

ANNEX 03

of the Commission Implementing Decision on the
Special Measure 2014 in favour of Georgia and the Republic of Moldova

Action Document for ENPARD Georgia (top-up)

1. IDENTIFICATION

Title/Number	European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) Georgia (top-up) CRIS: <u>ENI/2014/037-364</u>		
Total cost	Total budget EUR 12.75 million Total amount of EU budget contribution EUR 12 million (allocated through the multi-country umbrella programme) of which EUR 6.5 million for budget support EUR 5.5 million for complementary support Estimated co-financing by grant beneficiaries: EUR 0.75 million		
Budget support			
Aid method / Management mode and type of financing	Direct management Top-up to the ongoing Sector Policy Support Programme (SPSP) "European Neighbourhood Programme for Agriculture and Rural Development (ENPARD Georgia)" (ENPI/2012/023-280)		
Type of aid code	A01	Markers	BSAR
DAC-code	31120	Sector	Agriculture Development
Complementary support			
Aid method / Management mode and type of financing	Direct management: grants (call for proposal) and procurement of services		
DAC-code	31120	Sector	Agricultural Development

2. RATIONALE AND COUNTRY CONTEXT

2.1 Summary of the action and its objectives

The proposed action consists of a EUR 12 million top-up to the ongoing action European Neighbourhood Programme for Agriculture and Rural Development (ENPARD-Georgia) that is part of the ENPI 2012 Annual Action Programme in favour of Georgia (EU contribution of EUR 40 million / CRIS reference ENPI/2012/023-280). Building on the lessons of on-going ENPARD components, the top-up provides further support in 4 main directions:

(1) To extend the budget support time-frame for an additional year (2016), where a further EUR 6.5 million tranche payment (4th tranche) will be granted, provided fulfilment of a set of new results-

based conditions related to: strengthened farmers' co-operation; capacity building to small farmers; capacity building of the institutions involved in agriculture.

(2) To include a new technical assistance component (EUR 2.5 million) to provide capacity building to the newly created Agriculture Cooperatives Development Agency (ACDA).

(3) To add a fifth result to the existing ENPARD Programme, focused on rural development (i.e. 'improved employment and living conditions in the rural areas through the diversification of the rural economy'). Under this new component, pilot actions in support to rural development measures will be selected via a call for proposals and implemented by Georgian Non State Actors/Local Actors (EUR 3 million)

Funding for this action is granted to Georgia through the 'more for more' mechanism of the European Neighbourhood Instrument (multi-country umbrella programme).

2.2. Country context

2.2.1. Main challenges towards poverty reduction/inclusive and sustainable growth

Georgia is a small developing economy with a population of about 4.5 million people and a gross national income (GNI) per capita of USD 2 560. According to the International Monetary Fund (IMF) and World Bank, one quarter of the population is living below the poverty line, with the higher levels in regions with high rural population rate. The unemployment rate is 17% (IMF, 2011). Nearly half of Georgia's population lives in rural areas, where low-intensity self-sufficient farming provides the principal source of livelihood. The Gini coefficient for Georgia as a measure of inequality was 40.8 (United Nations Development Programme UNDP, 2009) which is well below most post-communist countries.

2.2.3. Fundamental values

Georgia is adherent to the fundamental values of democracy, human rights and the rule of law, and the fundamental values pre-condition is met for Sector Reform Contracts.

2.3. Eligibility for budget support

2.3.1. Public policy

As per the **EU-Georgia Association Agreement**, Georgia will be committed 'to promote agricultural and rural development, in particular through progressive convergence of policies and legislation', including sharing knowledge and best practices of rural development policies to promote economic well-being for rural communities and 'enhancing the administrative capacities at central and local level to plan, evaluate, implement and enforce policies in accordance with EU best practices'. In this regard, one of the objectives of the **Single Support Framework 2014/2017** is 'to improve the competitiveness of the agricultural sector' by means of 'increased volume and value of outputs in the agriculture sector', 'increased access to knowledge on improved agriculture technologies by small farmers' and 'increased percentage of small farmers in commercial farming'. The draft **Socio-Economic Strategy for Georgia for the years 2014/2020**, prepared by the Ministry of Finance (MoF) recognises that about two-thirds of the country's workforce is engaged in subsistence farming in the agricultural sector and foresees that the Government will facilitate the establishment of farmers' groups and farming co-operatives.

Support to the development of small and medium-size enterprises (SMEs) in the rural areas, such as small farmers' cooperatives, is also one of the main results foreseen in the **Strategy of Agriculture**

Development of Georgia 2012/2022 and its Action Plan adopted by the Government of Georgia in 2012. The Strategy states that agriculture cooperatives can increase the competitiveness of Georgian farmers, by increasing their income through increased economies of scale and integration of farmers into the supply chains. In July 2013 the Parliament of Georgia approved the **Law on Agricultural Cooperatives**.

Although, currently there is no stand-alone policy framework for **Rural Development** in Georgia and the existing Agriculture Strategy only mentions rural development in outline terms, the Georgian Agriculture Development Strategy Action Plan foresees the development of measures to encourage non-farm rural enterprise development. There is a strong commitment by the Government to test measures that would prepare the way for a possible subsequent elaboration of a Rural Strategy.

In terms of government funding to the sector, significant increase in public funding was observed from 2012 onwards (the final term of the previous Government). In 2013, the new Government decided to make the modernisation of agriculture one of the key priority sectors by doubling budgetary allocations. The same level of support has been maintained in 2014 and there are strong indications that the trend will continue in the coming years.

For rural development, at this stage, it is not possible to determine budget allocations or trends. Although there are activities, implemented by the MoA, and also by the Ministry of Regional Development (MRD) and the Ministry of Environment (MoEnv), which could qualify as rural development measures, they are implemented without a coherent approach and policy framework. However, there is a commitment by the Government that, once such policy framework is developed, substantial budget allocations in support to rural development will be earmarked.

2.3.2. Macroeconomic policy

Over the past 10 years, Georgia undertook significant economic, social and governance reforms resulting in sound fiscal and monetary policies. Despite shocks caused by the 2008 conflict with Russia and the global Financial Crisis, Georgia was able to maintain macroeconomic stability and recover progressively.

Georgia's real Gross Domestic Product (GDP) has grown at a rate of 6.2% in 2012 and 3.2% in 2013, while the budget deficit has been reduced from 6.6% of GDP in 2010 to approximately 3.0% in 2013. Current forecasts for GDP growth according to the Ministry of Finance is 5% in 2014.

Current account deficit remains high (13.8% of GDP in 2013), and its medium-term outlook may represent a challenge to fiscal stability. The Government's Programme reaffirms stability-oriented macroeconomic policy as a dominant medium-term objective. Improvement of the rule of law and the administration of justice are key preconditions for further increase in foreign and domestic investments and improvement of the economic situation.

2.3.3. Public financial management

In the World Bank's Public Accountability and Expenditure Assessment (PEFA) from September 2013, Georgia has been noted for the significant advancement in its budgetary and financial management systems. The integrated public financial management system is being implemented and according to the Ministry of Finance (MoF), several key modules have already been put into place. Important progress has been achieved in the area of programme-based budgeting, furthering the Government's objective of greater results-focused fiscal planning. The new Programme of the Government also emphasises efficiency, transparency and accountability of public finances as objectives and reaffirmed commitment to further reforms in public finance.

2.3.4. Budget transparency and oversight of the budget

The basic requirements for budgetary transparency are in place in Georgia. In the last few years Georgia received relatively good marks from evaluations carried out in various independent surveys related to budget transparency¹. The government publishes budget forecasts as well as execution reports on a regular basis. In order to strengthen the performance orientation of the budget, the government is in the process of introducing programme-based budgeting. Basic budget scrutiny and oversight of financial statements are in place but needs further strengthening. In Georgia, traditionally the Parliament and its structures are institutionally weaker than the executive branch. The Budget and Finance Committee acknowledges the need to further improve the quality and the timeliness of analysis related to its public finance oversight functions as well as internal capacity for providing more user-friendly information. The State Audit Office of Georgia, that is accountable to the Parliament, has improved its services by applying more advanced financial and performance audits.

2.4. Lessons learnt

In 2010 the EU Delegation conducted a **Review of the EU-assisted Development Aid in the Agriculture Sector in Georgia in the past 5 years** for the preparation of the ENPARD programme. The main lessons learned from these analyses are that (1) strengthening small farmers' organizations is a key element in order for small farmers to gain economies of scale; (2) small farmers require substantial technical assistance and access to extension services to increase their productivity; (3) the sector's reform will require an efficient and results-oriented Ministry of Agriculture, and; (4) better agriculture statistics and information systems are essential for evidence based policy and to monitor the implementation of the sector's strategy. In 2013 the FAO conducted, on behalf of the EU, an assessment on **Agriculture and Rural Development in Georgia**. The main conclusion of this assessment is that if poverty is to be alleviated, sustained efforts are required not only to modernize agriculture via assisting business-oriented agriculture cooperatives, but also to reduce dependency upon the primary sector as a source of household income. This entails the diversification of economic activity and the creation of non-agriculture economic activities and a vibrant labour market in rural areas.

2.5. Complementary actions

The EU is the main donor active in the agriculture sector, mainly due to the ongoing ENPARD programme, followed by USAID and the Swiss Development Co-operation (SDC). All major sector interventions² operate in a very co-ordinated manner.

The proposed top-up will allow for a higher degree of synergy with several other EU assistance activities in Georgia, in particular the **Sector Reform Contract on regional development** (2013), focused on support to the implementation of a Regional Development Plan 2015-2017 including measures in the agriculture/rural development sector; and also the **Sector Reform Contract on Vocational Education and Training** (2013), where, in particular, activities will support better linkages with labour markets.

Main donors' funded actions on agriculture and rural development³:

¹ Georgia scored 55 out of 100 in the Open Budget Index (OBI) 2012, which is higher than the average score of 43 for all 100 countries surveyed. Based on the findings, Georgia is consistent in publishing four of the eight key budget documents measured by the OBI: Pre-Budget Statement, Executive's Budget Proposal, Enacted Budget, and Audit Report.

² (1) Enhance the Competitiveness of Farmer and Rural Entrepreneurs/ Organisations; (2) Value Chain Development; (3) Institutional Development and Training; (4) Development of Regional and Agricultural Infrastructure; (5) Food security ; (6) Food safety and (7) Rural Development.

Donor	Project	€ M	Type	Duration
EU	ENPARD 1	40	BS/Grant	2013/2017
EU	CIB National Food Agency	13	Grant	2013/2017
EU	Food security	2	Grant	2013/2016
USAID	New Economic Opportunities (NEO)	15	Grant	2004/2017
USAID	REAP programme	12	Grant	2011/2015
USAID	Economic Prosperity Initiative (EPI)	10	Grant	2010/2014
SDC	Market Alliances' Against Poverty	7	Grant	2011/2015
SDC/DANIDA	Regional Economic Development	12	Grant	2012/2016
ADA/FAO	Capacity Building to MoA	1	Grant	2013/2017
World Bank	Kakheti Regional Development (KRD)	45	Loan	2012/2015
EBRD/ EU NIF	Georgia Agriculture Finance Fund (GAFF)	60	Loan	2011/2015
WB	Irrigation and land registration	20	Loan	Tbc

2.6. Risk management framework

Risks	Assumptions	Mitigation measures
1. High turnover of staff and associated loss of 'institutional memory' jeopardise the implementation of the strategy and action plan and the policy dialogue	Strategy and Action Plan keep their current direction in supporting small farmers	Public Administration Reform Policy is in place and ensures a better regulatory framework for civil service
2. Activities in support to cooperatives yield limited results	Activities for support of Cooperatives under ENPARD meet targets.	Monitoring of the activities by EU Delegation and MoA and corrective measures implemented in case of deviations Diversification of the risk by operating through an ample range of grantees/contractors
3. Rural Development is no longer perceived as a priority topic by the Government	Strong commitment towards the need of a Rural Development Strategy by the Government of Georgia remains in place	Pilot projects show that rural development measures are appropriate tools for socio-economic development of the rural areas Policy dialogue, cross visits to EU and other measures to expose policy makers to rural development policies' impact

³ There is a high degree of coherence, complementarity and synergies amongst these various actions and ENPARD i.e.: **REAP** was formulated by USAID in close co-ordination with the EU Delegation and aims at improving the supply of agriculture inputs and services for the farmers, mainly via assisting already operating agriculture SMEs and thus, complementing ENPARD support to cooperatives; ENPARD is going to assist at least 20 cooperatives based on the farmers' groups created thanks to **EPI** in certain value chains (citrus, hazelnuts); SDC-funded projects support certain value chains and regions of the country where ENPARD will now build further on this experience; **ADA/FAO** project is a top-up to ENPARD capacity building component; **GAFF** has been providing funding for working capital to farmers via the banking system, whereas ENPARD grants component provides capital investment for the farmers to establish cooperatives; **NEO** is a rural development projects targeting specific regions with small infrastructure support and other similar activities.

3. DETAILED DESCRIPTION

3.1. Objectives

The proposed action is a top-up to the on-going ENPARD programme, and thus keeps the same overall and specific objectives of the ENPARD programme: The overall objective is to contribute to increase food production in Georgia and to reduce rural poverty. The specific objective is to improve the agriculture sector in Georgia by supporting the implementation of the Agriculture Sector Development Strategy and strengthening small farmers' organizations.

Cross cutting issues:

The environment will be considered a crucial cross cutting issue in the programme via, inter alia: Facilitating, via the Small Farmers Co-operation and pilot rural development measures components, introduction of farming practices which will enhance environmentally sustainable production⁴ and support the quality of life in rural areas and diversification of the rural economy; integrating environment and natural resource management within the MoA's capacity building activities, including specific training on agro-ecological practices; ensuring that friendly environmental practices are also promoted via the extension activities by the service centres established by the MoA and integrating environment and natural resources indicators in the statistical and information systems that will be improved/ developed by the Programme.

Disasters' Risk Management elements will also be integrated across all the activities (e.g. inclusion of proper land management technologies amongst small farmers to avoid desertification; support to proper agro forestry practices to reduce risk of flash floods, etc).

The gender perspective will be integrated into all stages of the implementation, including specific activities within the grant component to promote equality of opportunity and outcomes between women and men; pro-active actions to ensure a full equal participation for men and women in the small farmers' organizations to be created, ensuring that all statistics systems supported by the programme will reflect the realities of women and men engaged in agriculture.

3.2. Expected Results

The existing ENPARD programme currently foresees 4 results, namely,

R.1. Strengthened co-operation amongst small farmers in order to increase productivity and attain economies of scale, by establishing business-oriented co-operation forms

R.2. Access to capacity building by small farmers improved

R.3. Improved efficiency of institutions involved in agriculture

R.4. Geographical Indications regulated and developed

The top-up under this decision will complement the existing results and add a fifth result (R.5)

R.5. Improved employment and living conditions in the rural areas through the diversification of the rural economy

This entails the diversification of economic activity to include agro-tourism, manufacturing and services, and the creation of a vibrant labour market in rural areas. ENPARD support will stimulate a comprehensive rural development approach by implementing pilot rural development projects in specific regions. This pilot experience will allow Georgia to be directly exposed to the mechanisms; tools and delivering methods currently implemented in Europe under the common rural development

⁴ E.g. better use of natural resources, such as crop rotation, intercropping, agro-forestry, organic production, composting, cover crops, reduce use of tillage, water retention measures, incentives for cultivation of local/traditional crop varieties to ensure agro-biodiversity preservation, etc.

policy. The proposed actions will also have a direct effect in assisting Georgia to fulfil its DCFTA (Deep and Comprehensive Free Trade Area) commitments regarding enhanced food safety and SPS (sanitary and phytosanitary) standards in primary production. The diversification of the rural economy will provide alternatives to farmers to adjust to the sector modernization.

3.3. Rationale for the amounts allocated for budget support

The amount allocated for budget support under this decision amounts to EUR 6.5 million. This brings the total amount allocated to the budget support modality under ENPARD to EUR 24.5 million (out of a total budget of EUR 52 million)⁵. The track record of past disbursements under ENPARD shows that the foreseen amounts under this top-up are feasible and adequate in relation to the absorption capacities.

3.4. Main activities

The proposed top-up to the on-going ENPARD programme will add further activities to the existing results R1, R2, and R3 and will include, as mentioned, a new result R5.

The new activities foreseen under the top-up are:

3.4.1. Budget Support

A 4th tranche of EUR 6.5 million will be added to the budget support component, to be released upon fulfilment of new conditions, related to new result R5.

3.4.2. Complementary support

A total amount of EUR 5.5 million under this decision is allocated to complementary support. This brings the total amount allocated to the project modality under ENPARD to EUR 27.5 million (out of the total budget of EUR 52 million). Complementary support will cover the following activities:

Capacity building/support to the Agriculture Cooperatives Development Agency (ACDA), including assistance in the standardisation of the procedural workflow in connection with the registration of agricultural cooperatives, establishment of an educational system including the preparation of education/training concepts and the information system from ACDA to the cooperatives (manuals, circular service, various forms, etc.), and from the cooperatives to ACDA (according to the “Law on Agricultural Cooperatives”), preparation of normative rules for the cooperative sector, establishment of a monitoring / auditing system of the cooperatives, etc.

On a pilot basis, measures in support to the development of quality of life in rural areas and diversification of the rural economy, including diversification towards non-agricultural activities, and the development and management of the natural heritage that contributes to sustainable economic development. These measures will focus on regions where agriculture cannot, by itself, become a sufficient source of income for the rural population, such as highlands and other remote locations with little access to markets.

3.5. Donor coordination

The Agriculture Coordination Group (ACG), which is co-chaired by the MoA, EU and FAO, is both a sector and a donor coordination framework, bringing together 50 members (MoA and other relevant agencies, NGOs, farmers' organizations, academia) to analyse and discuss sector policy topics. The

⁵ EUR 40 million of the ongoing ENPARD programme plus EUR 12 million added via this top-up.

ACG has a permanent secretariat (run by FAO) and is sub-divided in 5 sub-groups which have been set up according to the objectives of the Strategy for Agriculture Development 2012/22. The MoA has a fully pledged unit for co-ordinating its activities with donors (i.e. the Division for European Integration and Relations with International Organizations).

3.6. Stakeholders

Ministry of Agriculture: In the last years, the MoA has been facing major challenges hampering its ability to contribute significantly to the development of the sector. There are also severe constraints at the MoA in terms of lack of planning capacities, expertise and need of internal training. The MoA is very conscious of these shortcomings and a main direction in the sector Strategy is the reinforcement of the capacities of the Ministry in order to improve its performance. The ongoing ENPARD programme is already providing capacity building to the MoA in order to improve its policy making capacity. Certain ambitious steps have already been made in this direction, including hiring staff to be placed in all the regions to provide advisory services to the farmers; re-assessment of all the Ministry' staff; design of a human resources appraisal plan; production of subsector policy papers and establishment of a fully pledged and highly professional Policy Unit within the ministry.

The Agriculture Cooperatives Development Agency (ACDA): ACDA is a Legal Entity of Public Law under the MoA with the mandate to promote the cooperatives' development, to provide consultancy services to the cooperatives, to co-ordinate state programs in support to the cooperatives, to grant the cooperative status and to monitor the cooperatives' functioning. The ACDA is staffed with 30 newly-recruited employees operating in its head office in Tbilisi, plus one representative/contact point in each of the 64 districts of the country. The Agency started operations in January 2014. For its proper functioning, ACDA would require a long term vision, as well as well-defined and streamline working systems. ENPARD is already providing some initial support to enhance ACDA capacities in various ways, including the implementation of the ACDA Awareness and Communication Plan, placing international advisors within the Agency, and undertaking training programmes and study tours to similar entities from the EU Member States for the ACDA staff. ACDA will also take active part in the supervision and follow up of the ENPARD grants programme in support of the creation of at least 130 farmers cooperatives. This experience will become the basis for the long-term ACDA programmes in cooperatives' development.

Other State bodies: Besides the Ministry of Agriculture and the ACDA, other state bodies with responsibilities on agriculture are: **(1)** the Ministry of Regional Development and Infrastructure (e.g. rehabilitation of rural roads, small-scale agriculture-related infrastructures); **(2)** the Ministry Economy and Sustainable Development (e.g. co-ordination of the land privatization process); **(3)** the Ministry of Energy (responsibility over forests); **(4)** the Ministry of Education (runs the Vocational Education and Training schools, where agriculture is a predominant part of the curricula); **(5)** the Ministry of Environment (e.g. land degradation and biodiversity conservation issues); **(6)** the Ministry of Refugees and Accommodation **(7)** the National Food Safety Agency - **(8)** the Revenue Service of the Ministry of Finance (sanitary and phyto-sanitary border controls), **(9)** the Department of Tourism (agro/rural tourism); **(10)** GEOSTAT, the Georgian statistic agency conducting the agriculture census, and producing agriculture-related statistics. **(11)** The Agrarian Committee of the Parliament. **(12)** the Autonomous Region of Adjara, which has its own Ministry for Agriculture.

Non-state actors: Civil society organizations will play a multidimensional role in the programme: benefiting from the actions, implementing them and monitoring their implementation: The effect of the ENPARD programme in supporting the further development of civil society organizations in the rural areas can hardly be overestimated. One of the main outcomes of the proposed actions will be the reinforcement of the civil society organizations at local level in the rural areas, which are currently largely non-existent. The cooperatives that the programme will contribute to create will serve both an economic and social function in the villages. Non-State Actors (mainly NGOs) will be the implementing partners of the pilot rural development measures. ENPARD-Georgia already has in

place a sophisticated mechanism to ensure the overseeing and monitoring role of civil society organizations over all the programme, via the Stakeholders Committee. Furthermore, the existing Agriculture Coordination System and the Eastern Partnership Civil Society Georgian Platform subgroup on Agriculture already play a key role in monitoring the programme activities.

3.7. Conclusion on the balance between risks (2.6.) and expected benefits/results (3.2.)

Risks	Non-intervention scenario	Intervention scenario
1. High turnover of staff and associated loss of 'institutional memory' jeopardise the implementation of the strategy and action plan and the policy dialogue	Less leverage by the EU to avoid the risk.	Policy dialogue in the frame of ENPARD top up, plus in the Public Administration Reform framework facilitates the Ministry's commitment towards reducing staff turnover and the institutionalization of the processes
2. Activities in support to cooperatives yield limited results	The poor results undermine the commitment by the stakeholders and thus, the overall model of promoting small farmers business may collapse.	Budget support conditionality drives the State commitment towards achieving results Technical assistance is provided to the stakeholders to ensure results Proper monitoring of the result is in place and corrective measures are applied
3. Rural Development is no longer perceived as a priority topic by the Government	Lack of understanding by the stakeholders how rural development is applied (no pilot actions implemented)	Pilot projects show that rural development measures are appropriate tools for socio-economic development of the rural areas Policy dialogue, cross visits to EU and other measures to expose policy makers to rural development policies' impact

4. IMPLEMENTATION ISSUES

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012, through an addendum to the ongoing ENPARD-Georgia financing agreement (ENPI/2012/023-280).

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.4. and 4.4. will be carried out, is 48 months, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

4.3. Criteria and indicative schedule of disbursement of budget support

(a) The general conditions for disbursement of all tranches are as follows: Satisfactory progress in the implementation of the agriculture development policy and continued credibility and relevance thereof; implementation of a credible stability-oriented macroeconomic policy; satisfactory progress in the implementation of the Public Financial Management (PFM) reform programme; satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information;

(b) The indicators that may be used for the variable tranche are:

- The rules and procedures granting and terminating status of an agricultural cooperative are finalised and operational
- Register of agricultural cooperatives granted status is listed on the public website of the ACDA, plus a related database containing the activity details of registered cooperatives is updated on a regular basis
- ACDA have developed a training programme, and is actively provide training to the managers of cooperatives
- State Budget provisions for ACDA are included in successive State Budget Laws
- A financing scheme to support agricultural cooperatives is developed by the Government
- Extension / information packages developed for dissemination through the Agriculture Information and Consultation Centres
- System and procedures for agricultural statistics collection on a district level providing input into agricultural policy development and monitoring

The indicative schedule of disbursements for this top-up is summarised in the table below (all figures in EUR millions)

Country fiscal year	Year 3 (2016)			
Type of tranche	Q1	Q2	Q3	Q4
Base tranche			1.0	
Variable tranche			5.5	
Total			6.5	

4.4. Details on complementary support

4.4.1. Grants: call for proposal Pilot rural development measures (direct management)

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

The objective of the grants is to improve the quality of life in rural areas and to assist in the diversification of the rural economy under result R.5. The eligible actions will be integrated rural development projects targeting pre-selected depressed rural areas (remote, highlands, etc.) where agriculture alone cannot be a source of growth. The proposals shall cover the three main pillars of the rural development policy namely: (1) Agriculture-related activities; (2) Non-agriculture economic activities (such as eco-tourism, food processing, forestry-related activities, etc.) and (3) Sustainable management of agricultural landscapes and natural resources.

Between 2 and 4 contracts (+/- EUR 0.75 to 1.5 million each) will be awarded. Each grantee will take responsibility for implementing pilot integral rural development programmes in specific rural areas. The pilot schemes and methodologies of the grants, will be carefully monitored by the MoA in order to extract relevant lessons for the preparation of nation-wide rural development policy and further State supporting measures.

(b) Eligibility conditions

Potential applicants will be consortia of Non State Actors and/or Local Authorities (including legal entities of Public Law created to by Local Authorities and with responsibilities on local development in rural areas). Each consortium shall contain at least 3 members including at least one organization with experience in implementing EU-like rural development approaches (e.g. LEADER), such as NGOs, EU Member States local action groups, local authorities, research centres, etc.

(c) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the call objectives; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call is 80% of the eligible costs of the action.

The maximum possible rate of co-financing may be up to 100% in accordance with Article 192 of Regulation (EU, Euratom) No 966/2012 if full funding is essential for the action to be carried out. The essentiality of full funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative trimester to launch the call

3rd quarter of 2015

4.4.2. Procurement (direct management)

Subject	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Capacity building/support to ACDA (result R.3)	Services	2	2 nd quarter of 2015

4.5. Scope of geographical eligibility for procurement

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 9(3) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.6. Indicative budget

Module	Amount in EUR million	Third party contribution (indicative, where known)
3.3. - Budget support: Top-up to 2012 ENPARD Georgia budget support operation (SPSP)	6.5	N.A.
4.4.1. – Call for proposals for pilot rural development measures_(direct management)	3.0	0.75
4.4.2. – Procurement: capacity building/support to the Agriculture Cooperatives Development Agency (direct management)	2.5	N.A.
Totals	12.0	0.75

4.7. Performance monitoring

Overall programme oversight and co-ordination mechanisms: The performance monitoring arrangements of the existing ENPARD programme apply. The MoA is the main stakeholder of the ENPARD Georgia programme and will oversee/co-ordinate all the other actions under the programme.

Oversight of the programme is entrusted to the ENPARD Steering Committee (SC) which was established in 2014 by Governmental Decree. This SC will organise sector coordination meetings at least three times a year involving the EU Delegation, the MoA and the State Minister on EU Integration, to assess progress in the implementation of ENPARD.

An ENPARD Stakeholders Committee composed by the SC members plus other relevant entities was established via Decree in 2014. It operates as an advisory body with the aim to ensure the smooth co-ordination between all the parties and the overall coherence of the ENPARD. The Stakeholders Committee meets in plenary at least 3 times per year.

Day-to-day technical and financial monitoring will be a continuous process as part of the Beneficiary responsibilities. To this aim, the MoA has in place already a Policy Unit, which is responsible for the internal, technical and financial, monitoring system to the ENPARD-GEORGIA, which will be used to elaborate the progress reports.

Budget support component: An external Review mission, funded under the existing ENPARD-Georgia programme and carried out by independent teams of experts, specifically engaged for this purpose will verify compliance with relevant Policy Reform Matrix conditions prior to the release of the budget support instalment. The Budget Support will also be subject to internal audit and controls of the State Audit Office of Georgia.

Project component: Each grant under the Pilot Rural Development Measures components will perform its own internal monitoring system, which shall include regular reporting and surveys to assess the results. Independent consultants recruited directly by the Commission on specifically established terms of reference will carry out external monitoring with the EU's results-oriented monitoring (ROM) system, which in principle will start from the sixth month of project activities, and will be finalised at the latest 6 months before the end of the operational implementation phase. Monitoring mechanisms depend greatly on accuracy and reliability of statistics by Georgian Statistics Office (GEOSTAT).

4.8. Evaluation and audit

No separate evaluation and audit are foreseen for this decision. A mid-term and final evaluation as well as a final audit are foreseen for the entire ENPARD programme with specific funding allocated, and will also cover the activities funded under this top-up.

Each grant will also be subject of expenditure verification, according to the general conditions ruling EU external actions grant contracts.

4.9. Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

The communication and visibility measures foreseen for the entire ENPARD programme will apply and will cover also the activities funded under this top-up.

Communication and visibility measures shall be implemented by the Commission and by the partner country, contractors and grant beneficiaries. Appropriate contractual obligations shall be included in, respectively, financing agreement, procurement and grant contracts.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.