



**ANNEX 1**

of the Commission Implementing Decision on the Annual Action Programme 2016  
in favour of Georgia

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

**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 section concerning calls for proposals: 5.4.1. Grants: call for proposals "Support to development of livelihoods in disadvantaged rural regions of Georgia" (direct management).

<b>1. Title/basic act/ CRIS number</b>	European Neighbourhood Programme for Agriculture and Rural Development in Georgia, phase III (ENPARD Georgia III) CRIS number: ENI/2016/039-318 financed under European Neighbourhood Instrument	
<b>2. Zone benefiting from the action/location</b>	Georgia The action shall be carried out at the following location: country wide	
<b>3. Programming document</b>	Single Support Framework for EU support to Georgia 2014-2017	
<b>4. Sector of concentration/ thematic area</b>	Agriculture, rural development, environment	DEV. Aid: YES <sup>1</sup>
<b>5. Amounts concerned</b>	Total estimated cost: EUR 79,000,000 Total amount of EU budget contribution EUR 77,500,000, of which EUR 44,500,000 for budget support and EUR 33,000,000 for complementary support. This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 1,500,000.	
<b>6. Aid modality(ies) and implementation modality(ies)</b>	Direct management – budget support: sector reform contract; grants – call for proposals; procurement of services. Indirect management with: Food and Agriculture Organisation of the United Nations (FAO) and the United Nations Development Programme (UNDP)	
<b>7. a) DAC code(s)</b>	311- Agriculture: 31120 - Agricultural development	

<sup>1</sup> Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

	430 - Other multi-sector: 43040 - Rural development 410 - General environmental protection: 41010 - Environmental policy and administrative management			
<b>b) Main Delivery Channel</b>	<i>FAO, UNDP – 31120, 43040, 41000</i>			
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	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"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	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"/>
<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	Food security and sustainable agriculture Environment and climate change			

## SUMMARY

There is a clear rural-urban divide when it comes to economic opportunities in Georgia. Rural poverty remains high, particularly in remote areas, due the deterioration of agriculture in the recent past and the lack of viable economic alternatives, affecting people's resilience and their ability to adapt and to recover from stresses and shocks.

Agriculture employs 51% of the workforce. In 2012 Georgia undertook the reform of the sector through increased public allocations to the Ministry of Agriculture (MoA) and the adoption of the Strategy for Agriculture Development in Georgia (SADG) leading to a gradual growth in agricultural production and value.

ENPARD is the single largest programme in support to the SADG. The adoption of a new policy framework for rural development in Georgia in 2016 will facilitate the integration of ongoing support to agriculture alongside other measures targeting the diversification of rural economic opportunities and the environment for a more effective impact on poverty alleviation.

The purpose of ENPARD III is to promote inclusive and sustainable growth and development, creating employment and livelihoods for the poor and excluded. Special measures will help build the resilience of vulnerable people in remote regions, and to promote the economic and social empowerment of rural women.

ENPARD III will contribute to the implementation of the EU-Georgia Association Agreement (AA) for improved competitiveness of agriculture under the DCFTA, the support to agriculture and rural development, the harmonisation of environmental legislation and the improved management of natural resources.

In line with the 2015 review of the European Neighbourhood Policy (ENP), the programme will contribute to develop Georgia's economic resilience, modernisation and diversification, and is coherent with the EU agriculture and rural development sector policy, which is one of the 3 pillars under the Single Support Framework for EU Support to Georgia (SSF 2014-2017)

This action is partly funded through the 'more for more' mechanism of the European Neighbourhood Instrument (multi-country umbrella programme)"

## **1 CONTEXT**

### **1.1 Sector/Country/Regional context/Thematic area**

#### ***1.1.1 Public Policy Assessment and EU Policy Framework***

Agriculture in Georgia employs 51% of the workforce and is a vital source of food and income for most rural households. Women face higher levels of unemployment, and around 50% of those economically active are mostly concentrated in the informal sector, low-paid, unpaid, seasonal and part-time work, including in subsistence agriculture. Since 2012 the Government undertook the reform of the sector providing increased public allocations to the MoA from 1.52% of the central budget in 2012 to 3.11% in 2015<sup>2</sup>, and the adoption of the SADG<sup>3</sup> leading to a gradual growth in agricultural production and value<sup>4</sup>.

The SADG aims at increasing competitiveness of agriculture, promoting stable growth of high-quality agricultural production, ensuring food safety and security, and overcoming rural poverty. Starting in 2013, ENPARD is the single largest programme supporting the SADG, with an allocation so far of 102 million euro. Building on existing support, the 3<sup>rd</sup> phase (ENPARD III) will focus on strengthening farmers' cooperation and know-how. The programme will assist the MoA for the gradual implementation of the Strategies for Agricultural Extension and the Agricultural Cooperative Development Agency of Georgia, among other components.

The Regional Development Programme of Georgia (2015-2017) aims at supporting a more balanced and sustainable socio-economic development of the country's regions. The programme establishes that the MoA and the Ministry of Regional Development and Infrastructure (MRDI) share competences over rural development. In particular, the Law on Development of High-Mountain Regions is expected to facilitate their social and economic progress by means of improving fiscal and social benefits for local residents support, infrastructure and business development.

Under the Law on the Environment of Georgia the policies of the Ministry of Environment and Natural Resources (MENRP) are guided by the National Environment Action Programme. The forest sector is vital for rural development, considering that forests cover 40% of the territory and provide direct benefits and resources to the population. A National Forest Concept approved by Parliament in 2014 will lead to the expected adoption of a new Forest Code in 2017 to help regulate forests more efficiently under sustainable management principles. The Law about the system of Protected Areas guides the mandate of a dedicated Agency for the sustainable management of the protected network covering 7.5% of Georgian territory. Also important to rural

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<sup>2</sup> Ministry of Agriculture (2015). Compilation Report on MoA Budgetary Allocations

<sup>3</sup> The SADG 2015-2020 is available at: [http://moa.gov.ge/fileman/Uploads/STRATEGIA\\_ENG\\_print.pdf](http://moa.gov.ge/fileman/Uploads/STRATEGIA_ENG_print.pdf)

<sup>4</sup> The growth of agricultural production value in 2015 was 30.2% higher than in 2012, including 25% increase in the value of processed agricultural goods. Geostat (preliminary data of 2015)

development is the waste sector, regulated by the MENRP through the Waste Management Code for improved coverage and adoption of sustainable practices.

The Georgian National Tourism Administration under the Ministry of Economy and Sustainable Development (MoESD) is tasked with the promotion of sustainable and responsible tourism, a sector which represented a 7% share of the total economic output in 2014 and has a high potential for expansion and support to the diversification of the rural economy.

With support from ENPARD and in line with the EU approach<sup>5</sup>, Georgia has committed to establish a policy framework for rural development in Georgia in 2016. The goal is to improve the competitiveness of agriculture, to promote the sustainable management of natural resources, and climate change; and to support a more balanced territorial development of rural economies and communities, including employment. The adoption of a Rural Development Strategy for the Adjara Autonomous Region early in 2016 will pave the way for establishing a national strategy before the end of the 2016. Through previous phases, ENPARD supported the launching of rural development projects piloting the EU LEADER approach<sup>6</sup> in selected municipalities. Using a territorial approach, these projects enabled the formation of Local Action Groups tasked to define and implement local development strategies. On this basis, ENPARD III will provide further support to these projects through targeted assistance for improved rural development services.

The actions foreseen by ENPARD III are coherent with the focal sectors of SSF 2014-2017, and in line with the 2015 review of the ENP<sup>7</sup> which emphasizes the need to support reforms for improved competitiveness, inclusive growth and social development, as part of the contribution to develop Georgia's economic resilience, modernisation and diversification, particularly in rural areas.

The programme will contribute to the implementation of the EU-Georgia Association Agreement (AA) for improved competitiveness of agriculture under the DCFTA, the support to rural development, the harmonisation of environmental legislation and the improved management of natural resources.

In the Autonomous Republic of Abkhazia there are neither sector policies on agriculture and rural development, nor substantive interventions by the *de facto* authorities in support to the sector. For these regions the EU policy continues to be governed by the principles of engagement and non-recognition.

### **1.1.2 Stakeholder analysis**

At national level, the Ministry of Agriculture (MoA) is leading the process of implementation of the SADG, including formulation of rural development strategies. With support from ENPARD I, a Working group under the MoA has produced a Position paper on rural development in Georgia forming the basis for the first draft of the Rural Development Strategy of Georgia finalised in May 2016. While the Policy Unit supervises the overall implementation of the SADG, a Rural Development Unit has been set to coordinate the process of finalisation of the strategy and to coordinate the formulation and implementation of the Action Plan, in collaboration with other entities, local authorities and civil society organisations.

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<sup>5</sup> Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R1305&from=en>)

<sup>6</sup> Info about LEADER is available on: <http://enrd.ec.europa.eu/en/leader>

<sup>7</sup> European Commission (2015). Review of the European Neighbourhood Policy ([http://eeas.europa.eu/enp/documents/2015/151118\\_joint-communication\\_review-of-the-enp\\_en.pdf](http://eeas.europa.eu/enp/documents/2015/151118_joint-communication_review-of-the-enp_en.pdf))

Other ministries and Government agencies dealing with aspects that concern rural development, include the MRDI, the MENRP and the MESD. Under the coordination of the MoA, the Inter Ministerial Council on Rural Development has been formally established in May 2016 to lead the finalisation and adoption of the Rural Development Strategy of Georgia. Adjara Autonomous Republic has its own well-functioning Ministry for Agriculture, and a Rural Development Council has been already established to coordinate the implementation of the regional strategy.

The Agrarian, Regional Development, Environment and Mountain Areas Committees of the Parliament are responsible for reviewing and passing related legislation in their respective 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 and rural development including policy dialogue and participation in coordination. Georgia possesses a well-established network of international and local NGOs working in agriculture and rural development, including environment. With support from ENPARD I, in 2015 the network of INGOs supporting agriculture expanded with new partners supporting rural development projects in three municipalities, to be increased to five more in 2016.

### ***1.1.3 Priority areas for support/problem analysis***

There is a clear rural-urban divide when it comes to economic opportunities in Georgia. Poverty rate is gradually decreasing but remains high at 21.4 %, notably in rural areas where 42% of the population lives and the poverty is 27.4%, as opposed to 15.1% in urban areas<sup>8</sup>. Poverty is most severe in mountainous areas, and female-headed households are more likely to be poor than male-headed households, since they have fewer economic opportunities, especially in off-farm activities, earning on average 63 cents per each euro earned by a man<sup>9</sup>. Insufficient infrastructure and lack of affordable child-care facilities severely affect women's opportunities to economic and social empowerment, as domestic and care work traditionally are the responsibility of women. In addition, limited access to mobility, transportation, markets and decision making are hampering factors for women's participation.

Rural poverty in Georgia is related to lack of economic opportunities, isolation, insufficient skills, capabilities and assets. Under these circumstances, the resilience of poor rural households relies heavily on subsistence farming and the unsustainable exploitation of natural resources such as forests and pasturelands, all affected by worsening climatic conditions.

Agriculture represents the main source of food and income for rural households. The deterioration of the sector remains a root cause of poverty particularly for women, for whom 56% of self-employed women work as unpaid family workers<sup>10</sup>. Major land reform during the 1990s led to erratic privatisation and fragmentation of farmed land resulting in 95% of small farmers with extremely low output and productivity. For decades, the lack of support to improve cultivation and post-harvest technologies, capital and basic skills have also led to massive under-utilization of fertile land, overgrazing in communal areas and decreasing soil fertility.

The situation of Georgian forests, although important safety nets for rural women and men, is continuously degrading because unsustainable use due to lack of alternatives, inadequate legislation and a poorly resourced centralised system for management and supervision. Hazardous

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<sup>8</sup> GeoStat (2015). Relative poverty is measured in terms of share of population below 60% of median consumption.

<sup>9</sup> GeoStat (2015). Women and Men in Georgia.

([http://www.geostat.ge/cms/site\\_images/files/english/health/Women%20and%20Men\\_2015.pdf](http://www.geostat.ge/cms/site_images/files/english/health/Women%20and%20Men_2015.pdf))

<sup>10</sup> *Ibid*

and non-hazardous waste is also a widespread problem in rural areas due to uncontrolled practices and poor coverage of waste collection systems, which reach less than 50% of the population, the majority in urban areas.

Apart from Adjara, which benefits from certain autonomy and a few major cities including the capital Tbilisi, most of the 12 self-governing cities and 59 communities are managed through centrally led development policies resulting in poor institutional capacities and resources at local level.

The RDSG to be established in 2016 will lead to the formulation of the Action Plan for implementation of dedicated territorial programmes which should assist more efficiently the improvement of living conditions of rural people. Vulnerable women and men in remote rural regions, including eco-migrants, conflict-affected people and ethnic minorities will be specifically targeted alongside concrete measures to promote the economic and social inclusion of rural women.

## **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 3.7<sup>11</sup> million people and a gross national income (GNI) per capita of US\$ 3656<sup>12</sup>. Georgia undertook economic, social and governance reforms over the past ten 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. Sound fiscal and monetary policies supported by structural reforms were able to maintain macro-financial stability during the political and economic crises.

The recession in Russia, the economic slowdown in other CIS countries and sharp currency depreciations in major trade partners since end-2014 have sharply reduced Georgian exports and inflows of worker remittances. The resulting shortfall in foreign earnings caused the national currency (GEL) to depreciate against the USD by 23% between November 2014 and August 2016 (including the appreciation since February this year). The depreciation has helped the economy to adjust to external shocks, but it has also increased the debt burden of foreign currency borrowers, weighing on domestic demand.

Despite the negative trends, Georgia's real GDP growth held up fairly well in 2015, with the economy expanding 2.8% in real terms, down from 4.8% in 2014. In part, this was because Georgia has diversified its export markets away from Russia since the 2008 war, but also due to the prudent macroeconomic policies, including fiscal policy until recently, the country has continued to implement. Growth in the first six months of 2016 reached 2.9% and is projected at slightly above 3% for the whole year, with an increase in the medium term up to 5%.

Unemployment, however, stayed high at 12% in 2015 despite the average economic growth of almost 6% in the last 10 years. Georgia also suffers from high inequality (the Gini coefficient was

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<sup>11</sup> According to the 2014 Census, population has contracted by 0.8 million

<sup>12</sup> GEOSTAT's figure for 2014 : [http://www.geostat.ge/index.php?action=page&p\\_id=122&lang=eng](http://www.geostat.ge/index.php?action=page&p_id=122&lang=eng)

40.7 in 2014). To increase social inclusion, the authorities embarked since 2013 on a reform of the social security system by introducing a universal health care system and increasing pensions allowances and social assistance.

After picking up in 2015, as a result of the pass-through effect of the GEL depreciation on prices and increases in electricity tariffs, which more than compensated for lower oil prices and weak domestic demand, the consumer price inflation started to moderate in 2016, supported by the appreciation of the GEL. After peaking at 6.3% in November last year (the highest rate since August 2011 and above the central bank's target of 5%), inflation fell to only 1.5% in July 2016. To fight inflation during 2015, the central bank increased its key policy rate seven times to 8% in December. During 2016, as a result of reduced inflation and inflation expectations, the central bank started phasing out the tight monetary policy and reduced the interest rate to 6.75% in July.

Followed by a long period of fiscal consolidation since 2009, the fiscal situation started to worsen last year. The budget deficit has widened from 2.9% of GDP in 2014 to 3.8% of GDP in 2015, reflecting mainly the overruns in local government and project spending. Further deterioration of the budgetary position is expected in the coming period, with the budget deficit estimated to reach 4.5% in 2016, partly reflecting pre-election spending ahead of Parliamentary elections in October. This deterioration is also contributing to the increase of the public debt-to-GDP ratio, which grew to 42.7% in 2015 after staying at relatively low levels of about 35% of GDP since 2011. Still, due to the public debt structure (3/4 of public debt is external) the main contributing factor to the public debt increase is the depreciation of the GEL.

External vulnerabilities remain another key challenge. Although improving slightly in nominal terms, mainly due to a slowdown in domestic demand, the GEL depreciation and the falling oil prices, the current account deficit stayed high at around USD 1.7 billion in 2015. On a positive side, it was mostly financed by strong FDI inflows which accounted for about USD 1.6 billion. In terms of GDP, the current account deficit worsened from 10.6% of GDP in 2014 to 11.8% of GDP in 2015 mainly due to the GEL depreciation. For the same reasons, the external debt increased to 106% of GDP in 2015, from 83% in 2014, while foreign exchange reserves stood at 3.3 months of next year's exports at the end of 2015.

The bank-dominated financial system has so far been resilient to the weakness of the GEL (around 65% of loans are in foreign currency, of which about 70% are to unhedged borrowers). The banks remain sound thanks to significant capital buffers and a robust regulatory framework.

### ***1.2.3 Public Financial Management (PFM)***

The main progress in 2015 has been the drafting key methodological documents in the field of strategic planning and programme budgeting as well as in Public Internal Financial Control. The parliament passed the amendments to the Article 35 of the State Audit law, thus limiting excessive oversight of the SAO by the Special Commission of the Parliament. Government also made good progress in implementation of reform commitments outlined in the Association Agreement and the implementation Agenda. Amendments to the tax code and MoF decrees has been made for harmonizing Excise (rates) and VAT legislation with the EU directives. The MoF also introduced further reforms to strengthen fiscal consolidation. From the 1<sup>st</sup> January 2016, all accounts of municipalities founded entities (around 600 organizations) in commercial banks are closed and fully integrated in the PFMIS, centralising budgeting and accounting operations through the State Treasury.

By the decree #144 of the Government (30.03.2015) the government established a working group for follow up of the Parliament and SAO recommendations. Another step for external accountability was the preparation of the Citizen's budget for 2015 and 2016 that is published at



the MoF website. MoF also prepared and made publicly available in Georgian and English a ‘Citizen’s Guide to the Budget’ (supported by EU Budget Support) which also invited citizens to take part in budget planning and defining budget priorities. A Fiscal Risk Analysis and Debt Sustainability Analysis was prepared by the Macroeconomic Analysis and Forecasting Department of MoF, and attached to the 2016 Budget for the first time. The study on the current status of Georgia Fiscal Governance in relation to EU Fiscal Governance was prepared by the MoF and discussed with relevant stakeholders.

On the basis of the analysis of the PFM progress during the current year, as well as sound fiscal policy and discipline during 2014-2015 in Georgia, the EU Delegation confirms that the eligibility criterion at stake is fulfilled. Also, looking ahead the reform actions in the area of MTEF and programme budgeting, internal and external audit and accounting are very promising.

#### ***1.2.4 Transparency and oversight of the budget***

Since 2005, the government has regularly published the annual State Budget laws and quarterly/annual budget execution reports on the Ministry of Finance (MoF) website ([www.mof.ge](http://www.mof.ge)). The published material contains not only general budgetary data but also detailed information on revenue sources and budget appropriations by spending agencies. The annual budget law also contains information on state transfers allocated to local self- governments, as well as a Fiscal Risk and Debt Sustainability Analysis which was attached to the 2016 Budget for the first time. In 2015 (for the 2016 Budget) the budget information has been substantially enhanced by integration of self-governments, LEPLs and non-business, non-commercial Legal Entities (NNLEs) into the Treasury Single Account.

The government also prepares a medium-term expenditure framework (MTEF) that contains multi-annual fiscal targets and expenditure ceilings for the next 4 years. The MTEF and the BDD are also available to the public through the MoF website. Advances made by Georgia in the area of transparency are recognised in the results of the international Open Budget Survey, produced by the International Budget Partnership. Georgia’s ranking in the 2015 Open Budget Survey (see table above) was 16 among the 102 countries included in the survey – its position marked a significant improvement in its position compared to the 2012 survey, where it was ranked no. 33. (<http://survey.internationalbudget.org/#timeline>). Its score of 66 (out of a possible 100) places it among a grouping of high-scoring countries classified as substantially transparent. The global average score was 45.

During 2015 the Georgian authorities undertook a number of actions to further improve transparency, participation and budget oversight. During 2015 MoF produced and made publicly available a ‘Citizen’s Guide to the Budget’, supported by EU Budget Support in the current PFM Sector Support program. The initiative also provided an opportunity for citizens to contribute their views and opinion and invites them to take part in budget planning and define budget priorities by participating in an online survey: “Participate in Budget Planning and Define Priority Directions” at <http://survey.mof.ge/>. MoF indicated that in 2015 more than 4,500 people expressed their opinions regarding budget priorities. The overall direction of change in transparency and budget oversight through 2015 is overwhelmingly positive and impressive. Recent international assessments of the accountability and transparency of Georgia’s PFM system place it among the top tier of countries globally. Further, with EU budget and TA support, measures are being planned and implemented to address areas of identified weakness in legislative oversight of the budget.



## 2 RISKS AND ASSUMPTIONS

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
(1) Geopolitical tensions in the Caucasus and the outcome of the Parliamentary elections in Georgia in October 2016 divert Government's focus and resources allocated to agriculture and rural development	L/M	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 BS modality	L	Continuous contacts with Georgian government; reinforced economic/financial monitoring and other supportive measures; identification of possible impacts and remedial actions
(3) The SADG and the Rural Development Strategy are not pursued by the Government	L	Continuous policy dialogue with Georgian government, including the MoA and the Inter ministerial Council on Rural Development;
(4) Un-readiness/un-willingness by government of developing specific rural development policies	L	reinforced analyses, surveys and other monitoring and evaluation measures; identification of key supportive measures, possible impacts and remedial actions
(5) <i>For Abkhazia</i> : tensions and sensitivities relating to status-issues result in possible restrictions or complete cancellation of implementation	M	Continuous political contacts with the Georgian government; conflict-sensitive implementation of grants based on conflict analysis and identification of remedial actions.
<b>Assumptions</b>		
(1) No high geopolitical tensions/deep economic crisis to happen during the implementation period		
(2) Satisfactory progress maintaining stability-oriented macroeconomic policy and progress in the implementation of public finance management		
(3) Strong commitment towards the implementation of the SADG by the Government remains in place		
(4) Policy makers are exposed to rural development models in the EU and supporting measures for rural development are capitalized by policy makers		
(5) For Abkhazia: geo-political conditions remain in place for the implementation of grants		

## 3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

### 3.1 Lessons learnt

The support to rural development under previous phases of ENPARD started in late 2015, therefore main lessons learnt are applicable to agriculture sector. A mid-term evaluation of ENPARD, including the newly incorporated rural development component, is foreseen towards the last quarter of 2016.

One important lesson learnt during the initial two years of implementation, as expressed by the beneficiaries of the farmers' grant schemes, is that while agricultural support is vital to them, it is also important to address other social and economic needs for them to have a more direct support to truly improve their livelihoods. This has been adequately considered through shifting from an agriculture sector-based approach to a territorial one that reflects the unique economic, environmental and social concerns affecting each territory. On this basis, the adoption of the EU LEADER approach to rural development has an integral part of the programme is allowing the beneficiary population, including local authorities, businesses and communities to establish local strategies and plans that reflect the particular needs of each targeted municipality, and to assist in the implementation of relevant projects to address these needs with sub-granting schemes.

From the agricultural support provided so far, the main lesson learnt from ENPARD is that the cooperative model, including the revised regulatory framework, is appropriate to the context, expanding rapidly to over 1,400 in number over the last two years, and is also assisting them in reaching markets faster and better than individual farmers do, reducing inputs costs to 20% on average and boosting income as high as 40% for advanced groups. 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 culture<sup>13</sup>.

### 3.2 Complementarity, synergy and donor coordination

ENPARD III will assist Georgia in consolidating and expanding the support provided through previous phases of the programme, and to integrate all sectoral support under the umbrella of rural development.

Other EU funded programmes that will be complementary to this action include:

<i>EU Programme</i>	<i>EUR million</i>	<i>Duration</i>	<i>Complementarity with ENPARD III</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 measures for the benefit of agriculture and agribusiness
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
European Investment Bank DCFTA Facility East (Georgia, Moldova, Ukraine)	52	2016/2019	Strengthening SMEs' capacities and compliance with trade-related terms as part of the agreement under the DCFTA
Comprehensive Institution Building to the National	12.7	2014/2018	Institutional capacity building support to the NFA for SPS/food safety matters, as

<sup>13</sup> Assessment of the policy organization, capacity and procedures of the Ministry of Agriculture of Georgia, FAO, 2014

Food Agency		part of the agreement under the DCFTA
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Sector coordination in the agriculture sector started in 2009, under the initiative of the EU Delegation, and is led by the MoA through the established Donor Coordination Council. It gathers 40 members and is divided in sub-groups dealing with key measures under the SADG. Under the leadership of the MoA, a newly established Rural Development Unit will be in charge of overall coordination of the sector.

Concerning donor support to agriculture and rural development, the table below summarise the main initiatives which are relevant to ENPARD support in Georgia:

<i>Donor</i>	<i>Programmes</i>	<i>EUR million</i>	<i>Type</i>	<i>Duration</i>
USAID	Restoring Efficiency to Agriculture Production	18	Grant	2013/2018
	ZRDA - Economic Growth Project	15	Grant	2016/2020
World Bank/IFAD	Irrigation, land registration	20	Loan	2014/2018
Swiss Development Cooperation (SDC)	Market Alliances in the Lesser Caucasus Region of Georgia	8.4	Grant	2014/2017
	Fostering Local and Regional Development in Georgia	5.5	Grant	2012/2017
Austrian Development Cooperation (ADC)	Capacity Development of the Ministry of Agriculture (under ENPARD)	1.2	Grant	2014/2016
	Forest Sector Reform Programme	1.8	Grant	2014/2016
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	Sustainable Biodiversity Management in the South Caucasus	14.9	Grant	2015/2019
	Local Governance Programme South Caucasus	9	Grant	2013/2016
Kreditanstalt für Wiederaufbau (KfW)	Integrated Solid Waste Management in Kutaisi	26	Loans/grants	2014/2017
EBRD	Georgian Solid Waste Management Project	26	Loans/grants	2016/2019

The Food and Agriculture Organisation of the United Nations (FAO) is providing capacity building support in agriculture to the MoA and is also implementing direct agricultural support services in rural areas. The United Nations Development Programme (UNDP) is providing capacity building support in rural development to relevant ministries and implements ENPARD support actions in the Adjara autonomous region and other direct support programmes in the areas of socio-economic development, VET and environment. Both UN agencies support leadership capacities of relevant institutions and effective donor coordination for their respective sectors. 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 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 III 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 is supporting the established Local Action Groups (LAG) in target municipalities to implement local strategies for rural development.

**Gender equality** will be targeted in all stages of programme implementation with the objective of reducing the gap between rural women and men through the actions specified below. The approach will be based on the SADG and its Action Plan which reflect the principles of the National Gender Strategy and related Action Plan. The programme also contributes to the EU Gender Action Plan 2016-2020.

As part of the SADG and other public strategies and plans relevant to rural development, ENPARD III will provide support to help reach the following targets:

- ensuring women secure their rights over land, and that the criteria for granting farmer' status during farm registration processes do not discriminate them;
- ensuring that needs of minority women, IDPs and women in labour (especially those with children) in rural areas are properly assessed and appropriate support provided;
- ensuring women and men have equal opportunities to access agricultural extension information and support;
- promoting incentives and preferential access to women and vulnerable groups for the formation of cooperatives and other rural businesses;
- enhancing access of women and vulnerable farmers to programmes offering rural machinery and equipment;
- ensuring that rural development relevant data is disaggregated by sex and other criteria in the statistical system of GeoStat.

With regards to specific components of ENPARD III, priority activities will include:

- engaging permanent gender expertise to ensure that all agreed measures are implemented throughout the duration of the programme;
- ensuring proper assessments lead to supporting actions which are gender-sensitive, prevent exclusion and facilitate participation of women and other vulnerable groups;
- carrying out a pilot activity to improve access to better quality and more affordable child care facilities;
- defining appropriate criteria for beneficiary targeting and facilitating de facto access to information about engagement opportunities to women and vulnerable groups;
- ensuring indicators relevant to gender reflect disaggregated information by sex and other criteria, and data is collected appropriately.

**Environment and climate change** is an integral part of rural development, therefore direct support measures will be included as part of ENPARD III through:

- building institutional capacities related to environmental legislation; sustainable management of natural resources; and climate change mitigation and adaptation practices;
- specific actions promoting the scaling-up of sustainable and climate-resilient agricultural practices; the development of energy efficiency and renewable energy in rural areas; the protection and sustainable management of forests and other natural resources; and the improvement of rural environmental services.

## 4 DESCRIPTION OF THE ACTION

### 4.1 Objectives/results

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG target Goal 1 - End poverty in all its forms everywhere; but also promotes progress towards Goal 5 – Gender Equality; Goal 8 - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; and Goal 15 - Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss. This does not imply a commitment by the country benefiting from this programme.

The **overall objective** of ENPARD III 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** is to promote inclusive and sustainable growth and development, creating employment and livelihoods for the poor and excluded.

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

Result 1: Improved rural economic diversification, employment and services.

Result 2: Enhanced competitiveness of agriculture.

Result 3: Improved environment, sustainable management of natural resources and climate action.

Results are fully coherent with the three priority axes of the EU rural development policy.

### 4.2 Main activities

For **budget support**, main activities are geared towards the policy targets which the Government will commit to achieve in relation to the conditions for disbursement specified in section 5.3.2 below.

In terms of **complementary support**, activities under results 1, 2 and 3 related to institutional capacity support will benefit the MoA, other ministries with competences in rural development, as well as strengthened coordination with other relevant stakeholders. Main activity:

- Technical assistance for improvement of the capacity within the public sector and other stakeholders for effective adoption of the rural development strategy and implementation of related action plans and programmes.

Also under complementary support, activities related to rural development service delivery will benefit poor and vulnerable rural people in the municipalities targeted by the programme, with special emphasis on rural women, the youth and other marginalised groups. Main activities:

- Under result 1 (economic diversification): support to initiatives for diversification of rural income and employment; provision of improved access to finance by small non-agriculture rural entrepreneurs; social and vocational education development; promotion of sustainable and responsible tourism; protection and enhancement of natural and cultural heritage.
- Under result 2 (agricultural competitiveness): provision of agricultural extension and sectorial cooperative services; expansion of food quality and certification schemes for selected commodities; provision of improved access to finance by small farmers and agricultural cooperatives; improvement of value chains for selected commodities.
- Under result 3 (environment, natural resources and climate action): support to the implementation of climate-smart agricultural practices; protection, climate resilience and environmental value of forest ecosystems; support to the sustainable management of natural resources, including forests and protected areas.

### **4.3 Intervention logic**

The intervention logic of ENPARD III is built on the previous phases of the programme. In terms of inputs and outputs, the programme will continue to support the SADG 2015-2020. ENPARD I and II have largely focused on agriculture, including support to institutional capacities and delivery of better services to farmers and food consumers, while ENPARD III will focus on the expansion of rural support beyond agriculture, including delivery of services for diversification of rural income and employment, and improved management of natural resources. In terms of outcomes and impacts, the programme will contribute to poverty reduction and the promotion of sustainable and inclusive growth in rural areas.

From policy perspective, ENPARD I and II have provided technical assistance to the MoA for implementation of the SADG, including the adoption of rural development strategies and related programmes. ENPARD III will provide technical assistance to all relevant ministries with competences in rural development.

In terms of service delivery, ENPARD I and II focused on the support to farmers and also helped introduce pilot rural development projects to other groups. Using the EU LEADER approach, these projects support Local Action Groups to establish municipal strategies based on which the programme will help expand coverage and quality of rural service delivery available to the population. At regional and national level, ENPARD III will also include components of service delivery to specific groups, such as the rural population in Abkhazia and minority and vulnerable population groups in other remote regions.

## **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 is EUR 44,500,000, and for complementary support is EUR 33,000,000. This amount is based on the commitment of the partner country to allocate national budget resources (including EU budget support) for the support to rural development. The amount is commensurate with the financing needs related to the reforms supported and will provide substantial leverage for the policy dialogue. All line Ministries concerned with the performance targets have demonstrated sufficient absorption capacity and a good track record in fulfilling the conditions under existing EU funded budget support programmes.



### **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 of the Rural Development Strategy;
  - Implementation of a credible stability-oriented macroeconomic policy;
  - Satisfactory progress in the implementation 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 will be set on the basis of the following policy targets:
- Effective governance mechanisms for the implementation of the national rural development strategy and the regional rural development strategy for Adjara, including relevant action plans; governance structures; and programme support from public budget.
  - Adoption of relevant policy measures for economic diversification, including public programmes supporting entrepreneurial skills, VET and financial support to small rural businesses and the rural youth; adoption of municipal development priority documents and training plans; adoption of the Georgia tourism strategy; and establishment of related destination management organisations.
  - Adoption of relevant policy measures for enhanced competitiveness of agriculture, including establishment of a unified monitoring and evaluation system in agriculture; adoption of the agricultural extension strategy and action plan; implementation of public programmes in support to extension and selected sectorial associations; expansion of food quality schemes for high value products; and adoption of certification schemes for seedlings.
  - Adoption of relevant policy measures for sustainable management of natural resources and climate action, including a Green Growth strategy and a Climate-smart agriculture action plan; establishment of agro-meteorological systems; implementation of public programmes supporting organic production; completion of the national forest inventory and establishment of a system for record keeping; adoption of Municipal waste management plans; and introduction of mandatory obligations for waste producers.

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 respect for 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 four subsequent annual instalments (to be disbursed between 2018 and 2021) including a fixed and a variable tranche to be disbursed respectively upon fulfilment of the general and the specific conditions.

## 5.4 Implementation modalities for complementary support of budget support

### 5.4.1. Grants: call for proposals "Support to development of livelihoods in disadvantaged rural regions of Georgia" (direct management)

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

Objectives: to improve economic and social integration of vulnerable households in disadvantaged rural regions of Georgia, including eco-migrants, conflict-affected people (IDPs and their host communities) and ethnic minorities.

Fields of intervention: livelihoods and access to basic social services.

Expected results and eligible actions are those linked to the implementation of local development plans in accordance with the Law of Georgia on Development of High-Mountain Regions, among others, for improved employment, employability and living conditions of target groups.

#### (b) 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.

Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant is EUR 1,000,000 to 3,000,000, and the grants may be awarded to the entities, acting alone or in partnership. The indicative duration of the grant (its implementation period) is between 24 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 this call is 80%.

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 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

2<sup>nd</sup> trimester of 2017.

### 5.4.2 Procurement (direct management)

Subject	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
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External review missions (for budget support conditionality)	services	4	1 <sup>st</sup> /2018; 1 <sup>st</sup> /2019 1 <sup>st</sup> /2020; 1 <sup>st</sup> /2021
Communication and visibility	services	1	3 <sup>rd</sup> /2019
Audits	services	2	4 <sup>th</sup> /2019; 4 <sup>th</sup> /2021
Evaluations (mid-term and final)	services	2	4 <sup>th</sup> /2019; 4 <sup>th</sup> /2021

#### **5.4.3 Indirect management with the Food and Agriculture Organisation of the United Nations (FAO)**

A part of this action may be implemented in indirect management with the Food and Agriculture Organisation of the United Nations (FAO) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails technical assistance in agriculture policy support to the MoA and direct delivery of agriculture related services to the rural population in the areas targeted by the programme. This implementation is justified because of FAO extensive experience, technical competence and specialisation in agriculture sector. In accordance with its core mandate, FAO is tasked to provide policy and technical advice to the Georgian government in the agriculture sector. FAO is already providing technical assistance for policy and institutional capacity support to the MoA leading to a substantial progress in the implementation of the SADG since 2014, based on extensive experience and expertise provided with support from ENPARD.

The entrusted entity would carry out the following budget-implementation tasks: running the public procurement and grant award procedures; concluding and managing the resulting contracts, including making of the related payments.

The entrusted international organisation has successfully passed the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012 for 5 pillars: Internal Control, Accounting System, Independent External Audit, Procurement and Sub Delegation. The Commission's authorising officer responsible deems that, based on the compliance with this ex-ante assessment FAO can be entrusted with budget-implementation tasks under indirect management for those 5 pillars. For the grant pillar, FAO will apply EU rules.

#### **5.4.4 Indirect management with the United Nations Development Programme (UNDP)**

A part of this action may be implemented in indirect management with the United Nations Development Programme (UNDP) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails technical assistance in rural development policy support to the Government of Georgia and the Adjara Autonomous Region; direct delivery of non-agriculture related services to the rural population in the areas targeted by the programme; and support to living conditions of vulnerable households in Abkhazia. This implementation is justified because of UNDP extensive experience, technical competence and specialisation in rural development field. In accordance with its core mandate, UNDP is a leading development partner assisting Georgia in policy and institutional support. UNDP is already providing technical assistance and service delivery support to rural development and livelihoods in Adjara and Abkhazia, based on extensive experience and expertise provided under ongoing support by ENPARD.

The entrusted entity would carry out the following budget-implementation tasks: running the public procurement and grant award procedures; concluding and managing the resulting contracts, including making of the related payments.

#### **5.4.5 Changes from indirect to direct management mode due to exceptional circumstances**

Grants, through Calls for proposals, will be the alternative implementation modality to 5.4.3 – Indirect management with the Food and Agriculture Organisation of the United Nations (FAO) and 5.4.4 – Indirect management with the United Nations Development Programme (UNDP), in case indirect management cannot be implemented due to circumstances outside of the Commission's control.

The alternative to indirect management with FAO will be:

**Grants: call for proposals "Improved technical capacities and direct delivery of agricultural services in rural regions of Georgia" (direct management)**

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

Objectives: to promote inclusive and sustainable growth and development, creating employment and livelihoods for the poor and excluded in rural regions of Georgia.

Fields of intervention: agriculture and rural development

Expected results and eligible actions are those linked to the implementation of rural development measures for improved agricultural services in targeted areas.

(b) 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.

Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant is EUR 2,000,000 to 4,000,000, and the grants may be awarded to the entities, acting alone or in partnership. 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 this call is 80%.

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 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

3<sup>rd</sup> trimester of 2017.

The alternative to indirect management with UNDP (except Abkhazia component) will be:

**Grants: call for proposals "Improved technical capacities and direct delivery of rural development services in rural regions of Georgia" (direct management)**

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

Objectives: to promote inclusive and sustainable growth and development, creating employment and livelihoods for the poor and excluded in rural regions of Georgia.

Fields of intervention: agriculture and rural development

Expected results and eligible actions are those linked to the implementation of rural development measures for improved rural development services in targeted areas.

(b) 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.

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 4,000,000, and the grants may be awarded to the entities, acting alone or in partnership. 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 this call is 80%.

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 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

3<sup>rd</sup> trimester of 2017.

The alternative to indirect management with UNDP (Abkhazia component) will be:

**Grant: direct award "Expansion of rural development measures in Abkhazia" (direct management)**

(a) Objectives of the grant, 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 as 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%.

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 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

3<sup>rd</sup> trimester of 2017.

**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, subject to the following provisions.

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 realisation of this action impossible or exceedingly difficult.

**5.6 Indicative budget**

	<b>EU contribution (amount in EUR)</b>	<b>Indicative third party contribution (amount in EUR)</b>
5.3 - Budget support – Sector reform contract	44,500,000	
5.4.1 - Grants: call for proposals "Support to development of livelihoods in disadvantaged rural regions of Georgia" (direct management)	6,000,000	1,500,000
5.4.2 - Procurement	400,000	
5.4.3 - Indirect management with the Food and Agriculture Organisation of the United Nations (FAO)	12,000,000	



5.4.4 - Indirect management with the United Nations Development Programme (UNDP)	14,000,000	
5.9 - Evaluation and, 5.10 - Audit	400,000	
5.11 - Communication and visibility	200,000	
<b>Totals</b>	<b>77,500,000</b>	<b>1,500,000</b>

## 5.7 Organisational set-up and responsibilities

The MoA is the main stakeholder of ENPARD III 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. After adoption of the National Rural Development Strategy, the SC will be expanded in order to include other ministries with direct competence on rural development.

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 III.

## 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 <sup>st</sup> tranche	2017	1 <sup>st</sup> quarter 2018
2 <sup>nd</sup> tranche	2018	1 <sup>st</sup> quarter 2019
3 <sup>rd</sup> tranche	2019	1 <sup>st</sup> quarter 2020
4 <sup>th</sup> tranche	2020	1 <sup>st</sup> quarter 2021

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. Both the mid-term and final report shall contain a gender analysis. 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 2019 and 2021.

### **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 2019 and 2021.

### **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 gender-sensitive 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, one contract for communication and visibility services shall be concluded under a framework contract in 2019.

## APPENDIX - INDICATIVE LIST OF RESULT INDICATORS<sup>14</sup>

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.

	<b>Intervention logic</b>	<b>Indicators</b>	<b>Baselines (incl. reference year)</b>	<b>Targets (incl. reference year)</b>	<b>Sources and means of verification</b>
<b>Overall objective: Impact</b>	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)	Performance Assessment Framework (PAF), World Bank reports
<b>Specific objective(s): Outcome(s)</b>	Growth and development are inclusive and sustainable, creating employment and livelihoods for the poor and excluded	Average monthly incomes per household in rural areas*	902 GEL (2015)	1,100 GEL (2020)	GEOSTAT statistics
		Unemployment rate (disaggregated by sex, rural/urban)**	10.2% female/13.5% male; 21.5% urban/4.8% rural (2015);	12 % (Georgia 2020 target)	GEOSTAT statistics
		Percentage (self) employment among vocational education (VET) graduates disaggregated by sex, people with disabilities, economic and other vulnerabilities*	Information to be confirmed (2015)	10% increase vs. 2015 (2020)	Work net data, MoLHSA; GEOSTAT statistics
<b>Induced outputs</b>	National and sub-national systems and institutions enabled to achieve structural transformation of productive capacities that are sustainable and employment - and livelihoods-intensive	Percentage of people employed in agriculture as part of total employment in rural areas	Situation prevailing in 2016 <sup>φ</sup>	5% overall decrease vs. 2016 (2020)	GEOSTAT statistics
		Number of new policies, systems, institutional measures at national and subnational levels to generate/strengthen employment and livelihoods**	Three policies/ programmes (2014) <sup>15</sup>	At least 2 new policies related to rural development (2020)	Performance Assessment Framework (PAF); Government reports
	Institutional capacity improved for the implementation of the Rural Development Strategy	Level of skills and knowledge of rural development policy and delivery mechanisms within the public sector and stakeholders*	Not available (2016)	Target agreed during baseline	Training Needs Assessments and performance reports

<sup>14</sup> Indicators aligned with the relevant programming document are marked with '\*' and indicators aligned to the EU Results Framework with '\*\*'.

<sup>15</sup> Including support to private sector development and agricultural loan programmes (Ministry of Agriculture), support to cooperatives, ICCs and produce in Georgia (Ministry of Economy and Sustainable Development), EDA and GNITA programmes

	<b>Intervention logic</b>	<b>Indicators</b>	<b>Baselines (incl. reference year)</b>	<b>Targets (incl. reference year)</b>	<b>Sources and means of verification</b>
<b>Direct outputs</b>	Improved rural economic diversification, employment and services	Gross number of jobs created in rural areas with support from the programme, disaggregated by sex*	Situation prevailing in 2016 <sup>φ</sup>	Target agreed during baseline (2020)	Baseline report data, GEOSTAT statistics, ENPARD evaluation reports
		Number of people benefitting from rural advisory services, VET/ skills development with support from the programme, disaggregated by sex**	Situation prevailing in 2016 <sup>φ</sup>	Target agreed during baseline (2020)	Baseline report data, GEOSTAT statistics, ENPARD evaluation reports
	Enhanced competitiveness of agriculture	Agricultural value added per hectare in areas supported by the programme**	Situation prevailing in 2016 <sup>φ</sup>	Target agreed during baseline (2020)	Baseline report data, GEOSTAT statistics, ENPARD evaluation reports
		Number of food quality schemes adopted by farmers with support from the programme**	Situation prevailing in 2016 <sup>φ</sup>	Target agreed during baseline (2020)	Baseline report data, GEOSTAT statistics, ENPARD evaluation reports
	Improved environment, sustainable management of natural resources and climate action	Number of hectares of agricultural and pastoral ecosystems where sustainable and climate-resilient management practices have been introduced with support from the programme**	Situation prevailing in 2016 <sup>φ</sup>	Target agreed during baseline (2020)	Baseline report data, GEOSTAT statistics, ENPARD evaluation reports
		Number of hectares of forest and protected areas where sustainable and climate-resilient management practices have been introduced with support from the programme**	Situation prevailing in 2016 <sup>φ</sup>	Target agreed during baseline (2020)	Baseline report data, GEOSTAT statistics, ENPARD evaluation reports

φ Baseline data including specific data for all indicators and associated M&E system will be developed during the planning phase of the programme