

FS “MEASURING AND ADDRESSING POTENTIAL ADVERSE IMPACTS ON BIODIVERSITY FROM AGRICULTURAL SUBSIDIES”

**1ST DELIVERABLE: REPORT ON DETAILED ANALYSIS OF
EXISTING AND PLANNED RDA PROGRAMS**

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Abbreviations

AMMAR - Agriculture Modernization, Market access and Resilience project

BFP – Biodiversity Finance Plan

BIOFIN – Biodiversity Finance Initiative

CBD – Convention on Biological Diversity

DANIDA - Denmark International Development Agency

DiMMA - State Programme of Dairy Modernization and Market Access

ENPARD – European Neighbourhood Programme for Agriculture and Rural Development

GDP – Gross Domestic Product

GIZ - German Corporation for International Cooperation GmbH

IFAD - International Fund for Agricultural Development

IPBES - Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services

IPPC - International Plant Protection Convention

ITPGRFA - International Treaty on Plant Genetic Resources for Food and Agriculture

LEPL – Legal Entity of Public Law

MEPA – Ministry of Environmental Protection and Agriculture

MOF - Ministry of Finance

NBSAP – National Biodiversity Strategy and Action Plan

NEAP – National Environmental Action Plan

OECD - Organisation for Economic Co-operation and Development

RDA – Rural Development Agency

SDGs – Sustainable Development Goals

UNDP – United Nations Development Programme

UN Women - United Nations Entity for Gender Equality and the Empowerment of Women

Background

In 2010 the Convention on Biological Diversity (CBD) adopted the 2011-2020 Strategic Plan for Biodiversity and its Aichi Targets. This plan compared to the previous plan provided the framework for the entire United Nations system and all other partners engaged in biodiversity management and policy development. At the same time, the new plan has even more highlighted the issues related to addressing root causes of biodiversity loss through biodiversity mainstreaming into economic sectors.

One of the targets adopted by the 2011-2020 Strategic Plan¹ was related to the subsidies harmful to biodiversity. Particularly, the Aichi biodiversity target 3 calls the countries to eliminate, phase out or reform the subsidies harmful to biodiversity and introduce biodiversity-positive incentives. Reform of the subsidies leads to a reduced negative impact on biodiversity. At the same time, the activity is part of the resource mobilization system². Namely, reduced negative impact on biodiversity avoids future expenditures on conservation and restoration activities, while new financial resources are directed to biodiversity-positive activities.

Based on the conservative assessment of the Organization for Economic Co-operation and Development (OECD)³ government support to agriculture that is potentially environmentally harmful, annually consists of at least 100 bln USD, while harmful subsidies in fisheries are estimated at 35 bln USD annually. 2015-2017 data analysis also shows that about 78-91 bln USD is spent on biodiversity annually⁴. At the same time, between 1997 and 2011, global estimates suggest the world lost USD 10-31 trillion per year in ecosystem services owing to land-cover change and land degradation⁵. Biodiversity loss on the other hand has a negative impact on various economic sectors including agriculture. Meanwhile, the assessment⁶ suggests that up to 900 bln USD is required to ensure the implementation of the Post 2020 Global Biodiversity Framework⁷.

1 Adoption of the Post-2020 Global Biodiversity Framework was postponed due to COVID-19 restrictions. The framework will be adopted in 2022

2 <https://www.cbd.int/doc/c/5c03/865b/7332bd747198f8256e9e555b/sbi-03-05-add3-en.pdf>

3 <https://www.oecd.org/environment/resources/biodiversity/G7-report-Biodiversity-Finance-and-the-Economic-and-Business-Case-for-Action.pdf>

4 <https://www.oecd.org/environment/resources/biodiversity/report-a-comprehensive-overview-of-global-biodiversity-finance.pdf>

5 <https://www.oecd.org/environment/resources/biodiversity/G7-report-Biodiversity-Finance-and-the-Economic-and-Business-Case-for-Action.pdf>

6 <https://www.cbd.int/doc/c/c3f7/163d/b1f2c136506037842cebc521/sbi-03-05-add2-en.pdf>

7 <https://www.cbd.int/doc/c/914a/eca3/24ad42235033f031badf61b1/wg2020-03-03-en.pdf>

The National Biodiversity Strategy and Action Plan of Georgia for 2014-2020⁸ updated according to the global Strategic Plan (2011-2020) also involved the issues related to the biodiversity mainstreaming, including A.3 National Target:

“By 2020, sustainable use and the economic values of biodiversity and ecosystems are integrated into legislation, national accounting, rural development, agriculture, poverty reduction and other relevant strategies; positive economic incentives have been put in place and incentives harmful to biodiversity have been eliminated or reformed.”

Objective A.3-o3. “Elaborate and support the implementation of positive economic incentives for biodiversity conservation and remove any negative incentives, including activity A.3 – o3.4: Establish mechanisms that ensure that all decisions on providing special conditions and/or subsidies to farmers and on preventive and quarantine measures in plant or veterinary protection take into account their potential impact on the environment and are taken through public consultations.”

However, as the Sixth National Report to the Convention on Biological Diversity suggests⁹ the actions related to the harmful subsidies have not been implemented.

In May 2019 the Ministry of Environmental Protection and Agriculture of Georgia has adopted the Biodiversity Finance Plan (BFP)¹⁰, developed under the Biodiversity Finance Initiative (BIOFIN). The document recognizes the reform of the investments harmful or neutral to biodiversity as one of the ways for biodiversity resource mobilization.

On 19 August 2021, a call for proposals was announced to select the organization for implementation of the project „Measuring and addressing potential adverse impacts on biodiversity from agricultural subsidies“. The project covers the following components:

1. In-depth analysis of RDA existing programs;
2. Identification of types and scale of specific potential negative consequences from agricultural subsidies;
3. Incorporation of biodiversity indicators into the state-funded programs implemented by RDA;

⁸ National Biodiversity Strategy and Action Plan 2014-2020

⁹ Sixth National Report of Georgia to CBD

¹⁰ Biodiversity Finance Plan

4. Support RDA and MEPA in the development of an action plan to repurpose the selected subsidies and incentives in order to reduce adverse impacts on biodiversity and examine opportunities to introduce subsidies with positive impacts on biodiversity finance.

This report is prepared under the first component of the project.

Biodiversity-related international agreements and strategic documents in the agricultural sector

International Agreements

Georgia is a party to all biodiversity-related international agreements and the Ministry of Environmental Protection and Agriculture is responsible for implementation of these agreements. While the Biodiversity and Forestry Department is the competent authority for most of them. The agricultural agencies of MEPA oversee implementation of the two important biodiversity-related international agreements. Particularly, the LEPL National Food Agency is responsible for the implementation of the International Plant Protection Convention (IPPC), while the LEPL Scientific-research Centre for Agriculture is the agency responsible for the implementation of the International Treaty on Plant Genetic Resources for Food and Agriculture (ITPGRFA).

The EU-Georgia Association Agreement also involves the obligation of implementation of EU directives, which would significantly contribute to reducing the negative impact of agriculture on biodiversity. (E.g. Directive 91/676/EC of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources).

The SDGs adjusted for Georgia include several goals which are at the same time related to agriculture, as well as biodiversity:

2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality

2.5 By 2020, maintain the genetic diversity of seeds, cultivated plants and farmed and domesticated animals and their related wild species, including through soundly managed and

diversified seed and plant banks at the national, regional and international levels, and promote access to and fair and equitable sharing of benefits arising from the utilization of genetic resources and associated traditional knowledge, as internationally agreed

Strategic documents

One of the criteria to assess biodiversity mainstreaming into economic sectors is coverage of biodiversity-related objectives and activities by the relevant strategic documents.

Several strategic documents and action plans were developed on agriculture and rural development during the last decade. Particularly, Agriculture Development Strategy for 2015-2020, Rural Development Strategy for 2017-2020 and 2017-2027 Agriculture and Rural Development Strategy, as well as the action plans for these strategies. All documents cover the issues related to the environment, including biodiversity.

According to the 2021-2027 Strategy for Agriculture and Rural Development¹¹, 75% of the rural population is self-employed mainly in agriculture. At the same time, in 2018, 38.9% of the workforce was employed in agriculture, hunting, forestry and fisheries. This is an indication that the majority of the rural population is linked to biodiversity and the stability of their livelihoods depends on biodiversity conservation. The document also recognizes that development of rural areas is important to solve various challenges, including those related to the environment.

According to the document, “in rural development, an important role has the implementation of integrated management of the natural resource in the country, in particular sustainable forest management, which ensure continuous delivery of vital direct and indirect benefits and resources to the population”. The document also discusses issues related to protected areas, threatened species, as well as climate change. However, the document does not specifically recognize the great dependence of agriculture on biodiversity, ecosystems and its various components.

2021-2027 Strategy sets out the priority related to the environment, particularly Goal 2 - Sustainable usage of natural resources, retaining the ecosystem, adaptation to climate change. Following objectives are set out under this Goal:

- To disseminate climate-smart and environmentally adapted agricultural practices;

¹¹ [2021-2027 Strategy for Agriculture and Rural Development](#)

- To support the development of ecotourism;
- Sustainable usage of forest resources;
- To support the implementation of energy-efficient and renewable energy technologies and practices;
- To maintain agrobiodiversity.

The 2017-2020 Rural Development Strategy¹² also recognized biodiversity as one of the challenges existing in rural areas. One of the priority directions was also related to the environment, namely Priority 3 - Environmental Protection and Sustainable Management of Natural Resources:

Objective 1: Water, forest and other resources. The improvement of the management of water, forest and other resources in targeted rural areas;

Objective 2: Waste Management. The promotion of sustainable systems of waste management in rural areas;

Objective 3: Climate Change. Activities used to mitigate the negative impact of climate change.

2015-2020 Strategy for Agricultural Development¹³ also addresses reduction of pesticide use, sustainable land management, phytosanitary and veterinary control, climate change adaptation, agrobiodiversity and other environmental aspects.

However, the action plans developed under these strategies do not outline the activities necessary to transform the agricultural sector and avoid the negative impact of agriculture on biodiversity, which at the same time will ensure the long-term stability of the agricultural sector. Implementation of the environmental part of these documents relies on the environmental departments of MEPA and the activities are mostly duplicated from their strategies and action plans.

At the same time, the monitoring framework of the policy documents does not cover a holistic analysis of implementation and achievement of the goals. The framework entirely focuses on indicators, for instance, number of beneficiaries rather than assessing whether the rural economics was diversified. The monitoring framework also does not cover the assessment of contribution of the state programmes in the achievement of the policy goals.

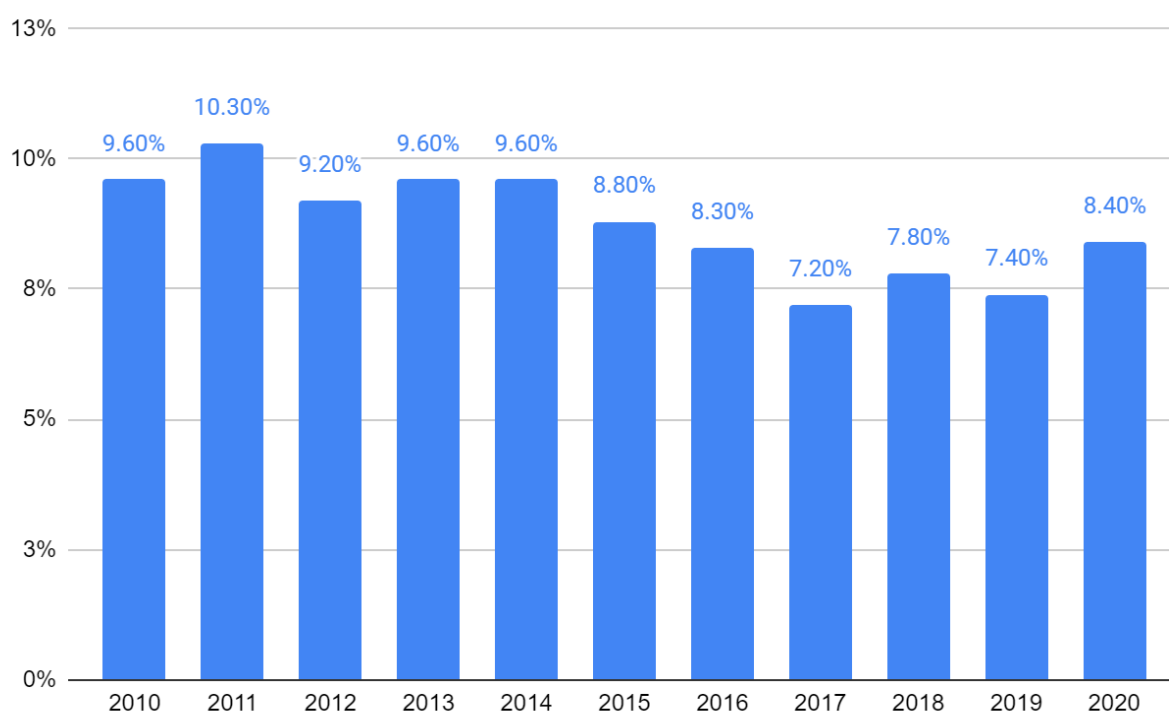
¹² [2017-2020 Rural Development Strategy](#)

¹³ [2015-2020 Strategy for Agricultural Development](#)

Economic overview of the agricultural sector in Georgia

The share of agriculture in GDP is quite large (8.4%) in Georgia compared to the developed countries (UK 0.6%, Switzerland 0.7%, Belgium 0.7%, Germany 0.7%, USA 0.9%, Ireland 0.9%. Source: WB) and it employs about 246 000 people (20% of the employed workforce). Like many other countries, the 2020 Pandemic had its negative impact on every sector of the economy. The overall impact was 6.2% decrease of Gross Domestic Product in 2020 (Source: Geostat) and agricultural sales in Georgia fell by 10%, during 6 months in 2020¹⁴.

Figure 1: Agriculture Share in GDP (2010-2020)

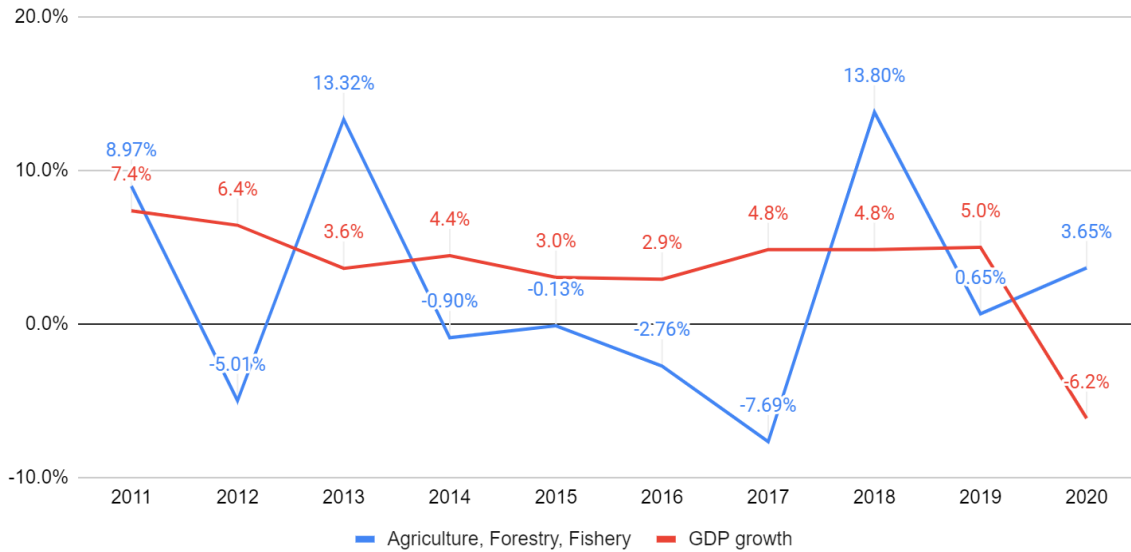


Source: National Statistics Office of Georgia

As for the real GDP growth in terms of Agriculture, the average growth rate over the past 10 years is 2.4%, while the overall GDP growth of Georgia is 3.6%. But in 2020, the Agricultural Sector showed promising signs. It grew 3.65%, while total GDP fell 6.2%.

¹⁴ <https://documents1.worldbank.org/curated/en/456501608095974011/pdf/Poverty-and-Welfare-Impacts-of-COVID-19-and-Mitigation-Policies-in-Georgia.pdf>

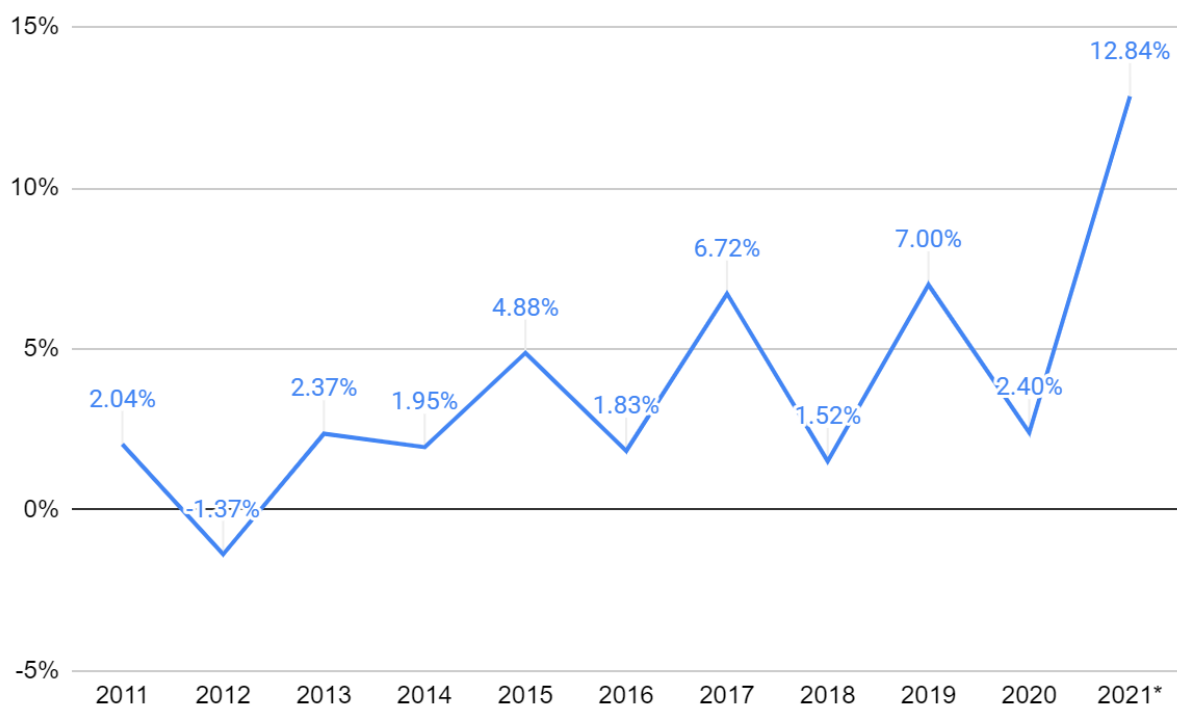
Figure 2: Real GDP growth of the country and Agricultural Sector (2011-2020)



Source: National Statistics Office of Georgia

Another important criterion while discussing the Agricultural sector, is inflation. Rising prices means that expenditures are increasing and revenues are decreasing. As of October 2021, in the last ten years prices have gone up 49.3%. In 2021 inflation rate is at the peak - 12.8%.

Figure 3: Inflation 2011-2021



2021*: As of October.

Source: National Statistics Office of Georgia

To evaluate the agricultural sector, regional development assessment is necessary. Table 1 and Figure 4 shows that Tbilisi (capital) creates more than 51% of the wealth across the country.

Table 1: Economic Activity by Region (2019)

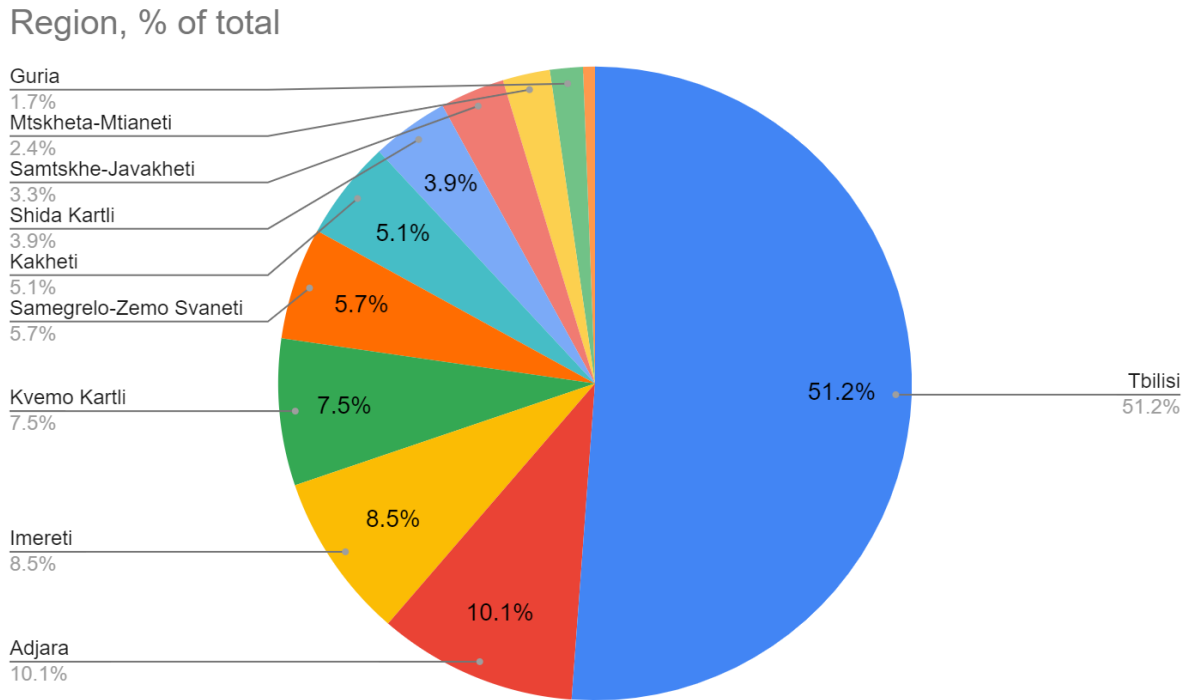
Region	GDP (nominal, mln GEL)	GDP (nominal, mln USD)	Region, % of total
Tbilisi	22,077	7,834	51.2%
Adjara	4,377	1,553	10.1%
Imereti	3,655	1,297	8.5%
Kvemo Kartli	3,228	1,145	7.5%
Samegrelo-Zemo Svaneti	2,466	875	5.7%
Kakheti	2,188	776	5.1%
Shida Kartli	1,698	603	3.9%
Samtskhe-Javakheti	1,422	505	3.3%
Mtskheta-Mtianeti	1,041	369	2.4%

Detailed Analysis of Existing and Planned RDA Programmes

Guria	724	257	1.7%
Racha-Lechkhumi, Kvemo Svaneti	262	93	0.6%
GDP nominal (taxes and subsidies excluded)	43,138	15,307	100.0%

Source: National Statistics Office of Georgia

Figure 4: Region Economic Activity, Share of Total GDP (2019)



Source: National Statistics Office of Georgia

To fully understand the numbers and trends, it is essential to see how Georgia’s local currency - GEL exchange rate to USD changes over time.

Table 2: USD to GEL 2010-2022

Year	USD-GEL (Yearly Average)
2010	1.78
2011	1.69
2012	1.65
2013	1.66
2014	1.77
2015	2.27
2016	2.37
2017	2.51
2018	2.53
2019	2.82
2020	3.11
2021 (10 m.)	3.24
2022 (forecast)	3.16

Source: National Bank of Georgia, Ministry of Finance of Georgia

The overall situation in agriculture is full of challenges and appropriate policies must be adopted and implemented to achieve high and sustainable development in the sector.

For the past 10 years, total expenditure of the Ministry of Environmental Protection and Agriculture of Georgia on agricultural development was more than 3.3 bln GEL (1.4 bln USD).

Table 3: Amount of funds spent on the Ministry of Agriculture

Year	Funds Spent on Agriculture (mln GEL)	Funds Spent on Agriculture (\$ mln)
2010	31	17
2011	85	50
2012	228	138
2013	224	135
2014	266	151

Year	Funds Spent on Agriculture (mln GEL)	Funds Spent on Agriculture (\$ mln)
2015	308	136
2016	330	139
2017	329	131
2018	228	90
2019	287	102
2020	433	139
2021	569	175
2022	520	165
Total	3,838	1,569

Source: Ministry of Finance of Georgia

RDA has an important share in the overall subsidy of the sector. In 2022, out of 520 mln GEL (\$165 mln) future expenditures on agriculture, about 261 mln GEL (\$84.6 mln) (56%) will be spent on Unified Agro Project.

RDA Programmes

The Rural Development Agency is the unit under the Ministry of Environmental Protection and Agriculture of Georgia. The agency implements and manages a variety of programs/projects initiated by the Ministry of Environmental Protection and Agriculture of Georgia. The Agency aims at promoting the well-being and prosperity of farmers and rural residents by providing them with the necessary resources. RDA plans and manages the programmes and projects initiated by the Ministry. The Agency was established in 2012 as the Agency for management of agricultural projects and evolved throughout the years.

Programmes implemented by RDA

The Rural Development Agency implements the following programmes:

Current Programmes:

- Green Grants Programme (2021-present)
- State Programme of Co-financing Agricultural Mechanization (2021-present)

- Improving Rural Development in Georgia (2021-present, however the applications have been temporarily suspended)
- State Programme for Technical Assistance (2020-present)
- Imereti Agrozone (2020-present)
- Oneoff Assistance for Hail-induced Damage in Kakheti Region
- Industrial apple sale promotion programme (2014, 2020-present)
- Agro-diesel support programme (2020-present)
- State Programme of Dairy Modernization and Market Access (DiMMA) (2020-present)
- State Programme for Wheat Flour Subsidy (2020-present)
- Harvesting Equipment / Machinery Co-funding Project (Agricultural Mechanization Support Program)
- Programs supporting development of agricultural cooperatives (2019-present)
- Farm / farmers' Registration project (2018-present)
- Georgian tea plantation rehabilitation programme (2016-present)
- Plant the future (2015-present)
- Co-financing of Processing and Storage Enterprises (2014-present)
- Agroinsurance (2014-present)
- Preferential agrocredit project (2013-present)

Past Programmes:

- Agricultural Land Owner Support Program (2020-2021)
- Agriculture Modernization, Market access and Resilience project "(AMMAR) (2016-2020)
- The programme supporting young entrepreneurs in rural area - Young Entrepreneur (2018-2021)
- State Programme for Supporting Agricultural Production (2020)

The mid-term plan of MEPA for 2022-2025 also covers the new programme - Infrastructural Development of Agricultural Cooperatives. However, start of the programme depends on approval of the relevant budget.

All the above-mentioned projects are considered to fuel the Agricultural Sector and the country's overall sustainable economic development. In the state budget, all the programs mentioned above are united in the "Unified Agro Project" component. The agency issues funding for the projects aiming at the development of agriculture and rural development. The funding is issued with different co-financing rates.

Table 4: Unified Agro Project budget 2013-2022

Year	(mln GEL)	(mln USD)
2013	29	17.4
2014	137	77.6
2015	146.3	64.5
2016	165.1	69.8
2017	115.6	46.1
2018	101.7	40.2
2019	104.2	37.0
2020	228.3	73.4
2021	280.7	86.6
2022	261.7	82.8
Total	1,570	595.3

Source: Ministry of Finance of Georgia

Planning, implementation and monitoring of the Programmes¹⁵

The basis for initiating programmes implemented by RDA are the needs identified by different stakeholders at different levels. Programmes are initiated in order to comply with international obligations assumed by the Government of Georgia and national strategic documents, such as:

- Georgia-EU Association Agreement
- Agriculture and Rural Development Strategy (2017-2027)
- Agriculture Development Strategy and Action Plan (2015-2020)
- Rural Development Strategy (2017-2020)
- Strategy for Development of High Mountain Settlements of Georgia (2019-2023)

The programmes implemented by the Agency are funded by both state budget and donor support. Particularly, the Rural Development and Green Grants Programmes are funded by the European neighbourhood programme for agriculture and rural development (ENPARD) implemented by the UNDP. Agriculture Modernization, Market access and Resilience project

¹⁵ Source: Interviews with the representatives of RDA, Department of Agriculture and Rural Department, Biodiversity and Forestry Department, IFAD and ENPARD

“(AMMAR) and State Programme of Dairy Modernization and Market Access (DiMMA) are implemented with donor and loan support.

At the same time, within the project ‘Enabling Implementation of Forest Sector Reform in Georgia to Reduce GHG Emissions from Forest Degradation’ funded by the Green Climate Fund (GCF) and implemented by the German Corporation for International Cooperation GmbH (GIZ) a new programme is being developed. The Programme aims at supporting forest sector reform through promoting energy efficiency measures.

The necessity to implement programs can be raised by national and local authorities, parliament, donor organizations or any other interested parties, including the population. However, there are no specific procedures required to conduct a research / study to assess the environmental or socio-economic conditions in a potential programme area.

The programmes implemented by the Agency are initiated by MEPA and aim to address the policy goals related to agricultural and rural development, as well as assessment of needs carried out by MEPA or donors. To select the target groups and effectively plan the RDA programmes, the Farm/Farmers registration is also being implemented. The aim of the programme is to collect statistical data and based on the needs analysis develop further interventions. However, the needs assessment is not undertaken on a regular and fundamental basis. At the same time, the reports of the assessments is not available. Feedback from the regions, frequently asked questions and other relevant information is also considered during the design process. In some cases, the programmes are developed to fit the donor’s priorities. While, some donor organizations carry out specific studies as in the case of UN Women, which carried out an assessment of gender aspects in the “Plant the Future” programme and relevant recommendations were developed.

Currently, the programmes aiming at reducing the negative impact on the environment are only supported by donor funding. None of the programmes funded from the state budget consider issues related to reducing the negative impact of agriculture on biodiversity. The only programme that could be mentioned is the Programs supporting development of agricultural cooperatives. Particularly, its sub-component supporting beekeeper cooperatives. This programme could to some extent be the biodiversity positive programme. However, its funding is significantly low compared to other programmes.

Duration of the programmes depends on funding within the programme budget of the Ministry. Therefore, it is quite difficult to make any predictions about the duration. However, the mid-term plan of the Ministry adopted for 2022-2025 years forecasts funding for all components of the

Unified Agroproject (Programme code 31 05), except Agriculture Modernization, Market access and Resilience project “(AMMAR). At the same time, the Ministry does not intend to reduce overall funding for the Unified Agro Project (Funding of 192.4 mln GEL (60.9 mln USD) funding for 2022 was intended and 192.7 mln GEL (61 mln USD) is intended for 2025). Co-financing rate within the programmes is defined based on the total project funding, as well as beneficiaries’ ability to contribute.

Neither MEPA nor the Agency consider any environmental or biodiversity issues in process of planning or implementation stages, including potential negative impact of programmes on biodiversity or ecosystems. Moreover, none of these units possess relevant knowledge to carry out such assessments. The issues related to the environment are included in the programmes only based on donor requirements (E.g. Green Grants Programme, Rural Development Programme). The programmes are mainly adopted through the Resolution of the Government¹⁶. The resolutions are mostly based on a standard structure and cover various aspects, such as: aims of the programmes, components, volume of co-financing, capacity building for beneficiaries, restrictions, preconditions for receiving the funding, geographical area of the programme, the list of required documents, decision-making steps and procedures, monitoring procedures. None of the resolutions address environmental or biodiversity-related issues. The resolutions in some cases cover the conditions to ensure the success of the projects (E.g. location of project areas near the water reservoirs to ensure a sustainable source of irrigation for the gardens component of the “Plant the Future”, development of the irrigation systems, list of varieties allowed to plant by regions).

The planning phase includes communication between the relevant departments of MEPA and RDA, as well as collaboration with the Ministry of Finance of Georgia and donor organizations (if any) regarding the allocation of financial resources. This process does not consider any criteria for assessment or mitigation of potential impacts on biodiversity. For instance, the Agency cooperates with the Scientific-Research Centre of the Ministry which provides scientific knowledge (E.g. number of seedlings allowed to plant on the unit of area, geographical distribution of varieties) on agriculture to ensure the success of the funded projects. However, the Agency does not cooperate with the units of MEPA responsible for environmental and biodiversity issues. For instance, the Biodiversity and Forestry Department and the LEPL National Forestry Agency were involved only in the planning of the programme developed under the project ‘Enabling Implementation of Forest Sector Reform in Georgia to Reduce GHG

¹⁶ Matsne.gov.ge

Detailed Analysis of Existing and Planned RDA Programmes

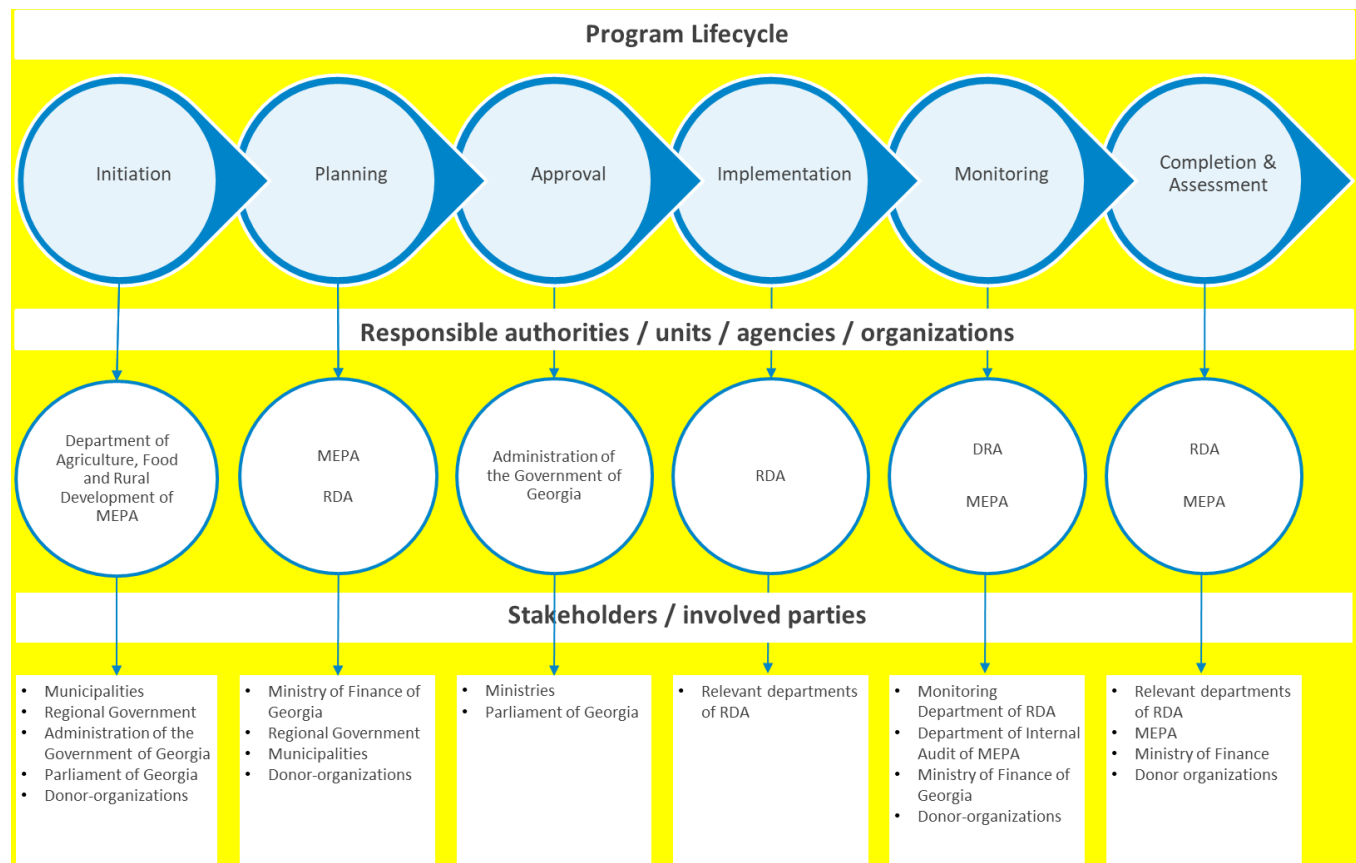
Emissions from Forest Degradation' implemented by GIZ aiming at reducing the negative impact on forests.

Formally, the programmes are initiated by the Ministry of Environmental Protection and Agriculture of Georgia and must be submitted for approval to the Administration of the Government of Georgia. The approval procedure requires the official consent of all ministries, after which the RDA starts the implementation procedure.

All programs are monitored by the monitoring department of RDA throughout the entire implementation process. The RDA provides progress reports and financial reports to the Ministry of Finance and donor organizations. Furthermore, programmes are supervised by the Internal Audit Department of MEPA within its competence. However, there are no instruments to measure impacts on biodiversity during the program implementation, since neither the donor organization nor the national authorities require assessment and data collection in this regard.

After the completion of the programme, in order to measure the achievement of planned objectives, an assessment of the result is provided, latter does not consider the component of the impact on biodiversity.

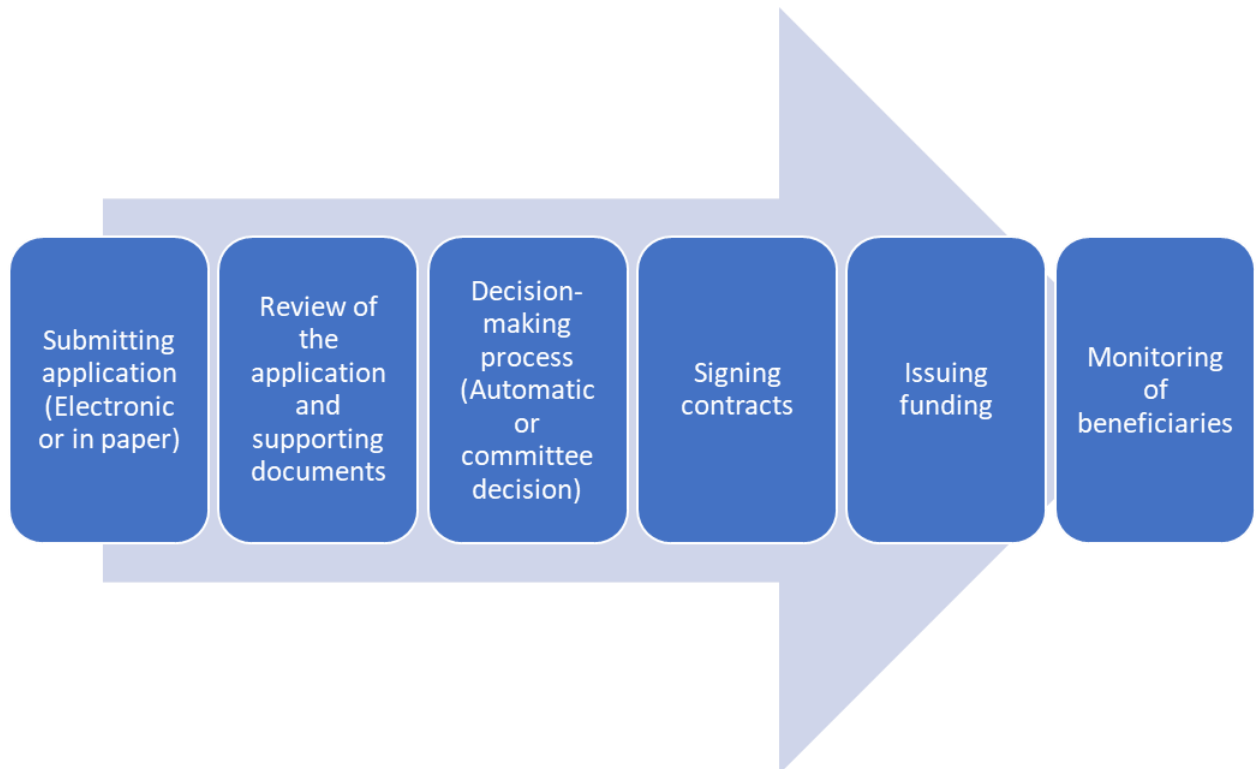
Figure 5. Structure of program lifecycle



The process of receiving the funding under the framework of the RDA programmes covers several key stages:

1. Submitting application (Electronically or paper-based);
2. Review of the application and supporting documents;
3. Decision-making process. The decisions are either made automatically, if the applicant satisfies the criteria set out by the resolution of the government, or in some cases (E.g. Rural Development Programme, Co-financing of Processing and Storage Enterprises) the decisions are made by the special committees. The committees consist of representatives of various governmental institutions/donor representatives. Decision-making through the committees is common in the case of funding large projects or when the projects are funded from the donor-supported programmes. Sometimes the committee established within the agency is also used for decision-making purposes;
4. Signing the contracts;
5. Issuing funding;
6. Monitoring of beneficiaries.

Figure 6: Planning process



Instruction on monitoring of beneficiaries of the Agency is adopted through the order N1-6/184 31.03.2021 of the head of the Agency. According to the document, the aim of the monitoring is to assess compliance of beneficiaries with the conditions/obligations outlined in the contracts. However, as already mentioned, these conditions do not cover biodiversity-related conditions or obligations. Monitoring is carried out as outlined in the form attached to the order (Annex 1).

Monitoring should be carried out by the monitoring unit of the Agency established in 2021 and the first report by the head of the unit should become available by January 2022. However, notwithstanding its willingness, the Agency does not possess any biodiversity-related knowledge. At the same time, the human resources of the Agency are limited to carry out regular monitoring. Therefore, capacity building of the Agency and additional human resources will be required to ensure monitoring of biodiversity conditions when necessary.¹⁷

Finally, the Agency strives to ease the process of funding for beneficiaries. Therefore, existing data is being digitized and the Agency also works on the sophistication of the existing electronic system. The online platform is key for the operational department of the Agency considering limited human resources. This would allow fast and quality data processing.

Potential impact of RDA programmes on biodiversity

Agriculture is acknowledged as one of the key causes of biodiversity loss ¹⁸.

Preliminary analysis of the RDA programmes has identified following potential threats: Habitat loss, fragmentation and degradation (Plant the future, Tea rehabilitation programme, Preferential agrocredit)

- a. Overuse of water resources (Plant the future, Preferential agrocredit, Supporting Agricultural Production)
- b. Pollution of the environment, including overuse of fertilizers and pesticides, use of substances harmful for pollinators (Preferential agrocredit, Plant the future)
- c. Planting of monoculture plantations (Preferential agrocredit, Plant the future)
- d. Introduction of the Genetically Modified Organisms (Preferential agrocredit, Plant the future)

¹⁷ Source: Interviews with representatives of RDA and ENPARD

¹⁸ [IBBES Global Assessment](#)

- e. Land degradation (Preferential agrocredit, Plant the future)

At the same time, based on the type of activity all programmes may contribute to climate change and increased emissions. Also, based on the geographical distribution, the programmes may cause a negative impact on key or protected habitats, key biodiversity areas or protected areas. Loss of agrobiodiversity is another aspect for consideration.

A Comprehensive assessment of the negative impacts will be carried out during the second stage of the project.

Economic assessment of the RDA programmes

Green Grants Programme

The Green Grants Programme is a co-financing programme to support purchase of following activities/products:

1. Full envelope insulation
2. Envelope insulation – 1st floor only/floor of attic/ceiling of basement
3. Simple solar water and solar air heaters
4. Industrial solar water heaters

State Programme of Co-financing Agricultural Mechanization

The programme intends to co-finance the following agricultural technics:

1. Agricultural tractor
2. Manual tractor (motoblock)
3. Tractor implement
4. Motorized machinery / equipment for rehabilitation of arable land

State Programme of Co-financing Agricultural Mechanization, as well as the Green Grants Programme are new programmes which started in 2021 and for now statistical data is not available.

Improving Rural Development in Georgia

The programme aims at providing appropriate conditions for the creation of new jobs in rural areas, to promote entrepreneurial development, economic diversification, measures for agricultural development as well as to attract investment in the sector. To this end, the Rural Development Agency (RDA) is implementing the Rural Development Program with funding from the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) and the United Nations Development Program (UNDP).

Goals of the program: (1) promote the development of non-agricultural entrepreneurial activities in rural areas, which in turn will help to stimulate the economic development of the municipality, improve the socio-economic situation, economic diversification and create new jobs. (2) Address environmental and climate change challenges and use natural resources efficiently.

RDP is active from 2020 and since then 49 contracts with 49 beneficiaries were signed and 5.2 mln GEL (1.6 mln USD) were spent by the RDA within the program.

Table 5: Rural Development Program by year. 2020-2021

Year	Number of Contracts	Beneficiaries	Co-Financing (GEL)	Co-Financing (USD)	Total Investment (GEL)	Total Investment (USD)
2020	18	18	2,102,697	676,327	3,155,738	1,015,034
2021	31	31	3,073,933	948,085	4,224,994	1,303,104
Total	49	49	5,176,630	1,624,412	7,380,732	2,318,138

Source: Rural Development Agency

During 2021, the program had 72% growth rate in terms of the beneficiaries and 30% growth rate in terms of total investment. This means that demand for the program has an increasing trend.

Table 6: Rural Development Program by Regions. 2020-2021

Regions	Number of Contracts	Beneficiaries	Co-Financing (GEL)	Total Investment (GEL)	Co-Financing in Regions % of Total
Adjara	14	14	1,324,347	2,151,429	25.6%
Kakheti	11	11	1,405,001	1,917,822	27.1%

Detailed Analysis of Existing and Planned RDA Programmes

Regions	Number of Contracts	Beneficiaries	Co-Financing (GEL)	Total Investment (GEL)	Co-Financing in Regions % of Total
Samtskhe-Javakheti	11	11	1,066,146	1,350,015	20.6%
Kvemo Kartli	7	6	988,758	1,297,541	19.1%
Mtskheta-Mtianeti	5	5	372,378	643,925	7.2%
Samegrelo	1	1	20,000	20,000	0.4%
Total	49	48	5,176,630	7,380,732	100.0%

Source: Rural Development Agency

Table 6 shows that the program is active in six regions out of 10 and 99.6% of the funds are spent in five regions.

State Programme for Technical Assistance

The programme aims at supporting beneficiaries funded/to be funded within the framework of programmes implemented by the Agency through co-financing and/or consulting services and/or training, as well as strengthening and supporting the directions covered by the programmes implemented by the Agency.

The State Programme for Technical Assistance has been active since 2019 with 265 contracts and 15.2 mln GEL (5.1 mln USD) spent by the RDA.

Table 7: State Program for Technical Assistance by year. 2019-2021

Years	Number of Contracts	Number of Beneficiaries	RDA Contribution (GEL)	RDA Contribution (USD)	Total Investment (GEL)	Total Investment (USD)
2019	102	102	6,677,671	2,369,516	14,307,042	5,076,734
2020	74	73	3,999,988	1,286,585	9,289,217	2,987,850
2021 (9 m)	89	88	4,533,741	1,398,330	10,748,411	3,315,104
Total	265	260	15,211,399	5,054,430	34,344,670	11,379,689

Source: Rural Development Agency

Table 7 shows that from 2020 the program has a steady growth. In the first 9 months of 2021 the number of contracts was 20% more than in 2020 (12 months) and the funds spent by the RDA was 8.5% higher.

In terms of regional development, in 2019 Kakheti was the main beneficiary of the program. It absorbed more than 70% of the contracts and investment. Shida Kartli was in second place with more than 12%.

Imereti Agrozone

The programme aims at development of a greenhouse cluster on the 220 ha area owned by the LTD Imereti Agrozone” in Imereti. The programme covers following components:

1. Development of greenhouse cluster and associated infrastructure (roads, power & gas supply, sewage system, drainage and irrigation system, fencing, ground surface leveling, etc.) on 220 ha in Tskhaltubo and Baghdati municipalities
2. Gardening centre including gardening school and showroom
3. Logistics and sales centre
4. "Single-window" service (customs, public registry, food safety agency, and other state and third party services) for cluster members.

The programme is at the planning stage currently. Therefore, statistical data is not yet available.

Oneoff Assistance for Hail-induced Damage in Kakheti Region

The programme aims at provision of compensation for harvest and crops damaged by hail on 26/08 and 02/09/2021. The analysis has not been conducted since this is not a regular programme and does not involve impact on biodiversity.

Industrial apple sale promotion programme

The program started in 2014 and the aim of the program is to promote nonstandard industrial apple production. If a company buys nonstandard apples for processing, it gets a state subsidy. The objective was to promote fruit growing in Georgia.

In 2014, 43 mln kg apple was purchased by the processing companies, which received 3.47 mln GEL (1.97 mln USD) state subsidy. The program was closed till 2020 due to the fall of international prices of industrial apples. The government made a decision to issue 0.1 GEL (0.03 USD) subsidy per kg to the industrial processing companies. In 2020, the amount of industrial apple purchased was 50 mln kg and the subsidy was almost 5 mln GEL (1.6 mln USD). The program continued in 2021 and in the first 10 months, the purchased amount was 18.4 mln kg industrial apple and the subsidy paid to the companies was 3.4 mln GEL (1.1 mln USD). The RDA plans to issue 1.8 mln GEL (0.6 mln USD) more subsidy.

Agro-diesel support programme

In 2020 the government decided to support the production of primary agricultural products. The aim was to lower the prices on the grocery products. Everyone who owns more than 0.25 ha of agricultural land (except pasture), is eligible to join the program and receive a subsidy card on 150 liter of diesel per hectare (with a maximum of 15 000 liter limit).

In 2020, 156 815 beneficiaries received 30 500 ton of agrodiesel cards. 12 254 tons of agrodiesel (40.2%) was used by the beneficiaries. In the first 10 months of 2021, 6 464 beneficiaries received 4 027 tons of agrodiesel cards, but only 1 082 tons of agrodiesel (26.9%) was used.

State Programme of Dairy Modernization and Market Access (DiMMA)

The program has been active since 2020 and is implemented within the framework of the Agricultural Anti-Crisis Plan with the financial support of the International Fund for Agricultural Development (IFAD).

Detailed Analysis of Existing and Planned RDA Programmes

The goal of the State Program of Modernizing the dairy industry and Market access is to develop the rural economy by promoting the establishment of a competitive, diversified and sustainable dairy industry.

The aim of the program is to promote sustainability and flexibility for small dairy producers.

The program co-finances four components to help modernize dairy production. RDA contribution is on average 70% of the total investment.

Table 19: DiMMA by components 2020-2021

Component	Co-Financing, GEL	Share of Investment
Veterinary and Artificial Fertilization	60,582	0.3%
Primary Production of Cattle Food	16,171,141	77.0%
Milk Recycling Factory (Small Size)	405,983	2.4%
Milk Primary Production	4,472,060	20.3%
Total	21,109,766	100.0%

Source: Rural Development Agency

As Table 19 shows, 77% of the total investment is made in Primary Production of Cattle Food, 20% in Milk Primary Production and other two components (Veterinary and Artificial Fertilization and Milk Recycling Factory (Small Size)) take less than 3% of the total investment.

In terms of regional distribution, if Kakheti is excluded (which takes about 45% of the investment) funds are distributed nearly equally.

Table 20: DiMMA by Regions 2020-2021

Region	Co-financing, GEL	Region, Share of Total
Imereti	2,153,956	9.6%
Kakheti	9,065,752	44.8%
Racha-Lechkhumi, Kvemo Svaneti	740,397	3.5%
Samegrelo-Zemo Svaneti	2,724,882	13.1%
Samtskhe-Javakheti	2,954,167	13.4%
Kvemo Kartli	3,470,613	15.6%
Total	21,109,766	100.0%

Source: Rural Development Agency

In 2021, DiMMA is planned to have 20 mln GEL (6.17 mln USD) financing and in 2022 21.7 mln GEL (6.87 mln USD). This means for a minimum a year, the project will function without a lack of funds.

State Programme for Wheat Flour Subsidy

The State Programme for Wheat Flour Subsidy started in 2020 and the government plan was to maintain a constant selling price on bread sold in Georgia. The aim was to subsidize the price of high quality wheat flour in the country.

First stage of the program was to sign a contract with six companies and 13 817 ton of wheat flour was subsidized. The amount of the subsidy was 2.74 mln GEL (0.88 mln USD).

The second and the third stage of the program were held in 2021 and 16 contracts were signed (separately) and 40 547 ton of wheat flour was subsidized. The amount of the subsidy totaled 14.5 mln GEL (4.47 mln USD).

Harvesting Equipment / Machinery Co-funding Project

The programme covers co-financing of the harvesting equipment/machinery, particularly:

1. Corn harvester co-funding
2. Co-funding harvesters of other types

Statistical data is not currently available for this programme.

Programs Supporting Development of Agricultural Cooperatives

The program has been active since 2019. The objectives of the program are:

- Promote production of Viticulture, Beekeeping, Milking, Mowing and Pasture;
- Establish cooperatives with modern production facilities
- Promote the production of competitive products on the market
- To help improve quality of life in rural areas

The program has 33 beneficiaries and 7.6 mln GEL (2.5 mln USD) spent in co-financing of developing cooperatives in Viticulture, Beekeeping, Mowing and Pasture and Milk. The share of Co-financing in the last 3 years is about 88%.

Most of the financing comes to Viticulture - more than 85% of total program spending. All other three components take less than 15% of the total financing.

Table 21: Development of Agricultural Cooperatives program by culture/product

Culture/Product	Cofinancing	Product Share in Total
Viticulture	6,485,217	86%
Beekeeping	189,133	3%
Mowing and Pasture	178,440	2%
Milk	740,599	9%
Total	7,593,388	100%

Source: Rural Development Agency

More than 85% of the funds in Viticulture means more than 82% of funds allocated in Kakheti. In terms of regional distribution of the program, there is big inequality in the distribution of resources.

Table 22: Development of Agricultural Cooperatives program by region

Region	Co-financing	Total Investment	Region Share in Total
Kakheti	6,170,129	7,236,808	82.1%
Racha-Lechkhumi and Kvemo Svaneti	553,545	610,732	6.9%
Samtskhe-Javakheti	438,576	474,057	5.4%
Kvemo Kartli	202,500	216,900	2.5%
Guria	122,759	129,220	1.5%
Imereti	67,060	95,800	1.1%
Samegrelo-Zemo Svaneti	38,820	51,600	0.6%
Total	7,593,388	8,815,116	100.0%

Source: Rural Development Agency

The program's most active year was 2020. During the past three years about 80% of the funds spent was in 2020. The program had a good start but in 2021 funds allocated are down 93% and the number of beneficiaries is down 65%.

Table 23: Development of Agricultural Cooperatives program by year

Year	Cofinancing (GEL)	Cofinancing (USD)	Total Investment (GEL)	Total Investment (USD)	Year Share in Total
2019	1,203,910	427,197	1,338,322	474,892	15.2%
2020	5,984,666	1,924,951	7,033,416	2,262,278	79.8%
2021	404,813	124,855	443,379	136,750	5.0%
Total	7,593,388	2,477,003	8,815,116	2,873,921	100.0%

Source: Rural Development Agency

Farm / farmers' Registration project

The programme aims at development of the special database and registration of the farms and farmers. The purpose of the programme is to collect statistical data which will be used to define

target groups for state support and thoughtful planning of RDA programmes. Currently over 150 000 farms/farmers are registered.

Georgian Tea Plantation Rehabilitation Program

The Georgian Tea Plantation Rehabilitation program has been active since 2016.

The program objectives are:

- Maximum use of Georgian tea potential and promotion of high-quality tea production, including production of bio (organic) tea. As a result, Raising self-sufficiency and export capacity.
- Privately owned as well as state owned abandoned tea plantations will be rehabilitated and tea primary processing modern enterprises will be established under this project.
- Increase Employment rate and improvement of socio-economic state of population.
- Promotion of modern Tea primary processing enterprises.

Within the scope of this Program, the Agency shall provide co-financing of the rehabilitation works for the tea plantations owned by the Program beneficiary and/or by the State.

On the program, the total funds spent by RDA was 3.4 mln GEL (1.2 mln USD) with an average yearly contract of 11 and 10 beneficiaries. RDA contribution is about 70% of the total funds spent. Yearly costs are quite unevenly distributed.

Table 12: RDA contribution of Georgian Tea Plantation Rehabilitation Program

Years	RDA Contribution, GEL	RDA Contribution, USD	Rehabilitation Value, GEL	Rehabilitation Value, USD
2016	443,782	187,508	618,080	261,153
2017	677,913	270,134	971,371	387,072
2018	557,256	220,006	813,609	321,214
2019	96,537	34,255	148,583	52,723
2020	293,434	94,382	419,192	134,832
2021	1,327,055	409,300	1,907,380	588,288
Total	3,395,976	1,215,586	4,878,213	1,745,283
Average	565,996	202,598	813,036	290,880

Source: Rural Development Agency

Detailed Analysis of Existing and Planned RDA Programmes

The program takes place only in three regions - Guria, Imereti and Samegrelo. Imereti takes the most finance - more than 55%. Least funds go to Guria - less than 12%. The reason may be the total area of the regions in case of Guria vs Imereti, or Guria vs Samegrelo. For example, the area of Imereti is 6,680 sq.km, Guria - 2,033 sq.km and Samegrelo - 9,983 sq.km. But the Area of Samegrelo is 50% larger than that of Imereti, while Imereti takes 77% more resources from the program.

Table 13: Georgian Tea Plantation Rehabilitation Program by region

Regions	Money Spent by RDA, GEL	Total Value of the Rehabilitation
Guria	392,375	543,559
Imereti	1,919,674	2,733,006
Samegrelo	1,083,927	1,601,648
SUM	3,395,976	4,878,213

Source: Rural Development Agency

In 2010-2020 total tea production in Georgia was 27,500 tons.

Table 14: Tea Production in tons. 2010-2020

Region	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Adjara	1,000	700	1,100	1,100	200	900	800	400	600	300	300	7,400
Guria	1,400	700	700	400	400	400	400	500	400	800	400	6,500
Imereti	0	200	0	0	0	0	700	300	100	100	1,000	2,400
Samegrelo-Zemo Svaneti	1,100	1,300	800	1,800	1,200	800	1,100	1,100	600	700	700	11,200
Total	3,500	2,900	2,600	3,300	1,800	2,100	3,000	2,300	1,700	1,900	2,400	27,500

Source: National Statistics Office of Georgia

Table 14 shows that for the past 10 years the leader in production is Samegrelo-Zemo Svaneti with 11,200 tons, while Adjara is in second place with 7,400 tons of production. Adjara does not receive any contribution from the Georgian Tea Plantation Rehabilitation Program. For fair and sustainable growth of the sector, funds should be distributed according to the volumes of production.

Plant the future

The project "Plant the Future" is initiated by the Ministry of Environmental Protection and Agriculture and is implemented by the Rural development Agency with the state budget. The project co-finances eight components (Table 4). It is a program of 3,621 contracts, 3,182 beneficiaries and 14,491 hectares of land used during 2015-2021. Within the program total investment made is about 191 mln GEL (67 mln USD) and RDA share of more than 105 mln GEL (37.1 mln USD) (55%). The average cost per beneficiary is about 60,000 GEL (\$21 000) for the past 7 years. Program finances 8 components.

Table 8: Plant the Future components and RDA investment

#	Components	Program funds (GEL)	Share of Total
1	Gardening	81,718,161	77.4%
2	Replacing Damaged Seeds	285,236	0.3%
3	Berry Financing	18,161,334	17.2%
4	Nursery	3,200,568	3.0%
5	Anti-Hail system arrangement	289,289	0.3%
6	Purchasing Poisoning Inventory	10,000	0.0%
7	Drip Irrigation System	757,504	0.7%
8	Well Arrangement	1,194,739	1.1%
	Sum	105,616,830	100.0%

Source: Rural Development Agency

According to table 8, The Garden component (77%) and Berry Financing (17%) take 94% of the funds which is more than 99 mln GEL (\$31 mln).

The Garden component consists of different types of fruits. Table 4 shows % of total share of the top products in the garden component by year.

Table 9: Top products in garden component and their share

Products	2015	2016	2017	2018	2019	2020	2021
Apple	46%	32%	19%	14%	7%	9%	16%
Walnut	23%	36%	37%	23%	18%	5%	7%
Blueberry	7%	4%	9%	19%	19%	33%	24%
Hazelnut	3%	9%	2%	1%	0%	1%	5%
Almond	3%	9%	7%	16%	21%	20%	24%
Raspberry	0%	1%	7%	4%	12%	4%	2%
Olive	0%	0%	0%	11%	8%	2%	6%

Source: Rural Development Agency

Apple, which had nearly half of the financing, has a decreasing trend. The same can be said about Walnut, while Blueberry and Almond are the products that have the most promising potential.

In terms of sustainable development, the project growth rate by year is not stable.

Table 10: Plant the Future Investment change (YoY) 2016-2021

Year	Investment change (YoY)
2016	81.4%
2017	30.9%
2018	20.7%
2019	22.5%
2020	108.7%
2021 (9 m)	-16.2%

Source: RDA

Table 10 shows that the investment growth rate from 2016 to 2019 was decreasing and in 2020 it more than doubled.

In terms of Regional Development, there are frontrunners and those where the project is not popular.

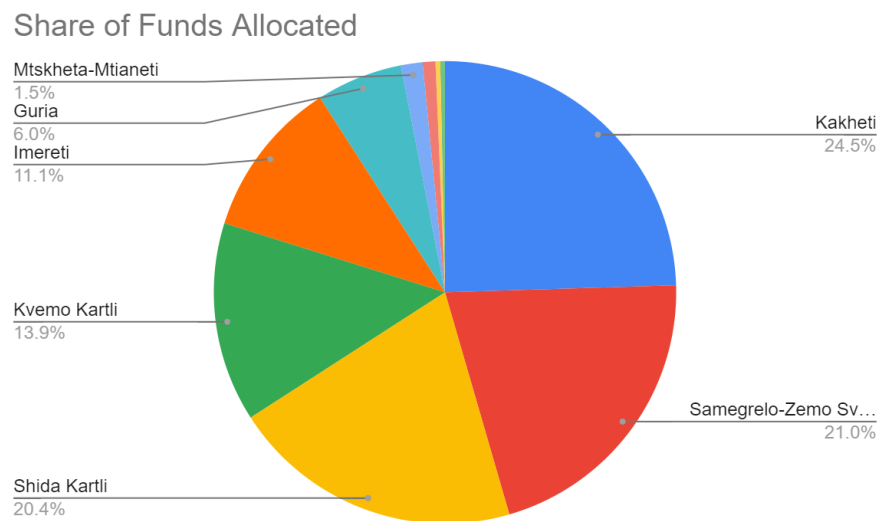
Table 11: Plant the Future in Regions

Region	Area, Hectare	Area Share of Regions	Agency Funds Allocated (GEL)	Share of Funds Allocated
Kakheti	5,123.22	35.4%	25,887,274	24.5%
Samegrelo-Zemo Svaneti	1,905.40	13.1%	22,172,687	21.0%
Shida Kartli	3,095.19	21.4%	21,522,588	20.4%
Kvemo Kartli	2,679.79	18.5%	14,723,925	13.9%
Imereti	893.15	6.2%	11,695,893	11.1%
Guria	431.10	3.0%	6,371,890	6.0%
Mtskheta-Mtianeti	216.30	1.5%	1,593,987	1.5%
Adjara	71.04	0.5%	940,499	0.9%
Samtskhe-Javakheti	32.69	0.2%	349,627	0.3%
Racha-Lechkhumi Kvemo Svaneti	43.80	0.3%	348,460	0.3%
TOTAL	14,491.69	100.0%	105,616,830	100.0%

Source: Rural Development Agency

Kakheti, Samegrelo-Zemo Svaneti and Shida Kartli are the main beneficiaries of the project. Shares of Adjara, Samtskhe-Javakheti and Racha-Lechkhumi in the project are less than 1%. This means resources are not allocated equally by the regions. The top 50% of the regions receive more than 90% of the resources. There may be several reasons for that: 1) different climate in different regions, 2) allocation of capital resources, 3) total area of the region, etc.

Figure 7: Share of Funds Allocated in Plant the Future Project



Source: Rural Development Agency

Co-financing of Processing and Storage Enterprises

The project includes two components :

- Co-financing component of processing enterprises - Provides financial and technical assistance to companies interested in establishing new agricultural products processing enterprises
- Co-financing component of storage enterprises - Provides financial and technical assistance to companies interested in establishing new agricultural products storage enterprises

The project was active during 2014-2021 and included two components - co-financing of processing enterprises and co-financing storage enterprises. Was initiated by the Ministry of Environment Protection and Agriculture of Georgia and implemented by the Agricultural Project Management Agency within the framework of the "Unified Agro Project" with the funding of the state budget.

RDA co-financing was not more than 40% (500,000 GEL (154 000 USD)). Since 2014, 157 enterprises were financed and 79 mln GEL (29 mln USD) RDA funds were spent.

Table 24: Co-financing of Processing and Storage Enterprises 2014-2021

Year	Number of Enterprises	RDA Contribution (GEL)	RDA Contribution (USD)	Total Investment (GEL)	Total Investment (USD)	RDA Contribution share of Total money spent
2014	6	3,779,479	2,140,536	9,449,004	5,351,514	4.8%
2015	12	6,308,120	2,779,704	17,199,541	7,579,062	8.0%
2016	16	7,926,056	3,348,947	22,903,012	9,677,066	10.0%
2017	12	6,234,799	2,484,441	19,148,185	7,630,162	7.9%
2018	12	6,016,384	2,375,282	15,298,390	6,039,838	7.6%
2019	25	12,925,416	4,586,475	30,384,083	10,781,537	16.4%
2020	16	9,072,015	2,917,988	19,314,867	6,212,572	11.5%
2021	58	26,635,025	8,214,971	77,482,121	23,897,608	33.8%
Total	157	78,897,293	28,848,343	211,179,203	77,169,360	100.0%

Source: Rural Development Agency

In terms of stable government financing, the project financing is somewhat evenly distributed year by year. In 2022, according to MOF, program financing will be 18 mln GEL (5.7 mln USD) - 4 mln GEL (1.1 mln USD) less than in 2021 (In 2021, according to MOF, the program financing was 22 mln GEL (6.8 mln USD) - 4 mln GEL (1.24 mln USD) less than the actual cost claimed by RDA).

Table 25: Co-financing of Processing and Storage Enterprises by Regions

Regions	Number of Enterprises	RDA Contribution (GEL)	Total Investment (GEL)	Share of Region in Total Investment
Shida Kartli	59	30,060,311	73,815,772	35.0%
Samegrelo-Zemo Svaneti	21	10,595,669	33,628,212	15.9%
Kakheti	22	10,621,443	29,819,823	14.1%
Mtskheta-Mtianeti	15	7,086,138	19,929,523	9.4%
Kvemo Kartli	13	6,600,829	18,832,221	8.9%
Racha-Lechkhumi and Kvemo Svaneti	8	3,847,272	11,095,602	5.3%
Imereti	7	3,550,350	8,310,853	3.9%

Regions	Number of Enterprises	RDA Contribution (GEL)	Total Investment (GEL)	Share of Region in Total Investment
Guria	5	2,531,502	6,227,399	2.9%
Samtskhe-Javakheti	4	1,983,369	4,915,437	2.3%
Adjara	3	2,020,409	4,604,363	2.2%
Total	157	78,897,293	211,179,203	100.0%

Source: Rural Development Agency

Like most other RDA programs, 60% of the regions take nearly 90% of the investment and RDA funds. More even distribution is needed for the sustainable and fair development of the whole agricultural sector by regions.

Agroinsurance

The Agricultural insurance program has started in September 1, 2014 and the purpose is to develop the insurance market in the agricultural sector, promote agricultural activities, retain the income for the individuals with the occupation of the mentioned activities and reduce risks.

The program is implemented by the Rural Development Agency. The Agency concludes contracts with the relevant insurance companies licensed under the rules envisaged by the legislation of Georgia in order to implement the project. The Agency also carries out insurance premium subsidies and their monitoring.

Following insurance risks will be covered within the mentioned insurance program:

- Hail
- Flood
- Storm
- Autumn Frost (Only citrus crops) –During the period September 1-November 30

According to the programme beneficiary can insure the land parcel up to 5 hectares. Each insurer of the land parcel in case of cereals 30 hectares, (This restriction does not apply to agricultural cooperatives) will receive 70% - co-financing for each crop envisaged under the program and 50% in case of vine (In case of agricultural cooperatives, the amount of insurance premium subsidies by the Agency per insurer/beneficiary shall not exceed 50 000 GEL (15 800

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USD). In addition, the insurer may have insured cereals crops as well as other crops at the same time. According to the program, the fixed insurance tariff will be determined.

The project has 11,600 beneficiaries on average every year with an average cost of 7.2 mln GEL (2.3 mln USD) per year.

Table 17: Aggroinsurance performance 2014-2021

Year	Number of Insurance Policies	Number of Beneficiaries	Value of the Insured Harvest, USD	Insurance Premium, USD	Agency Share in Premium, USD	Insurer Share in Premium, USD	Insured Area, ha
2014	21,056	19,680	86,723,066	7,128,593	6,683,374	441,585	18,722.82
2015	7,634	7,258	17,722,605	1,517,748	858,828	635,720	4,943.74
2016	18,795	14,523	56,406,743	5,062,626	3,474,717	1,553,645	15,471.64
2017	21,394	16,018	55,286,032	4,642,002	2,951,238	1,688,874	20,717.94
2018	12,574	7,813	33,866,666	2,817,243	1,766,696	1,049,068	11,556.63
2019	16,473	10,407	40,643,066	3,400,464	2,074,477	1,323,770	13,851.76
2020	17,881	9,141	52,093,189	4,320,485	2,708,722	1,611,607	18,177.55
2021	18,847	8,554	56,600,709	4,700,387	2,882,144	1,818,243	18,953.06
Sum	134,654	93,394	399,342,077	33,589,549	23,400,195	10,122,511	122,395.15
Average	16,832	11,674	49,917,760	4,198,694	2,925,024	1,265,314	15,299.39

Source: Rural Development Agency

For the past 8 years total funds spent on insurance premium was 33.6 mln USD, where 67.5% was paid by RDA. The growth rate of insured areas year by year is not stable. In 2015 and 2018 the area was even decreased. Also, the highest number of the insured area was in 2017. In 2018 this number decreased 45%. 2014 also must be mentioned, when the insured area was 18.7 thousand ha, while in 2015 it decreased by 74%. The annual performance is not stable and sustainable growth rates could not be observed.

In terms of numbers, in 2020 total insurance premium in Georgia was about 667 mln GEL (215 mln USD) (Source: insurance.gov.ge), while the total agricultural land/harvest insured was about 15.2 mln (4.9 mln USD). This means Agro Insurance held 2.3% of the insurance market and growth constantly over the past 3 years. In 2019 the same number was 2.2% and in 2018 1.3%.

Funds allocated and area insured by regions are not evenly distributed. 60% of the regions total more than 95% of the funds and area insured.

Table 18: Area Insured and Premium spent by RDA by Region (2014-2021)

Region	Insured Area, ha	Share of insured area by region	Agency Share in Premium, GEL	Share of Agency Premium by Region
Kakheti	65,426.07	53.5%	29,165,042	50.8%
Shida Kartli	15,254.84	12.5%	13,899,562	24.2%
Adjara	7,984.28	6.5%	4,331,592	7.5%
Samtskhe-Javakheti	6,672.35	5.5%	3,934,281	6.8%
Kvemo Kartli	13,984.06	11.4%	2,211,484	3.8%
Samegrelo-Zemo Svaneti	7,128.57	5.8%	1,840,880	3.2%
Guria	3,180.80	2.6%	1,577,773	2.7%
Imereti	2,227.19	1.8%	326,164	0.6%
Mtskheta-Mtianeti	370.06	0.3%	135,866	0.2%
Racha-Lechkumi Kvemo Svaneti	164.60	0.1%	43,189	0.1%
Tbilisi	2.32	0.0%	886	0.0%
Total	122,395.15	100.0%	57,466,719	100.0%

Source: Rural Development Agency

Table 18 shows that Kakheti, Shida Kartli, Adjara, Samtske-Javakheti and Kvemo Kartli use more than 95% of the RDA resources. Also, for example, Shida Kartli uses 24.2% of the Agro Insurance resources and has only 12.5% share of the insured area. While Kvemo-Kartli uses only 3.2% of the resources and has 11.4% share of insured area. The reason for this imbalance should be different pricing of insurance policies, different weather conditions and different products insured.

Preferential Agrocredit

The Preferential Agrocredit Project has been initiated by the Ministry of Environment Protection and Agriculture of Georgia and has been implemented by the Rural Development Agency since 27 March of 2013. The purpose of the project is to improve the processes of primary agricultural

production, processing, storage and sale by providing the legal and natural entities with cheap, affordable long-term and preferential funds. Within the framework of the project, the enterprises engaged in the processes of primary agricultural production, processing and storage will receive the preferential agrocredit/agroleasing from the financial institutions for fixed and current assets. Preferential Agrocredit is a project which helped to issue 51,774 bank loans, has 29,052 beneficiaries and spent more than 476 mln GEL to help and promote agro-business.

Table 15: Agrocredit funds and beneficiaries. 2013-2021

Year	# of Bank Loans	Beneficiaries	Bank Loans (USD)	Agency Funds (USD)	Agency Funds / Bank Loans (GEL)
2013	6,217	5,456	150,064,247	2,491,259	1.7%
2014	15,617	12,950	272,456,952	16,597,716	6.1%
2015	3,846	3,381	140,222,593	23,369,068	16.7%
2016	1,893	1,653	84,522,314	20,758,312	24.6%
2017	2,419	2,120	124,150,472	19,481,942	15.7%
2018	4,162	3,677	117,089,573	23,945,895	20.5%
2019	6,095	5,261	164,175,764	24,789,034	15.1%
2020	7,249	6,381	233,078,071	29,565,971	12.7%
2021	4,276	3,926	122,277,065	21,462,991	17.6%
Total	51,774	29,052	1,408,037,052	182,462,187	13.8%

Source: Rural Development Agency

Table 15 shows that 2014 and 2020 were the top years in terms of every number. In 2020 Agrocredit supported bank loans totaled more than 724 mln GEL, which was 1.45% of the country's GDP. The total loan per business is 118,000 GEL and RDA funds spent per business is 16,400 GEL.

In terms of regional development, Kakheti, Kvemo Kartli and Shida Kartli are on the top of the list. These three regions take 74% of the RDA funds on Agrocredit. This means funds are not distributed equally in terms of regional development.

Table 16: RDA funds allocated by region and their shares

Region	RDA funds (GEL)	% of Total
Kakheti	240,777,491	50.5%
Kvemo Kartli	56,075,353	11.8%
Shida Kartli	53,707,592	11.3%
Samegrelo-Zemo Svaneti	34,768,577	7.3%
Tbilisi	20,163,115	4.2%
Imereti	20,124,880	4.2%
Samtskhe-Javakheti	17,229,865	3.6%
Mtskheta-Mtianeti	13,251,569	2.8%
Guria	8,490,244	1.8%
Adjara	6,819,732	1.4%
Racha-Lechkumi Kvemo Svaneti	5,115,415	1.1%
TOTAL	476,523,832	100.0%

Source: Rural Development Agency

Agricultural Land Owner Support Program

This program provides subsidies for purchase of agricultural commodities and land tillage. Statistical data is not yet available.

Agriculture Modernization, Market access and Resilience project “(AMMAR)”

The programme aimed at:

- Supporting improving quality of primary production and crop capacity;
- Supporting expansion and modernization of existing agricultural processing and storage plants;
- Implementation of international standards and modern technologies;

The programme issues co-funding for both individual farmers, as well as processing plants and agricultural cooperatives.

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Agriculture Modernization, Market access and Resilience project (AMMAR) was active from 2016 to 2020. During five years 708 contracts were signed and 15.2 mln GEL (5.7 mln USD) was spent by the RDA as a co-financing component.

Table 26: AMMAR program by years (2016-2020)

Year	Number of Contracts	Beneficiaries	Co-Financing (GEL)	Co-Financing (USD)	Total Investment (GEL)	Total Investment (USD)
2016	2	2	38,430	16,238	96,075	40,594
2017	117	116	2,615,546	1,042,242	6,638,235	2,645,202
2018	319	311	5,741,659	2,266,820	14,486,569	5,719,329
2019	155	149	4,322,468	1,533,791	11,098,631	3,938,256
2020	115	115	2,489,465	800,729	6,225,823	2,002,518
Total	708	693	15,207,568	5,659,820	38,545,332	14,345,899

Source: Rural Development Agency

As shown in table 26, the co-financing component is 40% of the total investment. The first three years there was growth in all components, but from 2019 less and less funds were spent and less contracts were signed within the program.

Table 27: AMMAR program by regions

Regions	Number of Contracts	Beneficiaries	Co-Financing (GEL)	Region Co-Financing Share, % of Total
Shida Kartli	265	231	5,011,408	33.0%
Kakheti	221	208	3,288,480	21.6%
Imereti	69	66	2,557,623	16.8%
Samegrelo-Zemo Svaneti	66	59	1,949,560	12.8%
Mtskheta-Mtianeti	20	19	989,254	6.5%
Kvemo Kartli	26	26	598,316	3.9%
Racha-Lechkumi, Kvemo Svaneti	10	8	393,863	2.6%
Guria	13	11	192,727	1.3%
Samtskhe-Javakheti	14	11	191,997	1.3%
Adjara	4	4	34,340	0.2%

Total	708	643	15,207,568	100.0%
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Source: Rural Development Agency

In terms of regions, Shida Kartli, Kakheti, Imereti, Samegrelo-Zemo Svaneti and Mtskheta-Mtianeti took more than 90% of the funds. Least funds were taken by Adjara, Samtskhe Javakheti and Guria (less than 3% in total).

The program includes financing of two components: (1) Processing and Storage Enterprises and (2) Primal Production. 98% of the contracts signed and 83% of the RDA funds spent within the program were about Primal Production.

The program ended in 2020.

The programme supporting young entrepreneurs in rural area - Young Entrepreneur

The program supporting young entrepreneurs in rural areas, - “Young Entrepreneur” is designed for young residents of Georgia and desiring to conduct a business activity in Georgia.

The program is initiated by the Ministry of Environmental Protection and Agriculture of Georgia and financed by donor-organizations of the Rural Development Agency - Denmark International Development Agency (DANIDA).

The targets of the program are:

- Promoting of development of young entrepreneurs and their involving into business in rural area
- Enhancing of economic development and strengthening of the private sector in the regions
- Investing in the chain of production-sale of the agricultural products as a result of which socio-economic conditions of young entrepreneurs will be improved and new working places will be created
- Creation of models of financing adapted with young people which will enable them to start a business activity and to realize the own plans
- Rendering of an adequate technical support prior to starting of financing and in the process of financing to guarantee right formation of plans

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- Post-financing support to overcome all challenges created in the process of implementation of plans

The program has been active since 2018 with 243 contracts and more than 9.5 mln GEL (3.5 mln USD) spent by the RDA. That's on average 40% Co-Financing by the RDA.

Table 28: The programme supporting young entrepreneurs in rural areas - Young Entrepreneur by year. 2018-2021

Year	Number of Contracts	Beneficiaries	Co-Financing (GEL)	Co-Financing (USD)	Total Investment (GEL)	Total Investment (USD)
2018	106	106	4,495,168	1,774,702	11,663,243	4,604,674
2019	95	95	3,344,046	1,186,607	8,422,972	2,988,821
2020	35	35	1,502,492	483,272	4,000,792	1,286,843
2021 (9m)	7	7	241,817	74,583	604,543	186,458
Total	243	242	9,583,523	3,519,164	24,691,550	9,066,796

Source: Rural Development Agency

From 2018 the trend of the program is not promising. In terms of contracts and total investment numbers were falling. In 2019 there was 35% fall in total investment and in 2020 57% (see table 26).

Table 29: Growth rate of the number of contracts and total investment

Year	Number of Contracts	% change, Number of Contracts	Total Investment (USD)	% change, Total Investments
2018	106		4,604,674.11	
2019	95	-10%	2,988,820.94	-35%
2020	35	-63%	1,286,843.20	-57%
2021 (9 m)	7	-80%	186,457.68	-86%

Source: Rural Development Agency

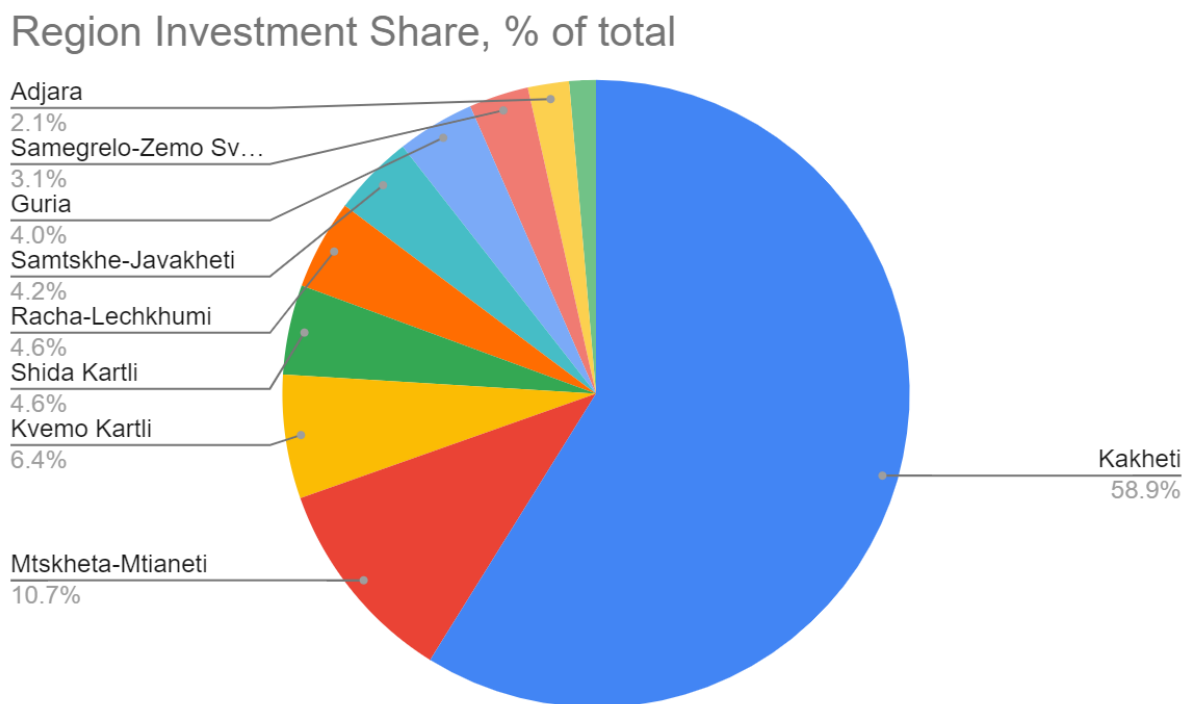
Table 30: The programme supporting young entrepreneurs in rural area - Young Entrepreneur by Regions. 2018-2021

Region	Number of Contracts	Beneficiaries	Co-Financing (GEL)	Total Investment (GEL)	Region Investment Share, % of total
Kakheti	154	153	5,661,923	14,536,256	58.9%
Mtskheta-Mtianeti	21	21	995,579	2,647,667	10.7%
Kvemo Kartli	11	11	578,112	1,575,309	6.4%
Shida Kartli	12	12	441,581	1,142,135	4.6%
Racha-Lechkhumi	13	13	456,736	1,141,839	4.6%
Samtskhe-Javakheti	7	7	408,896	1,038,746	4.2%
Guria	9	9	394,200	987,563	4.0%
Samegrelo-Zemo Svaneti	7	7	303,668	759,169	3.1%
Adjara	5	5	207,600	524,263	2.1%
Imereti	4	4	135,230	338,602	1.4%
Total	243	242	9,583,523	24,691,550	100%

Source: Rural Development Agency

Table 30 shows that in terms of regional investment, Kakheti is N1 and as well as in most of RDA programs, 50% of the regions take more than 85% of the funds.

Figure 8: The programme supporting young entrepreneurs in rural area - Young Entrepreneur by Regions. 2018-2021



Source: Rural Development Agency

State Programme for Supporting Agricultural Production

The State Programme for Supporting Agricultural Production was introduced in 2020 and finished the same year. The aim of the program was to support primary production of one-year and perennial agricultural products. It was planned to make agricultural machinery more affordable and to promote the growth of agricultural production.

The program co-financed different agricultural machinery: tractors, motoblocks, agricultural implements, greenhouse equipment and irrigation systems. The amount of co-financing was 50% with the maximum amount of 0.5 mln GEL (0.16 mln USD).

During the year, 384 contracts were signed and a total of 9.6 mln GEL (3.1 mln USD) were spent by the RDA within the program. The most demanded purpose of the program was

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agricultural machinery, which took 62% of the total investment. Least demanded purpose was the financing of the irrigation system, which took only 5.5% of the total investment during 2020.

Table 31: The State Programme for Supporting Agricultural Production in numbers

Purpose	Contracts	Beneficiaries	Co-Financing (GEL)	Co-Financing (USD)	Total Investment (GEL)	Total Investment (USD)	Share in Total Investment
Greenhouse	104	103	3,311,486	1,065,130	6,556,352	2,108,832	32.5%
Irrigation System	28	27	484,939	155,979	1,119,128	359,964	5.5%
Agricultural Machinery	252	252	5,854,703	1,883,149	12,496,061	4,019,322	61.9%
Total	384	376	9,651,127	3,104,258	20,171,540	6,488,118	100.0%

Source: Rural Development Agency

In terms of regions, 60% of the regions took 95% of the RDA funds. Kakheti was the leading region with the highest funds. 47.3% of the total investment was made in Kakheti. Guria, Racha-Lechkhumi, Kvemo Svaneti and Samtskhe-Javakheti were in the bottom with less than 5% of the total investment.

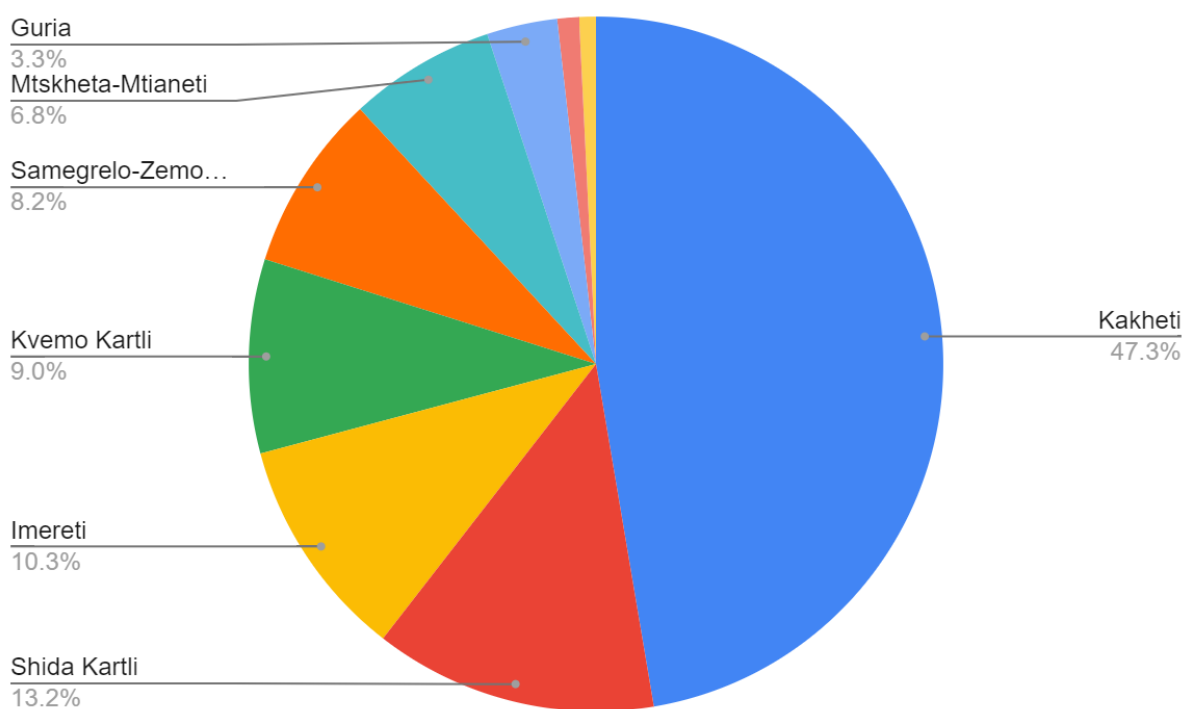
Table 32: The State Programme for Supporting Agricultural Production by Regions

Region	Contracts	Beneficiaries	Co-Financing (GEL)	Co-Financing (USD)	Total Investment (GEL)	Total Investment (USD)	Region, % of Total Investment
Kakheti	175	173	4,339,214	1,395,696	9,548,020	3,071,093	47.3%
Shida Kartli	71	68	1,376,648	442,795	2,657,052	854,633	13.2%
Imereti	40	39	1,042,265	335,242	2,086,539	671,129	10.3%
Kvemo Kartli	23	23	785,327	252,598	1,820,476	585,551	9.0%
Samegrelo-Zemo Svaneti	31	30	864,765	278,149	1,661,071	534,279	8.2%
Mtskheta-Mtianeti	20	20	731,305	235,222	1,375,177	442,322	6.8%
Guria	16	15	331,243	106,544	662,487	213,087	3.3%
Racha-Lechkhumi, Kvemo Svaneti	3	3	101,685	32,707	203,369	65,413	1.0%

Region	Contracts	Beneficiaries	Co-Financing (GEL)	Co-Financing (USD)	Total Investment (GEL)	Total Investment (USD)	Region, % of Total Investment
Samtskhe-Javakheti	5	5	78,675	25,306	157,350	50,611	0.8%
Total	384	376	9,651,127	3,104,258	20,171,540	6,488,118	100.0%

Source: Rural Development Agency

Figure 9: Regions, % of the Total Investment



Source: RDA

Key Findings

- Georgian economy grew 3.63% on average from 2011 to 2020. In 2021 the economy had a recovery of 11.3% during the first 3 quarters. Agriculture share in GDP is quite high (8.4%) compared to developed countries and the number decreased only by 1.9 percentage points from 2011. Also, the agriculture sector had a 3.65% real GDP growth rate while the country's GDP fell 6.2% in 2020.

- High inflation is one of the main obstacles for every sector of the economy. From 2011 prices were up to 50% on average.
- From 2010 more than 3.3 bln GEL (1.4 bln USD) was spent on behalf of the Ministry of Agriculture of Georgia.
- The Rural Development Agency is the unit under the Ministry of Environmental Protection and Agriculture of Georgia. The Agency aims at promoting the well-being and prosperity of farmers and rural residents by providing them with the necessary resources most effectively. Since 2013 RDA co-finances 18 programs and was involved in co-funding 4 past programs. One programme is in the pipeline. The programs are administered under the name of the Unified Agro Project.
- Since 2013, Unified Agro Project spent more than 1.57 bln GEL (595 mln USD), while only 46% of the funds are seen in the documents given by the RDA
- Almost all of the programs are distributed unevenly. In most cases 50% of the regions take more than 90% of the government funds. There can be several reasons for that: (1) Area of the region, (2) specialisation (e.g. apple in Shida Kartli, Grape in Kakheti, Nuts in the eastern regions), (3) economic activity by region. Exception is Adjara. The reason of the low funds allocation is that the region is an autonomous republic and participation in any program must be approved by the local government.
- Monitoring unit under RDA has been established in 2021 and the instruction for conducting monitoring of beneficiaries was adopted. However, the monitoring report is not yet available.