Georgia's economy as production and exports are growing quickly. In 2014, Georgia exported hazelnuts to the tune of \$183 million (€167.7 million) making it the country's largest exported agricultural

product, outpacing wine. In the first five months of 2015, hazelnuts accounted for 8% of total exports, up from 2.4% in the same period of 2014. According to official figures from the Food and Agriculture Organization (FAO) Georgia is the world's third largest producer, after Turkey and Italy. And it can get better. The Ministry of Agriculture (MoA) hatched an ambitious plan to climb to become the second world hazelnut producer in the next five years.

In the first forum exclusively dedicated to hazelnuts production in Georgia held in Anaklia, western Georgia, on 15 May, organized with the ➡

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support of ENPARD, Minister Otar Danelia detailed the state support to the sector which includes financial support for modern irrigation technologies, like drip systems, and development of nurseries. ENPARD is also supporting the Ministry's plans to establish a brand for Georgian hazelnuts.

The Deep and Comprehensive Free trade Agreement (DCFTA), signed with the European Union in June 2014, is particularly important for the hazelnut sector.

Unlike other products, hazelnuts are specifically honed towards the EU market. Georgian nuts were already customs-free under the previous GSP+ trade key trade deal, but the DCFTA highlights the need to increase quality standards to access the European market. Five countries are the world's top importers – and they are all in Europe. Germany, Italy, Belgium, Switzerland, and France purchase up to 80% of all hazelnuts produced worldwide.

Competitiveness of Georgian hazelnuts production and processing depends mainly on three factors: quality and marketing throughout the value chain, increased contacts with European and Asian importers and extending transformation processes in Georgia.

Growers' unions, associations, and cooperatives play a major role as they are in the key position to alleviate the disadvantages of fragmented smallholders and to facilitate quality-increasing measures.

Teimuraz Sigua knows it well. Kulichkari, the hazelnut cooperative in Zugdidi – Samegrelo region he's member of, is one of the 150 coops

which have received ENPARD training in business planning and agro-technique as well as grants to purchase equipment. A walk-behind tractor, a mowing plough, and sowing equipment purchased at a preferential rate (23% of market price) meant increased efficiency and decreased losses. Today, the 11-member strong group has a total of 52 hectares planted with hazelnuts – sharing costs meant access to more inputs, higher quality machinery, and increased revenues. Through five NGO-led consortia, ENPARD supports small farmers to gather in cooperatives with the next step being consolidation to create groups of cooperatives. Now the Ministry for Agriculture has plans to promote also much larger cooperatives, which would be able to handle modern drying facilities on behalf of their members. ENPARD is assisting the ministry in this endeavor.

Increasing both productivity and know-how is key. Currently, average yield is 1.5 – 1.8 tonnes per hectare, but if cultivated properly, the yield could grow up to 2-3 tonnes. About 50,000 households and small farmers produce nearly 95% of whole Georgia's hazelnuts and only 5% is produced by large farms. Production is mainly divided in manufacturers of raw nuts (farmers and households); resellers (distributors); hazelnut processors and exporting firms.

Training and technical support increases farmers' responsibility for their plantations. The ENPARD-financed professional advising programme focuses on physical and chemical characteristics of soil and innovative technologies, which will ultimately improve hazelnut quality and foster increase of the yield. ■

**Hazelnuts are becoming a leading sub-sector for Georgia's economy as production and exports are growing quickly**



In 2014 Georgia exported hazelnuts to the tune of **\$183 million**, becoming the first agricultural product

In the first five months of 2015, hazelnuts accounted for **8%** of total exports, an increase of 2.4% y/y

**Georgia** is the world's largest hazelnut producer (per capita)

**50,000** households produce 95% of Georgia's hazelnuts, 5% is produced by large farms

**150** hazelnuts cooperatives have been created in Georgia





## Research to improve innovation and boost productivity

Research has a demonstrable impact on agricultural innovation and productivity, according to the Organisation of Economic Co-operation and Development (OECD). Yet academic and research institutions are marginal to Georgia's agricultural development. To redress that balance, ENPARD is funding two new projects – € 350,000 each, running for 18 months – to strengthen study and analysis in the sector.

The University of Limerick in Ireland will focus on capacity building to agriculture-related education and research institutions, namely the Rural and Agricultural Policy and Development Institute (RAPDI) and the Agricultural University of Georgia (AUG). The project will work in four directions. It will boost the role of civil society in policy development by strengthening RAPDI's ability to carry out policy analysis and planning. It will also strengthen the role of higher education in agriculture by supporting the AUG to develop and deliver practical, tailor-made courses for farmers and food processors. Furthermore, the project will raise knowledge and awareness of stakeholders, and public in general about Georgian policies and best EU practices on mountainous and least developed areas. Awareness is also key: the project aims at informing small-scale food producers/farmers on the benefits and op-

portunities brought by the Association Agreement and the Deep and Comprehensive Free Trade Agreement (DCFTA), including the required regulatory changes. This will include a comprehensive guide for EU approximation process.

The implementation team brings a range of relevant experience to the project. The University of Limerick, which has worked extensively in Georgia over the past 25 years, will provide lessons from Ireland's own agricultural development experience and the role of academic and research institutions there. Its team of food sector experts are well versed in working with governments at home and abroad. The AUG is one of the country's top universities, while RAPDI is a Georgian NGO established in 2014 by former senior Government officials responsible for agriculture, food, and rural affairs. Its founders have more than 20 years of professional experience in agriculture and rural development in the public and private sectors.

The Georgian Institute of Public Affairs (GIPA) will implement the other project which has a more regional focus. Entitled "Empowering Modern Research Practices of the Regional Agriculture-Related Institutions", GIPA will work with the Iakob Gogebashvili Telavi State University in Kakheti; the Samtskhe-Javakheti State University; and the Shota Rustaveli State

University of the Autonomous Republic of Ajara in Batumi.

The project will develop and increase these institutions' research capabilities through training and joint research into key problem areas, to ensure learning in action. It will also boost their ability to advise regional development bodies on agricultural development, and support their contributions to regional development plans. And it will promote these bodies' role with other players in Georgian agriculture, such as local governments, agribusinesses, cooperatives and farmers.

As in the first project, the implementing team will bring a diverse set of experiences to bear. GIPA is one of the leading education institutions in Georgia with several schools under its activities, including the Georgian Rural Development Department. The Caucasus Environmental NGO Network (CENN), Georgia's leading environmental NGO, will provide technical expertise on Good Agricultural Practices (GAP), Climate Smart Agriculture (CSA) and Integrated Natural Resources Management (INRM). PMC Research, one of Georgia's leading think tanks, facilitates economic development by conducting research and providing feasible recommendations for policy-makers. It has extensive experience in conducting research and advocacy.



### ENPARD funds

two research-support projects –  
€ 350,000 each, running for  
18 months

### Ireland's University of Limerick

will work with the Rural and Agricultural Policy and Development Institute (RAPDI) and the Agricultural University of Georgia (AUG)

### GIPA and CENN

will work with the Iakob Gogebashvili Telavi State University in Kakheti; the Samtskhe-Javakheti State University; and the Shota Rustaveli State University of the Autonomous Republic of Ajara in Batumi







# Not all farmers from agriculture to rural development

Modernising agriculture is a critical element of tackling rural poverty in Georgia. But, as an EU Assessment on Agriculture and Rural Development in Georgia noted in 2013, diversifying the rural economy is also key. This is why in 2014 ENPARD-Georgia expanded its scope to include rural development. Although there is currently no stand-alone rural policy framework in Georgia, ENPARD hopes that three new pilot projects will help to guide the government towards adopting a comprehensive rural development approach – as Europe has successfully done over the past decades.

A core idea of ENPARD's rural development pilot component of €3 million is that not everyone living in rural areas must be a farmer – a child-care business, a guesthouse, or an ecological tourism activity can be supported and develop to keep, employ, and lift out of

poverty people living outside the cities. Each project will train on how to design a project proposal as well as budget and business plans and identify ideas and grantees.

The selected projects will be implemented in three districts – Lagodekhi, in Kakheti region; Kazbegi, in Mtskheta-Mtianeti; and Borjomi, in Samtskhe-Javakheti – and they all follow the LEADER methodology, a French acronym that stands for “Liasons entre actions de développement rural”. The LEADER approach states that local development strategies are more effective and efficient if decided and implemented at the local level by local actors. The seven key features of the LEADER approach are: area-based local development strategies; bottom-up approach; public-private partnerships; innovation; integrated,

multi-sector actions; networking; and cooperation.

Each project will set up Local Action Groups (LAGs), composed of a wide range of stakeholders ranging from public authorities, the private sector and civil society, to define and coordinate the implementation of rural development activities. LAGs will produce local development plans based upon detailed consultation with its members. Each project will then provide funding to selected parts of those plans, on a competitive basis. Extensive monitoring and evaluation will yield clear lessons from the pilot projects, which will then be collected and disseminated to key stakeholders across Georgia.

The implementing teams bring deep knowledge and skills, including relevant experience from Georgia and the EU. International NGO CARE will implement the project in Lagodekhi with its Spanish partner, the ETEA Foundation,





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a rural development organization from Andalusia that will focus on capacity building. The National Association of Local Authorities of Georgia will facilitate the engagement of local, regional and central authorities while the World Wildlife Fund Caucasus will support the project in developing strategies that ensure ecological diversity preservation and responsible use of natural resources in economic activities.

People in Need, a Czech NGO, will implement the Kazbegi project. Its partner, the National Network of Local Action Groups in the Czech Republic, will bring Czech experience of rural development to bear. Biological Farming Association Elkana, a Georgian NGO focused on organic production, innovative agriculture practices, sustainable tourism, branding and promotion of local products, will provide further expertise.



Last, but not most certainly not least, Mercy Corps will implement the Borjomi project, in collaboration with Angus Council and the Austrian Federal Institute for Mountainous and Less Favoured Areas. Angus Council has a long track record in facilitating LEADER programming and supporting LAGs in Scotland. The Austrian Federal Institute for Mountainous and Less

Favoured Areas brings broader experience of the LEADER programme from across many regions within across Austria and the EU, including mountainous regions similar to Borjomi such as Vorarlberg and Styria. Rural development may be relatively new to Georgia, but there are many other countries with experience to draw from. ■

# ENPARD

**pilot rural development projects – budget €3 million**



CARE / ETEA Foundation  
project in Lagodekhi,  
in Kakheti region



People in Need/ National  
Network of Local Action  
Groups in Kazbegi,  
in Mtskheta-Mtianeti



Mercy Corps / Angus Council /  
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