



This action is funded by the European Union

ANNEX 2

of the Commission Implementing Decision on Annual Action Programme 2015 in favour of Georgia

Action Document for the European Neighbourhood Programme for Agriculture and Rural Development in Georgia, phase II (ENPARD Georgia II)

INFORMATION FOR POTENTIAL GRANT APPLICANTS
WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012) in the following sections concerning calls for proposals:

5.4.1.1 Grants: calls for proposals in support to rural development under result 3:

- 5.4.1.1.1 – Grants: call for proposals "Expansion of rural development measures in Georgia" (direct management)
- 5.4.1.1.2 – Grants: call for proposals "Pilot rural development measures in Adjara" (direct management)

and in the following sections concerning grants awarded directly without a call for proposals:

- 5.4.1.2.1 – Grant: direct award "Technical assistance to the Ministry of Agriculture of Georgia for improved policy making and effective implementation of the Strategy for Agricultural Development of Georgia" (direct management)
- 5.4.1.2.2 – Grant: direct award "Technical assistance to the Government of Georgia for the establishment of a National Strategy for Rural Development" (direct management)
- 5.4.1.2.3 – Grant: direct award "Pilot rural development measures in Abkhazia" (direct management)

1. Title/basic act/ CRIS number	European Neighbourhood Programme for Agriculture and Rural Development in Georgia, phase II (ENPARD Georgia II) CRIS number: ENI/2015/037-836 financed under European Neighbourhood Instrument
2. Zone benefiting from the action/location	Georgia The action shall be carried out at the following location: country wide
3. Programming document	Single Support Framework for EU support to Georgia 2014-2017
4. Sector of	Agriculture and rural development

concentration/ thematic area				
5. Amounts concerned	<p>Total estimated cost: EUR 55,500,000</p> <p>Total amount of EU budget contribution EUR 50,000,000, of which EUR 27,000,000 for budget support and EUR 23,000,000 for complementary support.</p> <p>This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 5,500,000.</p>			
6. Aid modality(ies) and implementation modality(ies)	<p>Budget Support</p> <p>Direct management – budget support: sector reform contract; grants – calls for proposals; grants – direct award; procurement of services.</p>			
7. DAC code(s)	<p>311- Agriculture: 31120 - Agricultural development</p> <p>430 - Other multi-sector: 43040 - Rural development</p>			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	■
	Aid to environment	<input type="checkbox"/>	■	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	■	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	■	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	■	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input type="checkbox"/>	■	<input type="checkbox"/>
	Combat desertification	■	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	■	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	■	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	<p>Food security and sustainable agriculture</p> <p>Environment and climate change</p>			

SUMMARY

The deterioration of agriculture is a root cause of rural poverty in Georgia, and the sector has become a top strategic priority for Georgia, increasing from 0,8% share of the national budget in 2012 to 2,9% in 2014, and the trend is due to continue in the future.

The **EU-Georgia Association Agreement (AA)** will have direct implications for the sector, including gradual approximation to EU 'acquis' to maximise the benefits from the **Deep and Comprehensive Free Trade Area (DCFTA)**.

The recently updated **Strategy for Agriculture Development in Georgia 2015-2020 (SADG)** defines the priorities for the reform of the sector, to which **ENPARD II** will assist by expanding existing support by the EU towards eradicating poverty, promoting sustainable and inclusive growth, and consolidating and improving democratic and economic governance in Georgia. ENPARD II aims at promoting agriculture and rural development policies and reforms, and to improve the delivery of related services to help address basic needs of the rural population in Georgia, in line with the objectives of the programming document, the **Single Support Framework for EU Support to Georgia (SSF 2014-2017)**.

Building on the existing support from ENPARD, the second phase of the programme will integrate support to agriculture, food safety, sanitary and phyto sanitary and rural development. The expected outcome will be to improve employment and living conditions in poor rural areas of Georgia, with subsequent impacts on poverty alleviation and growth. Specific measures will build resilience and improve food security and nutrition through diversification of rural activities and income sources, particularly for women and girls and the most vulnerable groups including conflict-affected people and ethnic minorities.

The programme will contribute to biodiversity and climate change objectives through measures promoting biodiversity conservation and climate change mitigation and adaptation practices in rural areas.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

1.1.1 Public Policy Assessment and EU Policy Framework

Agriculture in Georgia is mainly of subsistence nature. The sector employs 54% of the total labour force. With 95% of small farmers (+/- 1.2 hectares per family), output and productivity are extremely low, making the country highly dependent on imports of agricultural products.

The deterioration of the agriculture sector is a root cause of rural poverty in Georgia, where more than 25% of the rural population lives below the poverty line. However, estimates indicate that farm and agro-industrial production could increase five-fold from current levels¹ contributing to better food security and nutrition.

The Ministry of Agriculture (MoA) adopted in 2012 the SADG 2015-2020², updated in 2015 and elaborated with technical support from the EU after extensive consultations with the Parliament, civil society, donors and other relevant stakeholders³.

¹ World Bank reported a 9% real growth in the agricultural sector in 2013

² The SADG is available in the following link: http://moa.gov.ge/fileman/Uploads/STRATEGIA_ENG_print.pdf

³ Government Decree #566 on March 28, 2012

The areas of **food safety** as well as **sanitary and phyto-sanitary** (SPS) measures have been long neglected due to *laissez faire* policies by previous governments. The EU engaged in the sector during negotiations of the DCFTA, supporting the reform starting with approval of the Comprehensive Strategy and Legislative Approximation Program in Food Safety in 2010, which led to the adoption of the Code on Food and Feed Safety, Veterinary and Plant Protection in 2013.

The Autonomous Republic of Adjara is the only region with devolved responsibilities in agriculture and rural development, and has its own, well-functioning Ministry for Agriculture. By contrast, in the Autonomous Region of Abkhazia there is neither sector policy on agriculture, nor substantive interventions by the *de facto* authorities in support to the sector, and EU policy continues to be governed by the principles of engagement and non-recognition, as in the case of Tskhinvali region/South Ossetia.

The **Eastern Partnership** governs the EU-Georgia relations under the new political and cooperation framework established by the EU-Georgia Association Agreement (AA), which includes the establishment of a Deep and Comprehensive Free Trade Area (DCFTA). Under the AA, Georgia is committed to the modernisation and sustainability of agricultural production, the promotion of rural development and the facilitation of trade in commodities using proper food safety and SPS procedures.

Under the **SSF 2014-2017**, agriculture and rural development is one of the 3 priority sectors, aiming to improve the effectiveness and competitiveness of agriculture in an environmentally sustainable manner, and to improve employment and living conditions in rural areas through the diversification of the rural economy.

1.1.2 Stakeholder analysis

The **Ministry of Agriculture** (MoA) has visibly improved organisational capacities since 2012⁴, including a new Policy Unit⁵ supervising the SADG, and an expanded territorial presence to cover all districts. In addition, the Agriculture Cooperatives Development Agency (ACDA) and the Agriculture Scientific Research Centre (ASRC) have been created.

In 2012 Georgia established the **National Food Agency** (NFA) as competent authority under the MoA for official food safety/SPS control and inspection activities. Since then the NFA has improved its capacities and resources, gaining territorial presence in all districts and expanding food safety inspection and control measures rapidly.

The Agrarian, Regional Development and Mountain Areas **Committees of the Parliament** are responsible for reviewing and passing related legislation in these three sectors. The EU is engaged in policy dialogue with and capacity support to these committees and they exercise a pro-active role in reform.

Civil society organisations play an active role in policy making and advocacy for agriculture including active policy dialogue and participation in coordination. Among them, the **Georgian Farmers Association** (GFA) is receiving capacity building support through ENPARD and is becoming a reference for advocating farmers' rights. Georgia also possesses a well-established

⁴ ENPARD Georgia/ FAO: Review of the capacity building of institutions involved in agriculture- Human resources appraisal, training and development programme and funds for implementation. Tbilisi, Georgia. May, 2014

⁵ Order of the Minister of Agriculture on 6 March, 2014.

network of **international and local NGOs** working in agriculture and rural development, many of them supported by the EU.

1.1.3 Priority areas for support/problem analysis

The support and modernisation of agriculture has become a top strategic priority for Georgia. The share of agriculture has increased from 0,8% of the national budget in 2012 to 2,9% in 2014, and the trend is due to continue in the future.

The policy reform process in agriculture is focused on the implementation of the SADG 2015-2020, which includes measures to improve SPS/food safety standards and to encourage non-farm rural enterprise development and the diversification of the rural economic activities.

The EU has played a catalytic role in this process and remains the single largest donor to agriculture in Georgia through the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD)⁶, implemented since 2012.

Considering Georgia's positive track records on stability-oriented macroeconomic policy and improved public finance management, support by ENPARD II is proposed as a sector reform contract (SRC) with complementary measures targeting improvements in governance and service delivery to the population. It will follow a sector reform contract approach, which is fully aligned with current EC policies, targeting policy capacities and delivery of rural services to the population, specifically focusing on women and girls, conflict-affected people and ethnic minorities.

In line with the requirements of the DCFTA, the programme will promote the diversification of rural economic opportunities and enhanced competitiveness of agriculture, promoting market potentialities for cooperative farming enterprises and better compliance with food safety/SPS standards for food business operators.

1.2 Other areas of assessment

1.2.1 Fundamental values

Fundamental values of democracy and human rights are protected by the Georgian Constitution, in line with main international standards. Georgia is considered to be a country adhering to the rule of law, although improvement is still expected in the areas of enforcement of judicial decisions and the independence of the judiciary.

1.2.2 Macroeconomic policy

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 3496⁷. Georgia undertook economic, social and governance reforms over the past eight years. These yielded impressive progress in reforming the role of the state vis-à-vis the private sector, dramatically reducing corruption, and creating positive start-up environment for business. Real Gross Domestic Product (GDP) growth is estimated at around 4.7% in 2014. Recent instability in the region (conflict in Ukraine and

⁶ The overall objective of ENPARD I is to increase food production in Georgia and reduce rural poverty. The specific objective is to support the implementation of the national sector strategy and strengthening small farmers' organizations. The programme is focused on 3 main results, all of which are integral part of the SADG, as follows: strengthened co-operation amongst small farmers, access to capacity building by small farmers improved, and improved efficiency of institutions involved in agriculture.

⁷ GEOSTAT's figure for 2013: http://www.geostat.ge/index.php?action=page&p_id=122&lang=eng .

sanctions imposed to Russia) may have triggered economic slowdown in the last quarter of 2014, although medium term growth (for 2015-2018) is projected to reach an average 5%. Fiscal policy is prudent with deficit at 3.9% of GDP in 2014 and declining, with stable government debt to GDP ratio of 35%. Over the past two years, inflation was low, however between December 2014 and January 2015 the national currency GEL depreciated against US dollar by 15%, due to appreciation of US dollar against all major currencies and decrease in remittances and other financial inflows to Georgia. Effect of GEL depreciation on prices is counterbalanced by falling prices on oil and other major imported commodities. In terms of trade, DCFTA includes complete elimination of tariff and non-tariff barriers on almost all goods and substantial liberalisation of services trade. It is estimated that if DCFTA is fully implemented, Georgia's exports to the EU will increase by 12% and imports by 7.5%, while GDP will be 4% higher. The IMF's latest assessment dated 20 January 2015⁸ explains that "*despite downside risks, there are also opportunities for stronger economic performance. Georgia's business environment is attractive, by both world and regional standards and the EU DCFTA creates new investment opportunities (...). Growth in 2015 is projected to remain at 5 percent*".

1.2.3 Public Financial Management (PFM)

The EU Delegation's Annual Monitoring Report of PFM Assessment for Georgia from February 2015 noted progress in drafting key methodological documents for Public Internal Financial Control, changes to Art. 35 of the State Audit Office law, and limiting oversight functions by the Special Commission of the Parliament. The Ministry of Finance (MoF) strengthened fiscal consolidation and as of 2015 all accounts of municipalities and other legal entities in commercial banks will be closed and fully integrated in a common PFM system centralising budgeting and accounting operations through the Treasury. Identified weaknesses should be addressed over the next years mainly with support by the EU Public Finance Policy Reform Support programme 2014-2017, for which the independent assessment mission for 2014 confirms that authorities have achieved good progress and compliance with the foreseen reform components.

1.2.4 Transparency and oversight of the budget

Since 2005, the Government has regularly published the annual State Budget Law and quarterly/annual budget execution reports on the MoF website (www.mof.ge) containing budgetary data with details on revenue sources and budget appropriations by spending agencies. The annual budget law contains information on state transfers to local self-governments as well as public debt targets. In addition, since 2005 a medium term expenditure framework (Basic Data and Directions) available to the public is produced, containing multi-annual fiscal targets and expenditure ceilings for the following 4 years, submitted alongside the draft annual Budget law to the Parliament for approval. In the interim, the MoF is improving budget transparency, including the development of a Citizens' Budget, wider public consultation during budgeting processes, and more frequent publication of budget performance reports. On the downside, there is a need to strengthen further the oversight powers of the Georgian Parliament and the Supreme Audit Office, to which EU, GIZ and other donors are providing technical assistance for strengthening financial oversight and accountability capacities. State budget share of agriculture sector in Georgia has dramatically increased in recent years, particularly after the adoption of the SADG in 2012, and was in the range of 2.8% in 2014, which is 3.5 times more than the average of previous years.

⁸ <http://www.imf.org/external/pubs/cat/longres.aspx?sk=42606.0>

2 RISKS AND ASSUMPTIONS

Risks	level	Mitigating measures
(1) Geopolitical tensions in the Caucasus divert Government's focus and resources allocated to agriculture	L	Continuous political contacts with Georgian government and mediation with potential rivals; reinforced monitoring and other supportive measures; conflict analysis and identification of possible impacts and remedial actions
(2) Macroeconomic instability, economic/financial crisis and/or poor public finance management disallows the budget support modality	L	Continuous contacts with Georgian government; reinforced economic/financial monitoring and other supportive measures; identification of possible impacts and remedial actions
(3) SADG is not pursued by the Government	L	Continuous policy dialogue with Georgian government; reinforced analyses, surveys and other monitoring and evaluation measures; identification of key supportive measures, possible impacts and remedial actions
(4) High turnover of staff and associated loss of 'institutional memory' jeopardise the implementation of the SADG	L	
(5) Un-readiness/un-willingness by government of developing specific rural development policies	L	
(6) <i>Specifically for Abkhazia:</i> tensions and sensitivities relating to status-issues result in possible restrictions or complete cancellation of implementation	M	Continuous political contacts and mediation between the Georgian government and de-facto authorities in Abkhazia; conflict-sensitive and flexible implementation of grants based on conflict analysis; identification of remedial actions to avoid suspension or termination
(1) No high geopolitical tensions/deep economic crisis to happen		
(2) Satisfactory progress with stability-oriented macroeconomic policy and implementation of PFM		
(5) Strong commitment by the Government towards supporting the agriculture and rural development strategies remains in place		
(6) Policy makers are exposed to rural development models in the EU and supporting measures for rural development are capitalised by policy makers		
(7) <i>Specifically for Abkhazia:</i> geo-political conditions remain in place for implementation of grants		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

According to the draft *Evaluation of the European Union's co-operation with Georgia (2007-2013)*, poor access to rural services in Georgia has been identified as a major constraint to agricultural development and, as a result, to rural poverty alleviation. Policy dialogue between the EU and Georgia has led to the adoption of relevant approaches under the SADG to help improve the availability of rural services to meet the needs and market requirements of farmers, producers, small business and agro processors. The evaluation recognises the impact EU assistance is having in terms of sector policy development and improved delivery of rural services, and the relevance of the EU approach to address the problem of rural poverty, poor competitiveness of agriculture and lack of access to rural services.

Another lesson learnt from ENPARD is that the cooperatives assisted are helping in reaching markets that an individual farmer could not reach, in lowering input prices, and to facilitate extension and sector development. This boost to farmer income might be as high as 40% in some

cases. Regarding capacity building activities to the MoA, a key lesson learnt is that in order to speed up the necessary changes within the Ministry and make them more profound, sustained support is required in order to change the working culture⁹.

Civil Society Organisations in Georgia have stressed the need to better address environment and sustainable water management in agriculture projects.

3.2 Complementarity, synergy and donor coordination

ENPARD II will assist Georgia in consolidating and expanding the support provided through ENPARD. In addition, the programme will be **complementary** to other EU funded projects:

<i>EU Programme</i>	<i>€M</i>	<i>Duration</i>	<i>Complementarity with ENPARD II</i>
Public Administration Reform	30	2015/2018	The MoA is targeted as part of the wider institutional reform process
Regional Development phase II	30	2015/2018	Support to planning and management of public funds for the regions, including rural development
Justice Sector Reform	50	2014/2018	Technical support to the completion of land registration process
Vocational Education and Training (VET)	27	2014/2018	Grants for improved delivering of VET, including in rural areas
DCFTA and Small and Medium Sized Enterprises (SMEs)	44.5	2015/2019	Strengthening SMEs' capacities and compliance with trade-related terms under the DCFTA, including food related enterprises
Comprehensive Institution Building to the National Food Agency	11	2014/2018	Institutional capacity building support to the NFA for SPS/food safety matters, as part of EU approximation terms under DCFTA

Sector coordination in the agriculture sector started in 2009, under the initiative of the EU Delegation, and is led by the MoA. It gathers 40 members and is divided in sub-groups dealing with key measures under the SADG.

Concerning **donor support** to the sector, the table below summarise the main initiatives in Georgia:

<i>Donor</i>	<i>Programme</i>	<i>€M</i>	<i>Type</i>	<i>Duration</i>
<i>Agriculture</i>				
Swiss Development Cooperation (SDC)	Market alliances against poverty	7	Grant	2011/2015
SDC/Danish International Development Agency (DANIDA)	Development dairy/potatoes chains	12	Grant	2012/2016
SDC/UNDP	Agricultural vocational education	2	Grant	2013/2016
Austrian Development Agency (ADA)	Support to FAO under	1.2	Grant	2014/2016

⁹ Assessment of the policy organization, capacity and procedures of the Ministry of Agriculture of Georgia, FAO, 2014

	ENPARD			
WB/IFAD	Irrigation, land registration	20	Loan	2014/2018
<i>Rural development</i>				
British Petroleum	Rural development support	20	Grant	2010/2015
USAID	New economic opportunities (NEO)	15	Grant	2004/2017
<i>Food safety/SPS</i>				
ADA/SDC	Animal identification & registration	6	TA	2015/2018
Swedish International Development Cooperation Agency (SIDA)	Support to the NFA	1.5	TA	2012/2015
US Department of Agriculture (USDA)	Support to the laboratory of the MoA	0.5	TA	2010/2015

The Food and Agriculture Organisation of the United Nations (FAO) is providing capacity building support to the MoA, including technical assistance for further improvement of the overall donor coordination system. The United Nations Development Programme (UNDP) implements ENPARD actions in the Adjara autonomous region, including coordination. Donor coordination for Abkhazia is mostly done by **UNDP** via the Joint Consultative Forum and the Ambassadorial Working Group in Tbilisi, and as primus inter pares at the Abkhaz Strategic Partnership in Abkhazia, which brings together UN agencies and international NGOs.

3.3 Cross-cutting issues

Cross-cutting issues as defined in the European Consensus on Development are properly integrated in the reference policy frameworks for agriculture and rural development, including democracy and good governance; gender equality and environment, which are key pillars of sector policies.

Concerning **governance**, ENPARD II will advocate for improved policy dialogue and implementation of rural development approaches. It will also enhance the institutional capacities of the MoA and promote stronger inter-institutional coordination around rural development matters.

Social and economic rights of the rural population will be enhanced by means of promotion of participatory approaches, as the programme will support the establishment of local action groups (LAG) for the development of local strategies.

Gender equality will be considered in all stages of programme implementation, in particular through:

- grant-supported activities that promote equal opportunities for participation in local processes, including the promotion of targeted working opportunities;
- Gender-sensitive policy and strategic documents; statistical systems disaggregated by gender.

As for **environment and climate change**, being an integral part of the rural development approach under ENPARD II, it will be considered through:

- support to climate-resilient agricultural practices and environmentally sustainable economic activities;
- institutional capacities related to environment management and protection, climate change mitigation and adaptation;
- statistical systems including environment and natural resources related indicators.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

In line with the SSF 2014-2017 for Georgia, the **overall objective** of ENPARD II programme is to assist the Government of Georgia in eradicating poverty, promoting sustainable and inclusive growth, and consolidating and improving democratic and economic governance.

The **specific objective** of ENPARD II is to promote agriculture and rural development policies and reforms and to improve the delivery of related services to help address basic needs of the rural population in Georgia.

The expected **results** of ENPARD II are as follows:

Result 1: Enhanced competitiveness and sustainability of the agriculture sector.

Result 2: Improved SPS, food safety and food quality standards and procedures for inspection and control.

Result 3: Improved employment and living conditions in the rural areas through the diversification of the rural economy.

4.2 Main activities

4.2.1 Budget support

<i>R.1. Enhanced competitiveness, climate-resilience and sustainability of the agriculture sector.</i>	
R.1.1	Creation of the farm registry.
R.1.2	Development of farmers' cooperatives.
R.1.3	Implementation of the seed certification process.
R.1.4	Improvement of the organisational structure, human resources management and training systems of the MoA.
R.1.5	Improvement of the agriculture analytical capacity and database management.
R.1.6	Implementation of sustainable and climate-resilient agricultural practices.
<i>R.2. Improved SPS, food safety and food quality standards and procedures for inspection and control.</i>	
R.2.1	Upgrading of laboratory capacities and food safety/SPS standards for inspection and control.
R.2.2	Strengthening of capacities for border inspection and control and upgrade of standards for food import/export monitoring.
R.2.3	Adoption of improved food safety/quality schemes by farmers.
<i>R.3. Improved employment and living conditions in the rural areas through the diversification of the rural economy.</i>	
R.3.2	Development of state-promoted initiatives to encourage non-farm rural development.
R.3.3	Implementation of targeted support measures under the National Strategy for Rural Development in Georgia, following the principles, models and lessons learned from the EU Member States.

4.2.2 Complementary support

<i>R.1. Enhanced competitiveness, climate-resilience and sustainability of the agriculture sector.</i>	
R.1.7	Technical Assistance to the MoA for the effective implementation of the SADG.
<i>R.3. Improved employment and living conditions in the rural areas through diversification of the rural economy.</i>	
R.3.1	Implementation of rural development measures in support to the poor population.
R.3.4	Technical Assistance for the establishment of a National Strategy for Rural Development.
R.3.5	Technical Assistance for the implementation of the Strategy for Rural Development in Adjara.
R.3.6	Implementation of pilot rural development measures in support to the poor population in Abkhazia.

4.3 Intervention logic

The **intervention logic** of ENPARD II is built in two dimensions.

In the first place, in terms of inputs and outputs from the programme, the budget support related activities and the complementary measures, as specified above, will support the policy reform process as specified under various SADG strategic directions for agriculture, SPS/food safety and food quality; and rural development.

Under support to **agriculture** (R.1), the programme will support institutional capacities for issues such as database management and analytical skills, and the creation of a farm registry. In addition, the programme will provide direct delivery of services to smallholder farmers such as strengthening of cooperatives, certification of seed and other planting materials, and the promotion of sustainable and diversified agricultural practices.

Under support to **SPS/food safety and food quality** (R.2), the programme will complement the support to the development of institutional capacities of the NFA under the CIB initiative with the delivery of services to improve the standards for laboratories and border inspection and controls, and the delivery of food safety and quality related services to food producers.

Under support to **rural development** (R.3), the programme will help build institutional capacities for the development of a national rural development strategy, and the implementation of the regional strategy for Adjara.

In addition, the programme will deliver related services to the poor rural population, including the breakaway region of Abkhazia, intended to promote the diversification of the rural economy, including support to the development of micro-enterprises, and other economic opportunities promoting the sustainable use and protection of natural resources, biodiversity and ecosystems, and the mitigation and adaptation to climate change.

In the second place, in terms of outcomes and impacts, ENPARD II will help consolidate the achievements of the 1st phase of ENPARD, alongside other support programmes, and contribute to the positive trend experienced by the sector in Georgia, including the significant increase in the share of the national budget over the past two years. As a result, the programme aims to contribute to poverty reduction and the promotion of sustainable and inclusive growth.

5 IMPLEMENTATION

5.1 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.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement. Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation of the budget support component

5.3.1 *Rationale for the amounts allocated to budget support*

The amount allocated for budget support component (sector reform contract) is EUR 27,000,000, and for complementary support EUR 23,000,000¹⁰.

The amount for **budget support** is based on the commitment of the partner country to allocate national budget resources (including EU budget support) as per SADG priorities. The amount is commensurate with the financing needs related to the reforms supported and will provide substantial leverage for the policy dialogue. The amount is equivalent to around 10% of investments costs of the MoA, which has a demonstrated absorption capacity and a good track record in fulfilling budget support conditions under current ENPARD.

The amount allocated for **complementary support** reflects the importance of improving access to rural services through direct support at grassroots level for poverty alleviation purposes as well as for influencing progress in sector policy reform. For Abkhazia, the lack of administrative control impedes the allocation of any budget support to the region.

5.3.2 *Criteria for disbursement of budget support*

a) The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the Strategy for Agriculture Development in Georgia 2015-2020 (SADG), and continued credibility and relevance thereof;
- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of the Government's PFM reform programme;
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

b) The specific conditions for disbursement that may be used for variable tranches are related to three different priority policy areas:

¹⁰ ENPARD II approach of combined budget support and complementary support is fully aligned with current EC policies on sector approaches in agriculture/rural development.

- Enhanced competitiveness and sustainability of the agriculture sector;
- Improved SPS, food safety and food quality standards and procedures for inspection and control;
- Implementation of the Rural Development Strategy for improved employment and living conditions in the rural areas through diversification.

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the State Minister of Georgia on European and Euro-Atlantic Integration may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

5.3.3 Budget support details

Budget support is provided as direct untargeted budget support to the national Treasury. The crediting of the euro transfers disbursed into Georgian Lari will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

The budget support component is expected to have three subsequent annual tranches (to be disbursed between 2017 and 2019) and the specific conditions for disbursement will be selected according to related strategic measures in the SADG. The three tranches will include a fixed component amounting to EUR 1,000,000 each upon fulfilment of the general conditions. In addition, these tranches will include a variable component amounting to EUR 8,000,000 each upon fulfilment of the specific conditions.

5.4 Implementation modalities for complementary support

5.4.1.1 Grants: calls for proposals in support to rural development under result 3

5.4.1.1.1 Grants: call for proposals "Expansion of rural development measures in Georgia" (direct management)

5.4.1.1.2 Grants: call for proposals "Pilot rural development measures in Adjara" (direct management)

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

Objectives: to improve employment and living conditions in rural areas of Georgia (for 5.4.1.1.1) and Adjara (for 5.4.1.1.2) through the gradual adoption of a rural development approach based on the diversification of the rural economy.

Fields of intervention: rural development.

Expected results and eligible actions are linked to the implementation of rural development strategies in support to the poor rural population.

(b) Eligibility conditions

Applicants should be established in a Member State of the European Union or in Georgia and to be a non-profit making legal person or legal entity. Subject to information to be published in the

calls for proposals, the indicative amount of the EU contribution per grant is EUR 2,000,000 to 5,000,000, and the grants may be awarded to sole beneficiaries and to consortia of beneficiaries (coordinator and co-beneficiaries). The indicative duration of the grant (its implementation period) is between 36 and 48 months.

(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 objectives of the call; 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 these calls is 80% of the eligible costs of the action.

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

(e) Indicative timing to launch the call

First trimester of 2016.

5.4.1.2 Grants: direct awards in support to agriculture and rural development under results 1 and 3

5.4.1.2.1 Grant: direct award "Technical assistance to the MoA for improved policy making and effective implementation of the SADG" (direct management)

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

Objectives: to assist the MoA in establishing a results-based policy making and an effective institutional structure for the implementation of the SADG.

Fields of intervention: agriculture.

Expected results and eligible actions are related to the improvement of policy capacities and institutional efficiency of the MoA for the implementation of the SADG, as a complement to the budget support component.

(b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the Food and Agriculture Organisation (FAO). The recourse to an award of a grant without a call for proposals is justified because, in accordance with Article 190(1)(f) of Commission Delegated Regulation (EU) No 1268/2012, the action has specific characteristics requiring a specific type of beneficiary for its technical competence, specialisation or administrative power. In accordance with its core mandate received from the member nations, including Georgia, FAO is tasked to provide policy and technical advice to member countries in the agriculture sector. The main priority area of FAO Country Programme Framework for Georgia is the provision of technical assistance for policy and institutional capacity support to the MoA, including the implementation of the SADG, using the extensive experience acquired with ongoing support from ENPARD.

(c) Essential selection and award criteria

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

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

(d) Maximum rate of co-financing

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

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

(e) Indicative trimester to conclude the grant agreement

Second trimester of 2016.

5.4.1.2.2 Grant: direct award "Technical assistance to the Government of Georgia for the establishment of a National Strategy for Rural Development" (direct management)

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

Objectives: to assist the Government of Georgia in establishing a results-based policy making and an effective institutional structure for the establishment of a National Strategy for Rural Development in Georgia, including the implementation of the Regional Strategy in Adjara.

Fields of intervention: rural development.

Expected results and eligible actions are related to the improvement of policy capacities and institutional efficiency of the MoA and other concerned ministries for the establishment of a National Strategy for Rural Development, including the implementation of the strategy in Adjara, as a complement to the budget support component.

(b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the United Nations Development Programme (UNDP). The recourse to an award of a grant without a call for proposals is justified because, in accordance with Article 190(1)(f) of Commission Delegated Regulation (EU) No 1268/2012, the action has specific characteristics requiring a specific type of beneficiary for its technical competence, specialisation or administrative power. In accordance with its mandate, UNDP is a leading development partner assisting Georgia in policy and institutional support. Rural development is one of the main priority areas of UNDP Country Programme Framework (CPF) for Georgia, where they have longstanding technical experience in support to all key Ministries that will be involved in the establishment of the national rural development strategy. UNDP is EU's leading partner under ENPARD supporting the establishment of the regional rural development strategy in Adjara.

(c) Essential selection and award criteria

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

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

(d) Maximum rate of co-financing

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

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

(e) Indicative trimester to conclude the grant agreement

First trimester of 2016.

**5.4.1.2.3 Grants: direct award "Pilot rural development measures in Abkhazia"
(direct management)**

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

Objectives: to improve employment and living conditions in rural areas of Abkhazia through the gradual adoption of a rural development approach based on the diversification of the rural economy.

Fields of intervention: agriculture, rural development, access to basic services.

Expected results and eligible actions are those linked to the adoption of rural development approaches and improved access to basic services in support to the poor rural population.

(b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because the breakaway region of Abkhazia is in a crisis situation referred to in Article 190(2) RAP.

(c) Eligibility conditions

The essential eligibility criteria for applicants include, among others, to be established in a Member State of the European Union or in Georgia and to be a non-profit making legal person or legal entity.

(d) Essential selection and award criteria

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

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

(e) Maximum rate of co-financing

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

In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's

authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) *Indicative timing to launch the call*

First trimester of 2016.

5.4.1.3 Procurement (direct management)

Subject	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
External review missions (for budget support conditionality)	services	3	1 st /2017 1 st /2018 1 st /2019
Communication and visibility	services	2	1 st /2016 1 st /2018
Audits	services	2	4 th /2017 4 th /2019
Evaluations (mid-term and final)	services	2	4 th /2017 4 th /2019

5.5 Scope of geographical eligibility for procurement and grants

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 and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) 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 in other duly substantiated cases where the eligibility rules would make the fulfillment of this action impossible or exceedingly difficult.

5.6 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, (amount in EUR)
5.3.- Budget support – Sector reform contract	27,000,000	0
5.4.1.1.1 – Grants: call for proposals "Expansion of rural development measures" (direct management)	10,000,000	2,500,000
5.4.1.1.2 – Grants: call for proposals "Pilot rural development measures in Adjara" (direct management)	4,000,000	1,000,000
5.4.1.2.1 – Grant: direct award "Technical assistance to the MoA for improved policy making and effective	1,500,000	375,000

implementation of the SADG" (direct management)		
5.4.1.2.2 – Grant: direct award "Technical assistance to the Government of Georgia for the establishment of a National Strategy for Rural Development" (direct management)	2,500,000	625,000
5.4.1.2.3 – Grants: direct award "Pilot rural development measures in Abkhazia" (direct management)	4,000,000	1,000,000
5.9 – Evaluation and, 5.10 - Audit	400,000	N.A.
5.11 – Communication and visibility	400,000	N.A.
External review missions	200,000	
Totals	50,000,000	5,500,000

5.7 Organisational set-up and responsibilities

The MoA is the main stakeholder of ENPARD II and will coordinate all activities under the programme. Oversight will be entrusted to a **Steering committee** (SC), already established by Ministerial Order in 2013 and fully operational. It is composed by the EU, MoA and State Minister of Georgia on European and Euro-Atlantic Integration.

The EU engages actively in all Government-donor coordination for the implementation of the SADG. Any substantial revision of the structure and/or charter of the MoA will be subject to prior notification to the EU, and the MoA will make its draft annual budget available to the EU.

In addition, the ENPARD **Stakeholders committee**, established by Ministerial Order in 2013, includes SC members plus all entities relevant to the implementation of ENPARD. It serves as an advisory body for coordination, coherence and effective implementation of ENPARD II.

5.8 Performance monitoring and reporting

External review missions will verify compliance with relevant policy reform conditions, according to this tentative calendar:

Tranche	Reference year for which data is expected to be available	Timing of the assessment mission
1 st tranche	2016	1 st quarter 2017
2 nd tranche	2017	1 st quarter 2018
3 rd tranche	2018	1 st quarter 2019

The Policy Unit of the MoA is responsible for analysis of agriculture-related statistics provided by the Georgian Statistics Office (GEOSTAT). The Unit has a dedicated department for statistics, conducting regular surveys and collecting relevant data for each review mission.

The SADG includes indicators and monitoring tools as part of its action plan. The agriculture census conducted in 2015 with support from ENPARD and other sources will provide a strong baseline data to properly assess performance indicators and budget support conditionality for agriculture, SPS and rural development.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring

system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regard to the importance of the action, a mid-term and a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

A mid-term evaluation will be carried out for learning purposes, in particular with respect to assessing progress of implementation and performance of the various components, so that corrective actions can be put in place.

A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the programme targets an EU focal sector of support and a policy priority for Georgia.

The Commission shall inform the implementing partner at least three months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, two contracts for evaluation services shall be concluded under a framework contract in 2017 and 2019.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, two contracts for audit services shall be concluded under a framework contract in 2017 and 2019.

5.11 Communication and visibility

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

This action shall contain communication and visibility measures which shall be based on a specific Communication and visibility plan of the action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

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.

Indicatively, two contracts for communication and visibility services shall be concluded under a framework contract in 2016 and 2018.

APPENDIX - INDICATIVE LIST OF RESULT INDICATORS

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification
Overall objective: Impact	To assist the Government of Georgia in eradicating poverty, promoting sustainable and inclusive growth, and consolidating and improving democratic and economic governance	Reduction of rural poverty	60% (2014)	50% (by 2018)	WB statistics
		Share of agriculture and food sector GDP of total GDP	10% (2014)	15% (2018)	GEOSTAT statistics
Specific objective(s): Outcome(s)	To promote agriculture and rural development policies and reforms and to improve the delivery of related services to help address basic needs of the rural population	Increase in coverage of service delivery to vulnerable rural populations in target areas	X % (2015) – percentage yet to be surveyed	60% increase in delivery of agriculture and rural development services to targeted population (2018)	Baseline and other surveys External review mission
Induced outputs	Successful implementation of the SADG 2015/2020	% of households dependent upon primary agriculture as their main source of income in target areas	90% (2014)	80% (2018)	GEOSTAT statistics
	Successful implementation of the SPS/Food safety approximation programme under the DCFTA	% of Georgian legislative acts adopted in compliance with respective date of approximation, as foreseen in the SPS approximation list agreed upon by Georgia and the EU	0% (2014)	90% (2018)	External reports
	Successful approval and implementation of the National Rural Development Strategy and Action Plan	% of rural development measures implemented as part of the Rural Development Action Plan 2016-2017	0% (2015)	90% (2018)	MoA reports on the implementation of the Strategy and Action Plan

Direct outputs	AGRICULTURE- Enhanced competitiveness, climate resilience and sustainability of the agriculture sector	Number of farms registered	0 (2015)	150,000 (2018)	Farm Registry
		Number of farmers which are members of cooperatives	4,000 (2015)	10,000 (2018)	ACDA reports External surveys
		% of new seeds varieties certified	0% (2014)	60% (2018)	Seed certification registry
		% of MoA staff regularly trained	10% (2014)	50% (2018)	MoA training centre records
		% increase in the size of sample for the regular quarterly agricultural surveys	0% (2014)	50% (2017)	Agriculture survey by GEOSTAT
		Number of agriculture biodiversity, climate resilience and environmental sustainability measures enforced	0 (2015)	10 (2018)	MoA reports External surveys
	FOOD SAFETY/QUALITY Improved SPS, food safety and food quality standards and procedures for inspection and control	% of food testing methodological approaches validated under EU standards	0 % (2014)	80% (2018)	NFA and MoA Laboratory reports External surveys
		Number of border controls points fully operating under EU standards	0 (2015)	1 (2016)	NFA reports RS reports External surveys
		% of Food Business Operators registered by the NFA	10% (2014)	100% (2018)	NFA reports External surveys
		% of food safety inspectors trained according to EU requirements	0% (2014)	100% (2018)	NFA reports External surveys
		Number of primary producers accredited under appropriate quality schemes	200 (2014)	5,000 (2018)	NFA reports External surveys
	RURAL DEVELOPMENT Improved employment and living conditions in the rural areas through the diversification of rural economy	Number of Local Action Groups implementing appropriate non-farm rural initiatives in support to rural population	0 (2014)	30 (2017)	MoA reports External surveys Reports by grantees

