

PMC Research
Center

People in
Need

Preliminary Assessment of the State Programme “Plant the Future”

2017
Tbilisi

PMC RC Policy Brief
PMC Research Center
People in Need

Mamuka Matiashvili

**Preliminary
Assessment of the
State Programme
“Plant the Future”**

2017
Tbilisi



ევროკავშირი
საქართველოსთვის
The European Union for Georgia



The project “**Civil Society Organizations Supporting Free Trade with Europe**”
is funded by European Union and implemented by *People in Need*



Project partners are:



This publication has been produced with the assistance of the European Union. Its contents are the sole responsibility of People in Need and PMC Research Centre and do not necessarily reflect the views of the European Union.

Table of Contents

Summary	6
Methodology	7
Analysis of Public Policy Alternatives	11
Policy Recommendations	13
Appendix 1 – Workshop Results	15

Summary

In recent years, Georgia has actively begun devising policies to promote the development of agriculture. Acceleration of these processes has been enabled by the EU-Georgia Association Agreement, through which Georgia has committed itself to developing various key state systems and areas, bringing them closer in line with EU standards. Agriculture constitutes one of the most important areas on the Association Agreement agenda, which commits both sides to cooperating with each other and sets out specific activities in this field.

Based on the Association Agreement agenda, Georgia has accepted numerous obligations in various fields, including agriculture. The Strategy for Agricultural and Rural Development in Georgia 2015-2020 has been approved in line with the principles of the Association Agreement. The Strategy forms the basis for various state programmes that are mainly carried out under the guidance of the Ministry of Agriculture by the Agricultural Project Management Agency (hereinafter referred to as “Agency”) – a non-profit non-commercial legal entity (NNLE) that falls under the Ministry’s control.

The 12 February 2015 Georgian Government Resolution 56 on the State Programme “Plant the Future” addresses the agenda of the

Association Agreement and the main issues defined within the Agricultural Development Strategy. Its main goals include **enabling a more effective use of the agricultural land in Georgia by means of multiyear cultivation, leading to local produce replacing foreign imports, as well as an increase in export potential.**

The present policy study presents recommendations on improving the state programme “Plant the Future.” These include the following:

1. In order to ensure the sustainability and profitability of the state-funded orchards and seed plots, the programme ought to be carried out with due consideration for market research and capacity analysis. The technical support component of the government resolution should be amended accordingly, making it compulsory for each project to be based on market analysis and detailed recommendations that are prepared in advance, taking into account the specifics of particular cultures and regions.
2. Weak sustainability of the market and gaps in legislative regulations are preventing the sapling nursery co-funding component to be maximised.

This ought to be rectified through political and judicial declarations with regards to the long-term nature of the programme. Furthermore, stricter legislative requirements ought to be introduced regarding the production and distribution of seed material.

3. With regards to participation in the programme, there is a notable passiveness from certain regions, as well as a lack of coverage, which points towards the programme's ineffectiveness in dealing with some of the regions. It would therefore be advisable to modify the terms of the programme to take into account the peculiarities of specific regions.

Methodology

The working process of the present public policy study mainly employs desk research. Furthermore, interviews have been conducted with authorised personnel from the Agency and heads of the Ministry's regional services. Relevant written information has also been requested from the said Agency.

Introduction – The Significance of the Issue

The EU-Georgia Association Agreement agenda determines the areas of cooperation between the EU and Georgia, based on which Georgia has undertaken the following commitments:

- Enable gradual adoption of marketing standards for agricultural production in order to achieve higher standards in food safety and implement quality schemes;
- Enhance competitiveness of agricultural production in order to strengthen the economies of scale through market-oriented agricultural cooperatives, and to increase production and exports by developing consultation and educational systems, as well as facilitating access to vital loans and financial resources;
- Modernise the institutions responsible for agricultural development through ways that includes involvement of all relevant stakeholders in the process;
- Achieve closer proximity to effective agricultural and rural development policies through EU-approved models.¹

¹https://eeas.europa.eu/sites/eeas/files/associationagenda_2014_ka.pdf

In accordance with the said agenda, Georgia actively operates various state programmes aimed at agricultural and rural development, in accordance with the EU-Georgia Association Agreement agenda and the Strategy for Agricultural Development in Georgia 2015-2020. Policy determination and execution is the prerogative of the Ministry of Agriculture, while its programmes are implemented by NNLE Agricultural Project Management Agency, which is run by the Ministry.

According to Item 3.4.2. of the Strategy for Agricultural Development in Georgia 2015-2020, the **elaboration, implementation and monitoring of specialised programmes for agricultural development in Georgia** constitutes one of the main areas of activity. In this regard, the plan is to develop a new vision and new approaches. **Examination of development-related problems from various sectors within the same context**, presentation of the said problems in the regional, technological and economic context, and conducting appropriate analysis will lead to the establishment of programmes that will boost local production capacity, exports and import replacement potential. Crucially, the Strategy also includes various food safety programmes. In accordance with the EU-Georgia Association Agreement, as well as Item 3.4.4. of the aforementioned Strategy,

supporting the development of seeding and planting material production is also regarded as a priority.

According to the Strategy for Agricultural Development in Georgia 2015-2020, “identifying the right priorities is the main factor for achieving success with limited resources,” which is precisely why the areas of activity for the planned state programmes are to be determined based on sectoral research and competitiveness analysis. It is therefore vital for each programme to be based on specific research and meet the requirements of the market and the areas of development. To ensure continued success of the state programme “Plant the Future” and related projects, it will be vital to conduct appropriate research that will identify a specific culture’s potential dynamics based on time and development prospects.

The state programme “Plant the Future” is based directly on the aforementioned areas of the Strategy for Agricultural Development in Georgia 2015-2020. The programme is implemented in accordance with the 12 February 2015 Georgian Government Resolution 56 on the State Programme “Plant the Future.” The aims of the programme include enabling a more effective use of the agricultural land in Georgia by means of multiyear cultivation, leading to local

produce replacing foreign imports, as well as an increase in export potential; boosting and improving the supplies of raw material for processing enterprises; improving the socio-economic situation for the rural population. The programme also aims to support the production of clean, high-quality, local planting materials and to support the development of the local seed industry. “Plant the Future” is being implemented from 2017 as part of the Agricultural Project Management Agency’s joint state programme “Enterprise Georgia.” It is a joint agricultural project, which is aimed at long-term development and creating an environment that “enhances competitiveness in agriculture, enables stable growth in manufacturing of high-quality products, and implements international food safety standards.”²

The programme consists of the following two components:

- The orchard co-funding component;
- The sapling nursery co-funding component.

Information regarding the use of both of these components is presented in accordance with the data provided by the Agency, which shows that the figure for the use of the

orchard co-funding component is quite high, while the use of the sapling nursery co-funding component is low. More specifically, during the last two years, **519** beneficiaries across the country received funding as part of the orchard co-funding component, while the total cultivated area amounted to **3 599.99** hectares, and the total amount of funds allocated as part of this component was **GEL 18 048 525**.

It is worth noting that only two projects were implemented across the country as part of the sapling nursery co-funding component, both of them in the Samegrelo region. The volume of funding in this component was **GEL 85 529**, which helped establish hazelnut sapling nurseries across a total area of 4 hectares.

In total, the volume of co-funding amounted to GEL 18 134 054 for 521 beneficiaries, and the total cultivated area was 3 603.99 hectares.

From all of the above, it is clear that there is a serious problem regarding the development of sapling nurseries. This problem is evident when you compare the data for the programme’s two components to each other. Although the programme offers similar benefits for both components, one of the components has been successful, while the other has not. **We must therefore look at the existing situation in the field itself and in the**

² <http://apma.ge/newsletter/news/view/116/>

current procedures for explanation. It is clear that this issue ought to be studied in greater detail, and the programme be modified to make both components appealing, successful and in-demand.

It is worth noting that from the interview with the relevant authorised individual (Levan Dolidze), it became clear that the Agency is content with the volume of co-funding and the number of beneficiaries, which considerably exceeded the Agency's initial expectations.

We can also make certain observations based on the analysis provided by the Agency. More specifically, the data for the orchard component shows that with regards to the number of beneficiaries, the area and the volume of funding, the regions of Shida Kartli and Kakheti come out on top. These two regions account for more than 60% of the beneficiaries, the area and the funding. In contrast, there is a lack of activity in Racha (1 beneficiary), Adjara (2 beneficiaries) and Samtskhe-Javakheti (5 beneficiaries).

The data shows that the programme is not equally effective across the regions. Therefore, **it is necessary to study the reasons for the programme's lack of success in the aforementioned regions. Objective and subjective factors must be analysed and used as a basis for measures aimed at specific regions.**

It is also interesting to note that more than 60% of the orchards cultivated as part of the programme fall into the category of nuts (walnuts, hazelnuts, almond), and are accounted for by the regions of Shida Kartli and Kakheti. Seed cultures (mainly apples) are also well-represented in Shida Kartli, accounting for approximately 17% of the total area and funding. Demand for the other cultures is equal, and dependent on regional specifics.

Further interesting aspects are offered by the analysis of the 12 February 2015 Georgian Government Resolution 56 on the State Programme "Plant the Future," and the changes carried out therein. During the last two years, 5 changes have been made to the programme, the contents and specifics of which were based on the practical experiences and the needs to improve the existing situation. Taking into account the programme's specifics and the results, it can be said that the programme has largely been a success, while the changes were based on the market demands and the need to adjust to the existing circumstances. The contents and the aims of the changes in question can be assessed through several examples.

Thus, based on previous practical experiences, 8 April 2015 saw changes being made to the list of funded cultures per region,

the minimum required area of land intended for cultivation, as well as various procedural changes aimed at improving the programme. Further changes were introduced on 26 August 2015 to improve certain procedures, including articles designed to regulate conflicts of interest and issues regarding land fragmentation,³ as well as the addition of a table that determines the lists of cultures eligible for funding (per region).

Analysis of Public Policy Alternatives

Each issue identified in the study has played a certain role in shaping the existing situation. However, the following problems stand out in particular:

- **Knowledge and information regarding the current situation on the market;**
- **Weak sustainability of the market and gaps in legislative regulations that are preventing the sapling nursery co-funding component to be maximised;**
- **Passiveness of certain regions with regards to participation in the programme, and a lack of coverage.**

Resolving each of the issues identified within the present study is important for future development of the sector, as they

greatly affect its economic direction, development and projected results.

It is evident from the general analysis of the present state programme and interviews with the relevant competent individuals that market research and analysis is absent from the planning process for specific projects. It is not clear how the projects implemented through this and other similar programmes, as well as general trends, will affect the dynamics of the situation in the country with respect to specific cultural needs, scale of production and projected sources of distribution. It is important to have such analysis and information that can be used effectively in the process of selecting the projects. Therefore, prior to issuing the relevant funding, it would be advisable to ensure the presence of a market research and analysis document and information that will be considered and used for each of the programme's projects.

As it has been mentioned earlier, there are significant problems regarding the sapling nursery co-funding component. Existing data analysis reveals that demand for setting up sapling nurseries is very low, and in spite of the existing benefits, only two projects are

³ Land fragmentation refers to ownership of small agricultural land plots. In these circumstances, a person

may own small plots (up to 1 ha) at one or several locations.

currently being implemented, which is a very low figure.

As it has been pointed out, since the programme is offering equal benefits for both components, we must probably look at the existing situation within the sector for reasons. First and foremost, it is the inertness of the local sapling farmers, which is caused mainly by the existing legal environment and the current economic background on the market. Setting up sapling nurseries is a long-term undertaking that requires considerable investment, which pays off many years down the line. Therefore, in the absence of firm guarantees regarding demand for certified, quality planting materials in the country, sapling farmers are unlikely to invest and risk competing against unscrupulous farmers who will sell low-quality uncertified saplings without restriction and without having to conduct serious investment of their own.

As we can see, **the existing policies and legal environment do not give the players within this sector a firm belief that they will have long-term and sustainable support from the state**. Therefore, they fear that without state support, the sapling business will not be profitable enough to justify substantial and long-term investment. **The development of**

sapling nurseries is a long-term project (5-10 years), and unless sustainability with regards to long-term investments can be ensured, it will be difficult to persuade people to risk investing in this sector. This is the most likely explanation for the passiveness of sapling farmers.

As mentioned earlier, the passiveness of certain regions and lack of coverage is a considerable weakness with regards to participation in the programme. The present analysis and interviews with authorised individuals lead us to believe that this **passiveness is mainly caused by the irrelevance of the terms of the programme to the existing situation in certain regions due to a lack of land and the difficult economic circumstances for prospective beneficiaries**.

Policy Recommendations

In order to ensure effective growth and subsequent improvement of the state programme “Plant the Future,” it is necessary to undertake the following steps:

N	Policy Implementation Steps	Reasoning
1.	<p>To ensure sustainability and profitability of state-funded orchards and sapling nurseries, the programme must be based on market research and capacity analysis. The said programme must include the following:</p> <ul style="list-style-type: none"> • Analysis of the existing situation on the market and trends; • Analysis of domestic market demand, as well as existing import, export, domestic market replacement and export growth capacities, and projected total production; • Analysis of existing processing, storage, refrigeration and similar infrastructural capacities, which should be conducted based on specific regions and cultures; • Using analysis-based data assessment and comparison, produce appropriate conclusions and recommendations regarding specific cultures, stating the feasibility of cultivating the culture in question, as well as selling it under the circumstances of existing and projected demand and supply. 	<p>The Resolution must be changed to make it compulsory for each programme within the technical support component to be based on documented market analysis and recommendations. The document in question shall be prepared in advance, taking into account specific cultures, as well as regional specifics; As a result of analysing and evaluating future situations based on existing circumstances and projected development, both the state and the beneficiaries will find it considerably easier to provide recommendations and take decisions regarding specific cultures and specific regions. Conducting the aforementioned analysis will significantly enhance the project’s results and profitability.</p> <p>It is advisable to ensure the widest possible use of international, non-governmental and other relevant organisations’ resources when preparing the said analysis. These organisations have the capacity to conduct expert assessment and produce recommendations.</p>
2.	<p>Due to weak market sustainability and gaps in legislation, the sapling nursery industry cannot be maximised. The weakness in question can be resolved through the following measures:</p> <ul style="list-style-type: none"> • The “Plant the Future” programme ought to be more sustainable, and it must be declared both politically and judicially that the programme is to operate long-term. • The existing legal environment regarding production and distribution of sapling material must be toughened 	<p>The development of sapling nurseries is a long-term project (5-10 years), and unless sustainability with regards to long-term investments can be ensured, it will be difficult to persuade people to risk investing in this sector. This is the most likely explanation for the passiveness of sapling farmers. If the state was to announce a firm policy decision regarding long-term funding of the programme, and introduce appropriate legal regulations, then the prospective beneficiaries would find it easier to construct long-term plans, conduct investment and achieve development. Introducing stricter</p>

	<p>to force manufacturers to enhance the quality of the product in order to meet the legal requirements.</p> <ul style="list-style-type: none"> The quality of education of sapling manufacturers must be enhanced by providing appropriate knowledge and information. 	<p>market regulations will further stimulate the said development, raising the bar in terms of the minimum standards and force the sapling nurseries to comply with the stricter rules. At the same time, it is important to implement an appropriate educational project, enhancing the level of education of sapling manufacturers through short-term training courses.</p>
3.	<p>With regards to participation in the programme, there is a notable passiveness from certain regions, as well as a lack of coverage, which points towards the programme's ineffectiveness in dealing with some of the regions. It would therefore be advisable to modify the terms of the programme to take into account the peculiarities of specific regions. More specifically:</p> <ul style="list-style-type: none"> Study the main reasons for the programme's ineffectiveness in certain regions; By taking into account the specifics of the Racha, Adjara and Samtskhe-Javakheti regions, changes must be made to the 12 February 2015 Georgian Government Resolution 56 on the State Programme "Plant the Future." 	<p>Existing information and analysis leads us to conclude that this passiveness is mainly caused by the irrelevance of the terms of the programme to the existing situation in certain regions due to a lack of land and the difficult economic circumstances for prospective beneficiaries. For example, due to fragmentation and small size of land plots in Racha and Samtskhe-Javakheti, it is difficult to find 1ha plots of agricultural land that fall under the same cadastral code, and/or are adjoining, thereby meeting the requirements of the programme. Furthermore, due to land shortages in Samtskhe-Javakheti in particular, preference is afforded to one-year cultures and investments that promise faster returns.</p> <p>Following from the above, and based on regional specifics, it is important that appropriate changes are carried out by taking these factors into account – for example, by decreasing the lower land area limit for these regions to 0.5 or even 0.25 ha.</p> <p>It would also be advisable to implement a programme for one-year (food safety) cultures, thereby better allowing the requirements of the appropriate category of beneficiaries from these and other regions in Georgia to be covered, while also improving the food safety situation at the same time.</p>

Appendix 1 – Workshop Results

The PMC Research Centre conducted workshops in the regions of Adjara, Imereti and Kakheti, aiming to inform civil society organisations about the problems and recommendations that were identified through the said study. The meetings were attended by state, non-governmental, and private sector representatives. Participants familiarised themselves with the problems and recommendations shared by the author. Additional opinions were raised during the subsequent discussions of the issue. These are presented in the form of the present Appendix.

Lack of Knowledge and Education

Participants of the meetings shared the author's views regarding the lack of information about the existing situation on the agricultural product market constituting a problem. Farmers in all three regions identified the need to enhance their knowledge. According to them, the majority of farmers do not have sufficient information regarding the current trends in the agricultural sector, as well as modern technologies and means of production.

The farmers expressed their backing for the recommendations proposed by the author on the said issue. Furthermore, according to them, the programme must provide additional information to the beneficiaries, which can be done through trainings and visits to showcase land plots. It would be advisable for farmers to have access to information regarding the latest trends on local and international markets, and to know which products are in high demand. According to the farmers, all of the above will help them plan their activities more effectively.

Shortage of Processing Enterprises and Refrigeration Facilities

During the meeting, the author highlighted the importance of analysing the processing, storage, refrigeration and similar infrastructural capacities. In response, participants from all three regions expressed their dissatisfaction regarding the shortage of processing enterprises and refrigeration facilities. The aforementioned issue makes it difficult for the harvested produce to be stored and processed, which hinders agricultural development.

It is recommended to address the issue in question. Increasing the number of processing enterprises and refrigeration facilities will make participation in the programme more economically attractive.

Unregistered Land Plots (The Land Reform Faults) and Land Fragmentation

Since land reforms have not been completed, many local manufacturers have been unable to benefit from the project. This problem was particularly evident in the Adjara region.

Even though the land registration process has been simplified, there are still obstacles preventing the population from formally legalising ownership of their lands. The government must identify and eliminate these obstacles, and implement appropriate legislative changes, if necessary.

Attendees agreed with the recommendation in the policy brief that land fragmentation and regional specifics has to be considered and the required minimum amount of land has to be modified accordingly.

The Programme Does Not Cover Certain Cultures (e.g. Mulberries, Table Grapes)

During the meeting in Kakheti, the participants expressed their dissatisfaction about the programme not covering important

cultures such as mulberries and table grapes. It was recommended to modify the programme so it will cover mentioned cultures.