



Government of Ajara AR



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Project Document

SUPPORT TO AGRICULTURAL DEVELOPMENT IN AJARA AUTONOMOUS REPUBLIC

- UNDAF Outcome:** 1. Inclusive development and poverty alleviation promotion through international, national and local economic policies, including in the area of trade and investment.
- Expected CPAP Outcome(s):** 1.1 National, regional and local level governments have capacity and skills to develop and steer national and local economic policies that promote inclusive growth and contribute to poverty alleviation.
- Expected CPAP Output(s):** 1.1.2 Private sector development with special emphasis on SMEs and start-ups in rural areas, supported through increased access to finance and business development services.
1.1.3 Business support services, e.g., training, consulting, targeting the poor are developed in rural areas.
- Implementing Partner:** Government of Ajara AR
- Responsible Parties:** UNDP, Ajara Agroservice Center, Batumi Business Incubator, Vocational College "Black Sea"

Brief Summary

The Regional Development Strategy for Ajara sees strong foundations for agricultural development based mainly on climatic advantage, favourable trade regimes for export, and the potential for attracting FDI. It is, nonetheless, recognised that these advantages are offset by small farm size, limited services to farmers, the age and condition of the fruit tree stock, and producers' current strong orientation to local markets and hence the absence of price and quality signals that greater export orientation would provide.

The support has two objectives (a) to increase returns to farming in Ajara and (b) to strengthen the capability of the Ministry of Agriculture of the Autonomous Republic of Ajara in policy analysis and related tasks.

In the course of achieving these objectives, and in responding to the priorities set out in the Ajara Regional Development Strategy, support will be provided under three components:

1. increasing and improving services to small farmers;
2. development of business oriented small farmers' groups, associations and other forms of profit-based collaborative actions between farmers; and
3. institutional development of the Ministry of Agriculture of the Autonomous Republic of Ajara.

Programme Period:	2011-2015
Key Result Area (Strategic Plan):	_____
Atlas Award ID:	00071440/84902
Start date:	1-May-2013
End Date:	30-Apr-2016
LPAC date:	18-Dec-2012
Management Arrangements:	NIM

Budget:	<u>4,324,579.55USD</u>
Total resources required:	<u>4,324,579.55USD</u>
Total allocated resources:	<u>4,324,579.55USD</u>
• Other:	
<u>European Union</u>	<u>3,926,701.57USD (=EUR 3mIn per UNXRATE 0.764 for May-2013)</u>
<u>Ajara AR Govt</u>	<u>397,877.98 USD (=EUR 300,000 per UNXRATE 0.754 for Jan-2013)</u>
Unfunded budget:	<u>0USD</u>
In-kind Contributions:	_____

Agreed by Ajara AR:

Archil Khabadze

Chairman of the Government

Date: 07-May-2013

Agreed by UNDP:

Jamie McGoldrick

UNDP Resident Representative

Date: 07-May-2013

I. SITUATION ANALYSIS

Agriculture in Ajara mirrors that in Georgia as a whole. Nationally, agriculture remains an important yet declining sector in terms of GDP contribution¹, net foreign exchange earnings, and employment. It also provides an important safety net for the rural population, with some 50% of the labour force employed in the sector. But 95% of farmers are small farmers, typically cultivating around 1ha of land and owning perhaps 2 cows and, as a result, yields and output are low. The slow pace of agricultural modernization, coupled with land abandonment, has also meant that rural poverty has proved persistent².

Most of the Autonomous Republic of Ajara (hereinafter referred to as 'Ajara') is hilly or mountainous and, outside the narrow coastal plain, there is little flat land, thereby limiting the benefits of a favourable climate for agriculture. Partly as a result of this topography, agriculture is dominated by citrus, other fresh fruit and vegetables, and livestock, with limited production of cereals or other field crops. There are substantial areas planted to tea but, although there has been some rehabilitation, most tea gardens are neglected and no longer productive. Some wine grape production, beekeeping and fish farming is also found.

Substantial amounts of locally-produced citrus (which mainly comprises mandarins and other soft citrus) are exported, principally to markets in Ukraine. Otherwise, agricultural production is mainly for local markets, which are also supplied by imports, mostly from other parts of Georgia and from Turkey (with the Turkish border only some 15km from Batumi, the capital of Ajara). Turkish products dominate supply in the shoulder seasons and in the out-of-season market when the markets are undersupplied from local sources. Despite this, there are reports that consumers prefer local produce and are willing to pay a price premium over cheaper Turkish produce.

Farm sizes are small, averaging around 0.25 ha, with little evidence of land sales or rental. As a result, and despite a free market in farmland throughout Georgia, there is no sign of growth in average farm size from this source. As elsewhere in Georgia, banks are reluctant to lend to agriculture and generally will not take small land parcels as collateral (and, indeed, also do not lend for working capital). There is a substantial amount of state-owned farmland in Ajara which remains to be privatized, with some already sold for nominal amounts on the basis of agreements on subsequent investments.

Partly in response to small farm size, a number of farmers' associations have been formed, apparently spontaneously. These operate according to business oriented farmers' groups principles and are legal entities, although do not necessarily carry the formal title or designation of 'cooperative' or have formal membership structures or membership fees. All have business plans which focus on marketing and, in the case of the Citrus Producers' Association, this includes post-harvest handling and packing. This association has benefitted from the presence of a citrus packing and marketing company³ in Ajara which sells mainly in export markets.

The two Beekeepers' Associations also focus on securing markets for their members, but additionally seek to derive economies of scale in input supply. One has benefitted from a substantial capital grant from the Millennium Challenge Fund for the purchase of machinery for making the wax base for honeycombs. Other associations comprise a farm machinery 'union' (which rents machinery to members and is hence a service business oriented small farmers groups) and berry and potato growers' associations.

There are also wholesalers in Ajara. They collect produce direct from farmers and are particularly prominent in the citrus subsector. However, given topography and the likelihood of snow during the citrus harvest season, some farms cannot be reached by wholesalers because of treacherous road conditions and farmers are thereby sometimes unable to sell their crop. Partly in response, there is widespread citrus storage in unrefrigerated informal cold stores which are typically built into farmers' houses. This is also sometimes done to secure the price advantages available in the shoulder seasons.

¹ In 2011 agriculture accounted for 8% GDP, down from 8.4% in 2010 and 9.4% in 2009.

² It should nonetheless be noted that the last agriculture census was conducted in 2004 and is largely outdated. There are various shortcomings in the quality of the agriculture-related statistics available, due to limited sampling and quality control of the agriculture and household consumption/price surveys and lack of capacities to analyze existing information.

³ <http://agroexport.wordpress.com/citrus-fruit-processing-and-packing/>

While, in the rest of Georgia, agro processing outside the wine industry has been slow to emerge, there has been greater progress in this area in Ajara. This appears to be partly a result of Georgia's 2007 Free Trade Agreement with Turkey⁴, as well as Ajara's proximity to the Turkish border (with some investments funded through Turkish foreign direct investment (FDI)). There have been other investments, both domestic and foreign, in fruit processing and marketing and in livestock production. This has increased the number and coverage of processors in Ajara, adding to existing processing capacity in the dairy and wine industries.

Since 2011, agriculture has been a top development priority in Georgia, partly because of high food prices and the increase in the inflation rate, to which high food prices are the main contributor. This new emphasis on the sector was underlined in the *10 Points Plan 2011/2015*⁵, which proposes developing commercial agriculture in addition to household production. Further, in 2012, the Government increased budgetary expenditure on agriculture by 60%. An Action Plan for Agriculture for 2013-2015 is in prospect and would prospectively lead to a medium-term expenditure plan for agriculture. In parallel, an agricultural strategy for 2012 to 2022⁶ was adopted by the Government in March 2012⁷.

The current European Neighbourhood Policy (ENP) Action Plan also sees agriculture as a priority for Georgia and specifies, as one of its priority lines for action, sets out the need to 'enhance agricultural production and rural development'. Furthermore, modernizing agriculture is also the basis for developing a food safety system which is, in turn, a key element in the negotiation⁸ of the EU-Georgia Deep and Comprehensive Free Trade Area (DCFTA)⁹. European Neighborhood Program for Agriculture and Rural Development (ENPARD) was developed by EU to provide complex support to the sector in terms of strengthening of cooperation among farmers, improving extension services to farmers, improving performance of institutions engaged in agriculture which are the main pillars of the proposed support. The proposal is a part of the wide range of the activities for supporting the development of agriculture sector in Georgia, under ENPARD, in Ajara Autonomous Republic.

Under the terms of its status of autonomy as part of Georgia¹⁰, Ajara forms its own agricultural policy. Despite this, Ajara's agricultural policy naturally reflects that of Georgia as a whole. There are indeed clear overlaps between the Georgian Agriculture Development Strategy 2012-2022 and the agricultural components of the Ajara Regional Development Strategy¹¹, which was approved in January 2011.

The Regional Development Strategy for Ajara¹², approved in 2011, sees strong foundations for agricultural development based mainly on climatic advantage, favourable trade regimes for export, and the potential for attracting FDI, particularly from Turkish companies. It is nonetheless recognised that these advantages are offset by small farm size, limited services to farmers, the age and condition of the fruit tree stock, and producers' current strong orientation to local markets and hence the absence of price and quality signals that greater export orientation would provide.

Under this strategy, the focus of policy includes development of new export markets (in terms of both products and destinations) and actions on the rural non-farm economy, including agritourism. Privatisation of the remaining state-owned farmland is also seen as a priority, as is improved efficiency in farmland use which is to be encouraged through improved collection land tax collection rates.

⁴ <http://rtais.wto.org/rtadocs/636/TOA/English/main%20text.doc>

⁵ http://www.mcla.gov.ge/cms/site_images/pdf/Strategic_10_point_plan.pdf

⁶ Monitoring implementation of the agriculture is made the responsibility of Agriculture Policy Commission which was established in 2011 and is led by the Ministry of Agriculture. It is composed of line ministries with an interest in the strategy, including the Ministry of Regional Development and the Ministry of Environment.

⁷ http://typo3.fao.org/fileadmin/user_upload/eufao-fsi4dm/doc-training/Agricultural_development_strategy.pdf

⁸ http://eeas.europa.eu/delegations/georgia/documents/eu_georgia/dcfta2012_01_en.pdf

⁹ The thinking behind the notion of a 'deep' agreement is that whereas a free trade agreement, adding only the elimination of tariffs on trade in goods to WTO provisions, is the most easily feasible option, they yield only modest benefits for the beneficiary country. By contrast, a 'deep' free trade agreement (or 'FTA+') with the EU, while posing more difficult issues of feasibility, could be a centerpiece of an economic strategy leading to rapid growth. An FTA+ with the EU would entail an extensive, yet still selective, alignment of the beneficiary country's external and internal market laws and standards with those of the EU. To make the agreement deep and comprehensive, they would, for example, harmonize trade-related policies in areas, such as technical barriers to trade, trade in services, or state aid to enterprises.

¹⁰ The status of the Autonomous Republic of Ajara is defined by Georgia's Law on Ajara and the region's constitution. The local legislative body is the Parliament. The head of the region's government—the Council of Ministers of Ajara—is nominated by the Georgian President, who also has powers to dissolve parliament and government and to overrule on issues where the constitution of Georgia is contravened.

¹¹ http://www.iaa.ge/en/index.php?option=com_content&view=article&id=234:regional-development-strategy-of-autonomous-republic-of-ajara-was-approved&catid=1:news&Itemid=12

¹² www.ajara.gov.ge/acg/files/Adjara-Development-Strategy.pdf

Agricultural services are to be strengthened while improving the business environment for agriculture is also seen as essential.

There are some publically-funded services to agriculture in Ajara. Artificial insemination (AI) is provided by the Ministry of Agriculture at subsidised prices (currently around €14 per treatment) but, despite this, uptake is low. Animal health services are provided by a limited liability company recently founded by the Ajarian government and partially funded from the Ajara budget. This company has a number of veterinarians on its staff and their services are provided to farmers at subsidised prices.

There was until recently no extension service in Ajara, but an Agro-service Centre has recently been established as a budgetary-funded organisation with its headquarters in Kobuleti District. The extension is the Centre's core function. It has substantial lands at its disposal (nearly 25 ha) and a trialling and multiplication service for saplings for citrus, grapes and other types of tree fruit has been established and is operational. Certified saplings are produced in insufficient volume to meet demand in Ajara and, given the average age and condition of fruit trees and the consequent scale of replanting needs, existing nurseries reportedly cannot meet the volumes demanded by farmers. In addition, seedlings for new varieties of vegetables and fruits will also be trialled and multiplied.

There has been little external support specifically to Ajara in agricultural development. Some assistance has been provided by the European Union in collaboration with the State of Jersey and Oxfam to rural livelihoods and employment in Western Georgia as a whole (including Ajara and Samegrelo). This addressed, as one element, intensification of smallholder food and cash cropping. In addition, a total of 33 Farm Service Centres were opened across Georgia, funded by Millennium Challenge Georgia, of which one is in Ajara, with branches in Batumi and Kobuleti. These Centres sell inputs and provide machinery hire services to farmers.

UNDP has provided support in Ajara over a number of years in business development. Based on assessments of business support services and opportunities for economic diversification, UNDP assisted in the preparation of a local development strategy and creation of a business incubator in Batumi¹³. This is now fully operational and, in addition to offering space for young businesses, it also provides business consulting services. The Government of Ajara reportedly has plans to open two further incubators.

Focusing mainly on agriculture, on-going UNDP-implemented support to trade development aims at facilitating access to local and international markets for agricultural and food products through improved post-harvest handling and management, including produce consolidation arrangements. In addition, it has the objective of establishing supply chains using unutilized niches for food products, including those in the tourism industry. As one element, assistance will target the further development of the Batumi Business Incubator, which currently is a major provider of business development services in Ajara.

Trade-related services are provided to farmers and SMEs through a Trade Promotion Centre based in the Batumi Business Incubator. Services include assessment of marketing opportunities for agricultural products and assisting clients of the Agroservice Centre in preparing business and marketing plans and in developing supply chains. The Centre will also enable access to information on export opportunities and organize periodic seminars and training for farmers and others working in the agricultural industry on trade-related issues.

II. STRATEGY

Objective

The main objective of the support is facilitate the implementation of the national sector strategy and strengthening small farmers' organizations in Ajara Autonomous Republic.

As such, the proposed assistance is consistent with the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD Georgia) which, as noted, is designed to enhance

¹³ <http://www.bbi.ge/en/>

agricultural production and rural development¹⁴. Specifically the proposed assistance is designed to ensure achieving the ENPARD's results, namely: strengthening co-operation amongst small farmers, improving access to extension services by farmers and better performance of the institutions engaged in agriculture. It supports the implementation of the national agriculture strategy and strengthens small farmers' associations. It is also important in terms of helping to improve food safety systems within the country, especially in prospect of a Deep and Comprehensive Free Trade Area.

Proposed approach

In the course of achieving these objectives, and in responding to the priorities set out in the Ajara Regional Development Strategy, support will be provided under three components (which in turn reflect the objectives and content of the ENPARD Programme for Georgia):

1. Increasing and improving services to small farmers;
2. Development of business oriented small farmers groups, associations and other forms of profit-based collaborative actions between farmers; and
3. Institutional development of the Ministry of Agriculture of the Autonomous Republic of Ajara.

1. Increasing and improving services to small farmers

As noted, has until recently been no extension service available to farmers in Ajara. This constrained agricultural development and meant that the growth that could potentially take place in the agriculture sector was held back, with both yield gains and diversification thereby limited. It also meant that the poverty reduction effects of rural sector growth could not take full effect. Ajara and indeed Georgia as a whole has considerable scope and incentives to increase the provision of agricultural services, not least because virtually all agricultural services are 'green box' measures in World Trade Organisation agreements and hence there is no constraint on public expenditure in this area¹⁵.

While it is anticipated that the Agro-service Centre will be the principle provider of agricultural services in Ajara, it is also expected that its services will be complementary to any future private provision and hence that there may be various actors in extension provision (as, internationally, is now the norm). While already established as a legal body, the Agro-service Centre is at an early stage of development and its remit and tasks are still being finalised. The time is therefore ripe to work with the Centre and the Ministry of Agriculture in designing and operationalizing the services that it will provide to farmers and others.

UNDP has been supporting the 'Agro-Service Centre' since 2011 where it has developed a scheme of extension services to small farmers, consolidation and market promotion services with low cost processing and storage facilities for provision of the services to small farmers. There is a strong commitment from the Government of Ajara that the 'Agroservice Centre' will provide services to small farmers not excluding mid and high size farmers though.

While it will also work with larger farmers, it is apparent that the Centre will need to provide services that address small farmers' needs and that services, extension packages and methods of extension delivery will be need to be designed accordingly. This is important since delivery methods are significantly different for small farmers than for larger farmers and, mainly for reasons of cost, focus on group methods. There is also evidence from elsewhere in Georgia that, because small farmers' methods tend to be markedly sub-optimal, the production response from extension is greater for small farmers than for larger farmers, at least in the early years after farmers become clients of the extension service¹⁶. This of

¹⁴ <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/919&format=HTML&aged=0&language=EN&guiLanguage=en>

¹⁵ http://www.wto.org/english/tratop_e/agric_e/ag_intro03_domestic_e.htm

¹⁶ Results from an analysis of the impact of services provided by the agricultural extension centre at Kachreti suggest major gains in individual crop and livestock gross margins and resulting substantial increases in whole farm gross margins. In most cases, this was due to yield increases and, only in some cases, to cost reductions. In addition, in no cases were examples of diversification found. Yield gains were very high for some crops, although still within technically feasible bounds. This sharp bounce in yields seems to be because crop and animal husbandry was previously poor in the region and hence extension made a major impact on adopters. This was welcome, but it was recognised that future yield gains would be less marked. Significantly, the gains to small farmers were substantially higher than those to larger farmers. This is because the biggest increases in gross margins were in cucumbers and tomatoes which are proportionately more important in small farmers' cropping patterns. In contrast, gross margin gains in cereals tended to be lower, particularly for larger farmers.

course means that there are incentives to making sure the largest numbers of small farmers possible become clients of extension.

The principle activities under this component are set out below.

Strengthening the role of the Agro-service Centre in extension. Increasing concern about the effectiveness of public extension systems means that governments and the development partners are grappling with the question of how to deliver extension which not only addresses the information needs of small farmers, but also provides value for money. In addition, since extension provision now often involves private actors there is typically a need to redefine the role of public extension. Input suppliers have traditionally been a source of extension advice since they provide recommendations on input packages and doses in respect of the products they sell. Private extension companies have also emerged in many countries, offering a range of business and agronomic services.

But while as noted a multiplicity of providers in extension supply is now the norm, international experience suggests that there is an attendant danger of variation in the nature of the advice and information available to farmers. This can lead to farmers being offered and adopting sub-optimal techniques and production approaches, most markedly in input mixes and livestock feeding regimes. One objective will therefore be to ensure that farmers receive advice that is both consistent and sound in agronomic and financial terms.

It is planned that the Agro-service Centre will be mainly concerned with extension and related services in Ajara that private providers are unlikely to support, either now or in the future. This includes varietal trialling, group extension based on farmer field schools (and other approaches for farmers unable to afford or identify suitable private extension), specification of standardized feed rations by livestock type and breed, and determination of standardized input regimes by crop. Conversely, it is expected that private providers will increasingly be able to support farm business planning and management, advice on farm buildings and equipment, and provide individualised production advice. These individualised services will typically be for those farmers willing and able to pay, whereas poorer farmers will mainly resort to public extension for these services.

The model of developing a geographically evenly accessible services to small farmers with coordinated by a central branch responsible for quality assurance of the services and serving as a resource provider to the branches. This approach is in line with the Sector Policy Support Programme of the EU. The document prioritizes 'organization of the extension system for the agriculture sector, based on district level consultation & information centres' under the result area of access to capacity building by small farmers¹⁷.

Therefore, the services to be offered by the Agro-service Centre will rest in part on its capacity for outreach. Given Ajara's topography and the long travel times that this imposes, it is infeasible for extension advisers to travel from Kobuleti to meet farmers or farmers' groups at distant locations. This precludes the use of mobile extension teams and, instead, branches of the Agro-service Centre will be established in each municipality in Ajara: 1 in Kobuleti, 1 in Qeda, 1 in Khelvachauri, 2 in Shuakhevi and 2 Khulo municipalities. The relationship and division of responsibilities between the Agro-service Centre headquarters and the branches will be defined, together with the buildings and other facilities needed at branch level.

The Project will ensure coherence and synergy of the model of extension services in Ajara and with the rest of Georgia. The MoA of Georgia intends to develop a network of municipal extension service centres. Thus, in addition to 6 initially established ones, there will be new 54 centres, staffed by MoA of Georgia. Based on the consultations with the Government of Ajara the agreement is reached that the 'Agroservice Centre' with the guidance of MoA of Ajara will coordinate the operations of new branches to be established with the technical support of the Project in the above mentioned areas in compliance with the nation-wide approach to the development of public extension services.

It is planned that the buildings for the branches (which are expected to be small and, in most cases, to amount only to one room) will have a common design in order to establish an extension brand for Ajara.

¹⁷ Annex ii to financing agreement n° ENPI/2012/23280; 2012, P.3

Buildings will be provided by the Government and local authorities of Ajara while, for the duration of the assistance, staff and operating costs will be jointly funded from the assistance and the Ajarian budget. The maintenance and operational costs of these branches will be taken over by the Agro-service Centre.

UNDP will promote and advocate the model of extension services at the national level meaning involvement of policy makers and service providers as well. The model of extension services with clearly identified role of the public services and provided in tailored manner for the clients from remote areas will be promoted through various joint missions and meetings with the aim of sharing experience with other public and private extension service providers from around the country and the region as well.

Development of extension packages. One effect of the transition in the former socialist world has been loss of national capacities in agricultural research and, in turn, for the translation of findings into extension packages for farmers. Recommendations are informed by national institutions, such as Agricultural Academies or Agricultural Universities, which provide the research basis for extension recommendations through their own work and/or through adaptation of the findings from international agricultural research organisations or other countries. Extension advisers are nonetheless often forced to rely on their own knowledge and experience, sometimes with updates from the internet. Clearly, in these circumstances, ensuring consistency of, and a sound basis for, recommendations is problematic.

The Agro-service Centre will also be able to draw on extension packages prepared for, or by, extension providers elsewhere in Georgia, although these will not always be relevant to crops or conditions in Ajara. It is anticipated that an important source will be the Kachreti Agricultural Extension Centre in Kakheti Region, which has been supported by UNDP for several years. Extension packages have been drawn up for the principle crops and livestock in Kakheti Region and can prospectively be adapted to the different agro-climatic and topographical conditions in Ajara. In addition, extension packages will be required for citrus and other crops not produced in Kakheti and, partly in response, there will also be links to other potential providers of extension recommendations, including the Agricultural University and the Academy of Sciences. In all cases, support will be given to the adaptation of extension packages to conditions in Ajara, working as appropriate with local agronomists and livestock specialists.

Development of extension delivery methods. While earlier thinking on extension in transitional countries saw a trade-off between efficiency and costs (given the difficulty of providing the one-to-one advice from extension agents to farmers that has characterised extension in Europe and North America), in practice this has not proved problematic. Group training and demonstration has become the norm and any losses in efficiency from the unaffordability of one-to-one advice appear limited. As a result, and while not precluding some limited one-to-one advice, support will be given to the Agro-service Centre in designing and implementing group extension methods. These will include classroom training, demonstration plots and farmer field schools.

In addition, 'lead farmer' methods will be used, in conjunction with demonstration plots – an approach that has been used successfully by the Kachreti Extension Centre. Lead farmers tend to be innovators, and hence are well placed to be demonstrators. Demonstration plots at farm level, which are normally cheap to establish and maintain, have proved to be an effective device in convincing neighbouring farmers of the benefits of good agricultural practices. The extension service package will be designed in the way which will encourage regular relations and cooperation among farmers in 'farmer-to-farmer' related to operational, marketing and other issues, thus contributing to development of the culture of farmers cooperation.

Leaflet-based approaches to extension will also be trialled. These have been shown to be effective with the most commonly produced crops and livestock and can be a way of reaching large numbers of farmers at low cost. There have been successes in making them available at input suppliers' premises, with higher outreach achieved in this way and with farmers' trust in input suppliers thereby increased through their availability at the time of purchasing inputs.

The set of TV extension programs will be developed and broadcasted to local population in Ajara to provide useful information for wider population on the new technologies, experience of successful farmers, and new technologies. At the same time the TV programs will serve as a good format for public dialogue on the important topics related to agriculture development in Ajara. The programs will be

developed in close cooperation with the Ministry of Agriculture, the Agro-service Centre, farmers community and local public broadcasting company.

Assessment of feasibility other services to be provided by the Agro-service Centre. While extension for smallholder farmers will remain the core of the Agro-service Centre's task, it will also offer other services. Support will therefore be given to assessing the demand for, and feasibility of providing, such services, although without prejudicing its central function in extension. These services comprise:

- trialling, multiplication and sales of seedlings and saplings to farmers;
- animal health services and artificial insemination;
- plant health services;
- produce consolidation services; and
- agricultural equipment for training and rental purposes.

Trialling, multiplication and sales of seedlings and saplings to farmers. As noted, the Agro-service Centre already operates, and plans to start sales from, a nursery and this could potentially be expanded in terms of volumes and varieties. This is desirable in meeting the expected high level of demand from farmers. Care will nonetheless be taken not to discourage private sector provision and, accordingly, an assessment will be made of private nurseries' capability to meet demand in the medium term.

Animal health services and artificial insemination. Given that the Ajara Ministry of Agriculture already offers animal health and artificial insemination (AI) services, it is not expected that these will immediately fall under the purview of the Agro-service Centre. Indeed, there are plans in the medium term to privatise these services. However, given travel times and limited demand for AI, it is not certain whether this will be successful and, if so, livestock producers would be prospectively left without AI services. In this case, possible transfer to the AI service to the Agro-service Centre may be contemplated, although a publicly-funded subsidy would be needed if the Agro-service Centre were to continue to provide AI at subsidised prices.

Consolidation centres help overcome the disadvantages of small farmers *vis-a-vis* wholesalers. In areas where wholesalers do not collect produce or use monopoly positions to force down prices, small farmers have little choice but to sell in a buyer's market. In these circumstances, consolidation centres provide a counterweight in that farmers deliver produce to the consolidation centre, with sales then made on their behalf. Typically, a margin is retained for cost recovery, with the balance returned to the farmer. The consolidation centre can also sort and grade, with ensuing benefits in price differentiation and grading out substandard produce which, if included amongst higher quality produce, would otherwise depress price as a whole. The consolidation centres will be affiliated with 'Agroservice Centre' and provide their services to small farmers and profit oriented farmers groups. The 'Agroservice Centre' with assistance of UNDP has already launched small scale processing and consolidation services for fruit producers¹⁸. The same model of operational and institutional affiliation with the 'Agroservice Centre' will be applied with due consideration of the sustainability and effective targeting the target groups.

Agricultural tools for training and rental purposes. The Agro-service Centre will train farmers in the use of agricultural equipment. Farmers have faced difficulties in efficiently using equipment, including that rented from machinery rings. The Centre will therefore buy a range of agricultural machinery both as a basis for training farmers in its use and for farmers for hire.

A key consideration in the assessments of feasibility will be the financial feasibility of continued service provision after completion of the assistance as set out in this document. The fact that the Agro-service Centre is a budgetary-funded institution offers encouragement that it can continue to provide extension and other services in the future, some of them of a partial- or full cost recovery fee rate. It should, however, be noted that, internationally, the track record of extension centres in selling services and products to farmers has been patchy, with few able to raise significant revenue from this source. As a result, extension is unlikely to be a source of revenue, which will otherwise mainly come from plant sales, machinery hire and the consolidation centre.

¹⁸ This component was implemented under the project 'Support to Trade Development in Ajara Autonomous Republic' with financial support of the Government of Finland, Government of Ajara and UNDP under UNDP regional project Aid for Trade project 'Wider Europe: Aid for Trade for Central Asia, South Caucasus and Western CIS'.

Vocational education in agriculture. The series of vocational retraining courses will be provided to local farmers in the vocations of Fruits and Vegetables Processing, Veterinary Nursery Specialist and Technicians in Plant Protection – which are the most demanded professions in the agriculture sector of Ajara. The local public vocational education service provider (college 'Black Sea') which was supported by the UNDP with the aim of developing its capacities in delivery of market demand oriented vocational training and retraining which is envisaged to be partner – service provider for UNDP, which has capacities of management of high quality of re-training courses.

The vocational education, especially re-training is perceived as the best quick tool for developing and upgrade the skills which in most cases those involved in *necessity farming* lack. On the other hand the re-training will improve the equality of the supporting services to farmers provided by the private sector form community member farmers involved in veterinary, plant protection and others which influence the quality and effectiveness of the farming activities. The vocational courses will be beneficial for the local labour force as well. They will support both: to growing employability of unemployed and increasing effectiveness and efficiency of self-employment – the dominating type of employment in Ajara. The vocational re-training groups will be formed through an outreach campaign which will be implemented by the college and 'Agroservice Centre'. The primary consideration will be given to those, having affiliation with the 'Agro-service Centre's' services. The cooperation between extension service providers and vocational colleges is also important to be developed to position the 'Agroservice Centre' as a supporter of the quality of farming and farming related services.

Support to delivery of extension and other services. Once the scope and coverage of services has been defined and agreed, assistance to the delivery of extension and other services will be provided. This will include both technical assistance and grants. The technical assistance will be primarily in the delivery of the agreed services and will include training staff and working with them on-the-job in the delivery of services. Grants will support equipment, machinery and materials for the Agro-service Centre. There will also prospectively be grants to farmers for establishing demonstration plots, although assistance could also be given in kind in the form of improved seeds, varieties and other inputs that the farmer might not necessarily otherwise use.

The various analyses as set out above will be done during an extended inception phase, prospectively of 3 months. This inception phase and the results of the analyses is intended to allow final design of actions prior to the start of implementation.

2. Development of business oriented small farmers groups, associations and other forms of profit-based collaborative actions between farmers

Many of the conventional reasons for agricultural cooperation are pertinent in Georgia. Thus, business oriented small farmers groups can serve as vehicles for reducing transaction costs and facilitating farmers' access to, and improved prices in, input and product markets.

The support to development of business oriented small farmers' groups is of high priority in the ENPARD for Georgia which is oriented on comprehensive support to the development of these groups via Non State Actors (NSAs) to be selected through a competitive process. The EU in cooperation with the Ministry of Agriculture of Georgia under ENPARD aims at supporting the establishment of business-oriented small farmers' groups through a set which will provide support in developing a number of business oriented farmers' groups¹⁹. EU and UNDP have been cooperating in developing new legislation and amendments to the existing laws and regulations to create favourable legislative environment for establishing and operation of business oriented farmers' groups. EU expects that the Ministry of Agriculture will promote, amongst the small farmers, in a pro-active manner, the advantages of establishing business-oriented farmers' groups²⁰.

Small-scale farmers have limited access to factors of production, credit and information, with market access often constrained by high marketing costs. Such costs, including the costs of information and those associated with the search for trade partners, the distance to formal markets, and contract enforcement difficulties, are detrimental to the efficient operation of markets for inputs and products and may serve to limit farm incomes.

¹⁹ Annex II to financing agreement n° ENPI/2012/23280; 2012, P.3

²⁰ Annex II to financing agreement n° ENPI/2012/23280; 2012, P.2

Deficiencies in the supply chain for fruit and vegetables and other agricultural products are also common in transition countries. Thus, products entering local markets and sometimes even export markets are often ungraded or inadequately packed, with resulting high spoilage rates and consequent reduced prices and returns. Overall, there is a lack of knowledge about the post-harvest technology and management required to deliver high quality products, with the result that spoilage can be as much as 20%-30% of volume²¹. Quality standards and better sorting, grading and packing could potentially be addressed by wider use of contract farming, but this is rarely found in Georgia and hence farmer business oriented small farmers groups or associations are often regarded as being part of the answer.

Despite this, the successes in agricultural cooperation in former socialist countries have not been as marked as expected, apparently both because of farmer reluctance to form business oriented small farmers groups and high mortality rates. The former is widely regarded as a historical legacy of enforced cooperation during the socialist era.

An alternative explanation is that business oriented small farmers groups of small farmers are too small to achieve economies of scale in input supply or output marketing. In other words, the volume of inputs and outputs that business oriented small farmers groups sell and buy may still be too small to make a significant difference to the prices they achieve. Further, the costs associated with the formation and management of a business oriented small farmers group must be paid from any surplus. And, under current Georgian tax law, the profit tax levied on business oriented small farmers groups above a threshold turnover (currently about €100,000 equivalent) mean that farmer members are often brought into the tax net. In contrast, many individual farmers do not reach this threshold turnover and hence are untaxed. In practice, however, recent studies by UNDP show that selected existing business oriented small farmers groups are both profitable and solvent and, by virtue of the input and sales price gains they are able to achieve for members, participating farmers' gross margins are greatly increased relative to those for farmers outside the business oriented small farmers group.

In addition to the particular problems of business oriented small farmers groups in transitional countries, it is also likely that they face challenges endemic to business oriented small farmers groups elsewhere. These include free-riders²², different horizons²³ in decision-making, and portfolio problems²⁴. The lesson from this is that business oriented small farmers groups are complex business structures which can pose problems which individual farmers would not encounter. Farmers may, rationally, choose to trade-off the benefits of cooperation against avoidance of these problems²⁵.

²¹ Small farmers are often at a particular disadvantage in this respect since, partly because their production volumes are low, they may not be aware of grading or quality standards. In addition, applying grades and standards requires investments in training, equipment, infrastructure and monitoring systems, which may only be affordable by larger farmers. Further, to the extent that they transport produce to market themselves, farmers' means of transport may be rudimentary, thereby contributing to high spoilage rates. Accordingly, business oriented small farmers groups are seen as one way of addressing this problem and, when combined with improved input and output prices through purchase and sale of greater volumes, tilting the balance more favourably in the direction of the small farmer. See: www.ageconsearch.umn.edu/bitstream/10124/1/46020219.pdf

²² Non-members who receive benefits of the business oriented small farmers groups, such as favourable prices, without contributing equity to the business oriented small farmers groups are referred to as external free riders. A member who temporarily stops patronizing the business oriented small farmers groups to pursue a better deal benefits by the existence of the infrastructure that they are not currently supporting is an internal free rider.

²³ The 'horizon' problem is the tendency to emphasize current cash flow at the expense of future earnings. A business oriented small farmers group may have a horizon problem when some members pressure management to increase the proportion of business oriented farmers group's current payments to members relative to their investment or to liquidate the farmers' group's assets, in whole or in part.

²⁴ A portfolio problem within an agricultural farmers' group's arises as a result of a farmers' group's property rights structure. As members' investment is proportionally tied to volume of patronage, they are prevented from adjusting their farmers' group's investment to reflect their appetite for risk. If members develop differing preferences as to how the farmers' group's should best invest their capital, then conflict between sub-groups of members may develop as to which forms of farmers' group's investment are preferred.

²⁵ Management needs and potential problems become more acute if business oriented small farmers groups are so-called 'New General Cooperatives' (NGC) which go beyond input supply and output marketing and aim at value-added²⁵. The NGC is not a specific legal structure, but rather the term is used to describe how the farmers' group's operates, the relationship between the farmers' group's and its members, and how the farmers' group's is financed. Unlike traditional farmers' group's, in which start-up expenses are minimal and growth is financed through members' retained earnings, permanent equity to fund NGC start-up and growth is financed through the sale of delivery rights. Delivery rights involve a right and an obligation to deliver. Once members contribute equity toward the NGC, they receive the right, and the obligation, to deliver a specific quantity of a given commodity each year. If they cannot deliver that amount or if the commodity does not meet the quality standards set out in the marketing agreement, the farmers' group's will often have the right to buy the commodity on the producers' behalf and charge for the difference in price. The c farmers' group's, in turn, is required to pay members a pre-specified price for the commodities delivered (usually a formula price based on spot market prices at a specified exchange rate, with additions or subtractions based on quality). The farmers' group's also is required to return any profits to members on a pre-specified schedule determined by the board of directors. The point is that such farmers' group's involve a significantly more complex business model than farmers' group's aimed at getting members better prices for inputs and outputs by, respectively, buying and selling in bulk. The New Generation Cooperatives will usually require a full-time manager and, often, a board of directors. Accordingly, the need for external support to help them work effectively becomes all the more apparent.

Despite the disappointments, there have nonetheless been some successes and, as noted, some of the successes are found in Ajara, particularly in the citrus and honey subsectors. In practice, however, lack of knowledge about the benefits of private agricultural cooperation, coupled with lack of understanding of how they are managed, the bureaucratic requirements surrounding their formation and an unfavourable tax environment may also be constraints. In consequence, a methodology and process of supporting business oriented small farmers groups' formation has emerged as a standard approach. Given the evidence that business oriented small farmers groups and associations can be financially feasible²⁶, and following expected changes in the legislation on business oriented small farmers groups, this will prospectively be used in modified form in supporting business oriented small farmers groups formation in Ajara and will comprise the following steps:

- **Publicisation of the form and benefits of cooperation.** Experience suggests that many farmers are unaware of the benefits that private cooperation could provide and, indeed, this is one area where the heritage of enforced cooperation in the socialist era may still have effects. The intention is thus to show that business oriented small farmers groups can offer commercial gains and hence demonstrate that farmers can expect benefits in terms of farm income. One outcome of this is normally formation of so-called 'initiative groups', which are groups of farmers interested in exploring and specifying the way they might cooperate prior to formal constitution of a business oriented small farmers group;
- **Business advisory support to initiative groups and young business oriented small farmers groups.** As with other business start-ups, business oriented small farmers groups and associations will often look for support in forming and developing their business. This may be in a range of areas, including further development of the cooperation concept, interpreting and applying business oriented small farmers groups law, preparing a business plan, loan applications, accounts and tax submission, and meeting labour law. In other words, business oriented small farmers groups may need much the same support as any other small business, albeit with tailoring to the specifics of business oriented small farmers groups' governance and operation. The provision of such support can be offered by the small business advisory services, including that available to clients of the Batumi Business Incubator. These services are aimed principally at business start-ups and grow-ups, but could equally serve the needs of business oriented small farmers groups, particularly if a staff member were trained in specialist knowledge of the business oriented small farmers group sector and business oriented small farmers groups' business development needs; and
- **grant support for capital investments.** As is the case with new and early stage private companies, young business oriented small farmers groups often have difficulty in obtaining a bank loan. This is because their trading record is short and/or they have little collateral to offer. Grants will therefore be to co-finance business oriented small farmers groups' investments, with members making cash contributions, perhaps over a period of years as the business oriented small farmers group achieves commercial success and expands. Various options will be considered in inception phase for their disbursement and they could, for example, be made available on a challenge basis, with applications according to pre-defined criteria. There would accordingly be no entitlement to a grant, with applications judged on merit against gatekeeper criteria. Overall the intention would be to support business oriented small farmers groups which have a robust business plans which demonstrates that the business oriented small farmers group can survive commercially.

Given the limited progress associated with cooperation by small farmers not only in Georgia but throughout the former socialist countries, the potential for forms of collaboration between farmers will also be investigated. This includes contract farming. There is already an example of contract farming in salad leaves and high value salad vegetables in Ajara, with the contractor supplying hotels, restaurants and retailers in Batumi and surrounding areas. Given the success of this arrangement and, in particular, the willingness of farmers to abide by contractual arrangements, this appears to offer potential. Contract farming in other sub-sectors, including meat and livestock, is also potentially feasible, would help to raise

²⁶ It should however be noted that evidence for financial feasibility is based on a small sample of farmers' group's and hence caveats on these findings are in order.

quality and, through an assured market, may lead to diversification which has largely been absent from Ajarian agriculture.

3. Institutional development of the Ministry of Agriculture of the Ajara AR

The autonomy that Ajara enjoys in respect of agricultural development means that a strong and effective Ministry of Agriculture (MoA) is essential. At the heart of this requirement is the need for capability in policy analysis such that, on an on-going basis, the Ministry can formulate, analyse and take informed decisions on agricultural policy. The need for this capability is apparent, but also stems from concerns that recommended policies or those advocated by the development partners may not always be well understood and hence may not lead to the outcomes expected. Putting the MoA in control of policy on an informed basis is thus essential²⁷.

A focus on policy analysis is increasingly defining the role of sector ministries and hence the Ajarian MoA's prospective embrace of this function at the centre of its remit would put it in line with thinking on the role of line ministries. This is appropriate since Ajara has a range of policy options for agricultural development, most if not all of which have not yet been subject to the modelling that characterises policy analysis. Indeed, the Ministry of Agriculture for Georgia as a whole does not yet have full capability in this area.

In practice, the installation of capability for policy analysis is demanding and takes time to become embedded and operational. This is because, while procedures and data are important, success rests primarily on skills in this area. Analytical capability is essential and policy analysis requires skills and abilities that public sector institutions often find hard to obtain and retain. A typical remit for policy analysis might be as follows:

- identifying key policy issues and advising the Minister of Agriculture as a basis for selection of areas or topics for policy analysis;
- studying the content, alternative approaches, and impacts of different policy options and, as appropriate, modelling outcomes for each alternative;
- on the basis of this analysis, make recommendations to the Minister on the policies to pursue, backed by synopses of findings and evidence; and
- coordinating on-going policy-related research and data collection such that up-to-date and information is available as required.

The capacity building of the national policy making institutions is a high level priority under the overall UNPARD with the aim of strengthening policy making, donor coordination, policy monitoring and evaluation, structural development and other measures to be identified by FAO – the implementing partner of EU in the MoA's capacity development component. The capacity development of Ajarian MoA will be implemented in close cooperation with FAO and EU to ensure integrity and effectiveness of the policy making institutions.

The focus of support to institution building in the Ajarian MoA will therefore be on equipping the MoA to undertake robust and effective policy analysis. This requires a combination of staff capability in policy analysis and data to support the analyses. Actions will therefore be in the following areas:

- **Implementing Agriculture Development Studies** for identifying the existing baseline, impeding factors, SWOT analysis of the sectors, export potential and potential for attracting and activation of private investment. The finding of the study will be discussed widely by the stakeholders and will help the Government in identifying the long-term development policy, developing investment and export promotion policy. The team of international and national experts and consultants implementing the

²⁷ Ministries will often establish dedicated Policy Analysis Units for this purpose. The intention is that this task is taken out from other line departments, such that policy analysis can be independent and unbiased. This also helps to unlock established thinking which may hold back policy development, critical thinking and innovation. Moreover, since major policy reform is closely linked to either changes in government or the predominant public philosophy, traditional decision- or policy-making mechanisms in line ministries may lag behind or be inappropriate to the policy change task. As a consequence, some governments have opted for the creation of new arenas of decision-making on important policy matters, often using the Policy Analyses Unit at line ministry level as the arena. These units frequently become prominent and highly visible actors, not only as key advisors on policy issues, but also as participants in shaping policy reform through the proactive identification of policy options.

studies will provide workshops and seminars to the MOA and other agencies' staff for presenting the results of the studies and introduce them good international practice.

- **Review of the organisational structure and responsibilities of the Ministry of Agriculture.** While, as noted, there is a tendency to create specialised policy analysis units, this is not always essential and policy analysis capability can instead be embedded within existing organisational structures. In other cases, the creation of a specialist unit helps ensure objectivity and promotes innovation. In order to select the best locus for policy analysis, a review of the MoA's organisational structure will be undertaken and proposals made on where policy analysis should be located.
- **Training MoA staff in policy analysis.** Given the importance of personnel to effective policy analysis, training will be provided for those responsible for policy analysis. In the case of English speakers, consideration will be given to sending them on short training courses overseas in order to get cutting edge training in policy analysis. For others, locally delivered training will be offered, with periodic short top-up or subject specific training as required. In addition, for all staff working in this area, a substantial period of on-the-job training in policy analysis will be encouraged and will include hands-on involvement in policy analyses, probably based on mentoring.
- **Development of a common computerised information system.** The aim will be to assemble information for policy analysis which is not available, or not available in sufficiently disaggregated form, from the National Statistics Office (*GeoStat*²⁸). The focus will thus be on supplementing data available from GeoStat and avoiding duplication. Data needs will defined during the inception phase, but is likely to embrace land use, soil types, agrochemical and groundwater pollution levels, production levels and gross margins. Note that time series information on gross margins will also be essential, particularly in assessing the gains to extension.

Various technological options exist for obtaining this data. This includes use of satellite images capable of differentiating between different crops²⁹. With the potential for rapid estimation of cropped areas, this approach is obviously attractive, but it is less effective in terms of estimating livestock numbers (and indeed this is largely infeasible). It also does not yield farm business information.

An alternative is to adopt an approach similar to the EU's Farm Accountancy Data Network (FADN)³⁰. This is an instrument for evaluating the income of agricultural holdings and is based on a yearly sample survey. The advantage is that methodology, procedures and questionnaires are available and, with possible modifications to meet local conditions, could be adopted in Ajara. Indeed, it is possible that Eurostat³¹, the body responsible for FADN, could be commissioned to carry out the first survey.

The constraint is that a survey of this nature would require an agricultural census to provide the sampling frame. The last agriculture study in Ajara was conducted in 2010 and hence the sampling frame is out of date and a FADN-style survey could not be conducted until the sampling frame was updated. One alternative is a simple questionnaire-based survey of the farming population using only box responses. This would be capable of being read by recognition software and would potentially produce base data and a sampling frame.

A key task in the inception phase will therefore be to review the Ministry of Agriculture's data needs and tailor approach, technology and financial implications (both capital and operating costs) to these needs. This would be done during the inception phase and possible solutions subsequently proposed. This will take account of the need, as specified in ENPARD Georgia, for the agricultural census to be updated (which is in turn to be linked to 'improvement of the methodology and sampling of the agriculture surveys and capacity building activities to assist the agriculture-related academic institutions'.

Sustainability

The proposed support will be ensured by a mix of relevant approaches contextualised for the planned activities.

²⁸ <http://www.geostat.ge/index.php?action=0&lang=eng>

²⁹ See for example: http://www.eng.dicam.unibo.it/Research/Projects-and-activities/Land-Surveying-and-Geomatics/Cartography-GIS-and-digital-image-processing/Procedure_for_recognition_of_agricultural_crops_using_satellite_data.htm.

Also: <http://www.ecognition.com/document/development-agricultural-gis-shonai-area-northeast-japan-using-satellite-data>

³⁰ <http://ec.europa.eu/agriculture/rica/>

³¹ <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>

Adequate institutional affiliation of the project operations, capacity development of the partner entities, as well as various surveys and business plans serving for assessing the long-term financial sustainability of the projects' activities will be utilised for ensuring sustainability of the projects activities.

A key consideration will be given to the assessments of financial feasibility of continued service provision after completion of the assistance as set out in this document. The fact that the Agro-service Centre is a budgetary-funded institution offers encouragement that it can continue to provide extension and other services in the future, some of them of a partial- or full cost recovery fee rate.

The improvement of services to farmers and farmers association (agriculture extension and business development services for farmers' associations) are considered to be implemented by already operating and capable entities – Agro-Service Centre and Batumi Business Incubator.

The proposed support will ensure diversification of the sources of incomes of the main extension services provider in Ajara – Agroservice Centre through developing post-harvest consolidation and sales services of processed products the incomes from these services will be used for subsidizing the extension services. Relevant action plan for achieving financial sustainability in mid- and long-term for Agro-Service Centre.

Relevant capacity development measures of the staff of public entities engaged, based on the needs assessment, will be performed to ensure high quality of the services. The mentioned institutions' development and guaranteed financing for ensuring provision of continuous services to the selected target groups are ensured from the budget of Ajara. Moreover, the mentioned entities have gone through the UNDP supported skills development and proved their ability of implementing highly effective measures for supporting farmers.

The support to development of farmers associations will be performed based on relevant business plans assessing the feasibility of the relevant support – grant schemes, infrastructure development and so on.

Environmental impact

The proposed support will be implemented with the due consideration of impact on environment having in mind it's institutional, policy and operational aspects.

The policy institution will be provided with technical assistance on following good practice of implementing environmentally sustainable policy through incorporating these aspects in the agriculture development studies and study tours proposed by this initiative.

Relevant trainings and capacity development measures will be implemented for the staff of implementing partners and farmers and their organisations with special emphasis on impact on environment of the farming practice, equipment, inputs and so on. The proposed support will promote sustainable natural resources management in agriculture (soil, water) through relevant training of farmers and public entities' staff.

UNDP and implementing partners will ensure compliancy of the equipment and other inputs procured with the internationally recognised environmental standards.

Gender

The proposed support will ensure proactive participation of women in the activities proposed – training and consultancy to farmers and support to farmers associations.

High share of women beneficiaries will be supported through promoting equality of opportunity at each stages of implementation of the project. The women headed household farms will be prioritised while selecting the beneficiaries of the planned support.

The project management will ensure tracking of the participation of women in the planned activities through maintaining relevant statistics and monitoring the project activities.

III. RESOURCE AND RESULTS FRAMEWORK

<p>Intended Outcome in the Country Programme (2011-2015) Results and Resource Framework: <i>Outcome 1.1. National, regional and local level governments have capacity and skills to develop and steer national and local economic policies that promote inclusive growth and contribute to poverty alleviation.</i></p> <p>Outcome indicators as stated in the Country Programme (2011-2015) Results and Resources Framework, including baseline and targets:</p> <p>Indicators: 1.1.1 Number of regions with active economic development plans. 1.1.2 Availability of policy and operational measures enhancing small business development. 1.1.3 Availability of business support services in rural areas. Baseline: 1.1.1 Two out of 10 regions have development plans. 1.1.2 Available operational instruments not sufficient for fostering small business development. 1.1.3 Business support services, e.g., training, consulting, not accessible for the rural poor. Targets: 1.1.1 At least 4 regions have active development plans. 1.1.2 Policy and operational instruments enhance small business development. 1.1.3 At least 8 business support services targeting poor available in rural areas.</p> <p>Applicable Key Result Area (from 2011-2015 Strategic Plan): focus area 1. Poverty Reduction and MDG Achievements</p> <p>Partnership Strategy: The project will be implemented in close cooperation with the Ministry of Agriculture of Ajara Autonomous Republic and Ajara Agro-service Centre and Batumi Business Incubator</p> <p>Project title and ID (ATLAS Award ID): SUPPORT TO AGRICULTURAL DEVELOPMENT IN AJARA AUTONOMOUS REPUBLIC (award 71440/output 84902)</p>				
INTENDED OUTPUTS	OUTPUT TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUTS
<p>Output: Implementation of the national sector strategy and strengthening small farmers' organizations in Ajara Autonomous Republic facilitated.</p> <p>Indicator 1.1: availability of the ASC's strategic development plan Baseline 1.1: No conceptual vision is in place for long-term development of the extension services</p> <p>Indicator 1.2: Share of targeted farmers who applied promoted services and knowledge Baseline 1.2: Lack of application of new knowledge existed in agriculture</p>	<p>Targets: Year 1 1.1/ ASC's strategic development and operation plans are developed 1.2/ Promoted extension services applied by at least 50% of the targeted farmers, who increased farm profit</p> <p>Targets: Year 2 1.2/ Promoted extension services applied by at least 50% of the targeted farmers, who increased farm profit</p> <p>Targets: Year 3 1.1/ ASC's strategic development and operation plans are revised 1.2/ Promoted extension services applied by at least 50% of the targeted farmers, who increased farm profit</p>	<p>Activity 1. Services to Small Farmers</p> <p>Activity Result: The Agro-service Centre is capable to provide professional high quality services fitting the needs of farmers and is managed in successful and sustainable manner</p> <p>▪ Actions: 1.1/ Capacity development of the management and consultants of ASC, training of trainers of agriculture extension consultants 1.2/ Developing of ASC's development plan 1.3/ Developing ESC branches infrastructure 1.4/ Improvement of cattle breeding through capacity development of local service providers of artificial insemination 1.5/ Developing post-harvest handling (consolidation) business models and delivery of consolidation and processing services to farmers 1.6/ Delivery of trainings in mechanisation and plant protection 1.7/ Producing and broadcasting extension TV show</p>	<p>UNDP, MoA of Ajara A.R.; Ajara Agro-service Centre, Batumi Business Incubator</p>	
<p>Indicator 2.1: Sustainability of the supported farmers groups Baseline 2.1: Weak sustainability of profit oriented small farmers group promoted</p>	<p>Targets: Year 1 2.1/ Established and developed (3-5) farmers' groups are well managed in a successful and profitable manner.</p> <p>Targets: Year 2 2.1/ New established and developed farmers' groups (3-5) are well managed in a successful and profitable manner.</p> <p>Targets: Year 3 2.1/ New established and developed farmers' groups (3-5) are well managed in a successful and profitable manner</p>	<p>Activity 2. Farmers cooperatives</p> <p>Activity Result: Creating favourable environment and incentives for farmers' cooperation development through development of business oriented small farmers groups, associations and other forms of profit-based collaborative actions between farmers</p> <p>▪ Actions: 2.1/ Designing of business models and specific Business Development Services for supporting agriculture cooperatives 2.2/ Facilitation and promotion of agriculture cooperatives creation and provision of specific BDS services to the established ones 2.3/ Developing agriculture cooperatives' capacities and technical assistance</p>	<p>UNDP, MoA of Ajara A.R.; Ajara Agro-service Centre, Batumi Business Incubator, small farmers' groups</p>	

INTENDED OUTPUTS	OUTPUT TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUTS
<p>Indicator 3.3: The integrated agriculture information system on agriculture sector available</p> <p>Baseline 3.3: No integrated agriculture sector wide information compilation system available for informed policy decision making</p>	<p>Targets: Year 1</p> <p>3.1/ MoA's staff's capacity development needs are identified and capacity development program and study tour is implemented</p> <p>3.2/ At least 3 agriculture policy related studies implemented (sector baseline, export policy and competitiveness and one in the topic identified by consultations with MoA)</p> <p>3.3/ The specifications and ToR, as well as action plan for developing and updating the integrated agriculture sector wide information system on agriculture is developed</p> <p>Targets: Year 2</p> <p>3.1/ Study tours for MOA and other agencies staff are implemented</p> <p>3.2/ At least 4 agriculture policy related studies implemented (investment profile and structural issues study and 2 studies in the topic identified by consultations with MoA)</p> <p>3.3/ The information system software and hardware developed and the system is launched</p> <p>Targets: Year 3</p> <p>3.1/ MoA's staff's capacity development needs re-assessment is performed</p> <p>3.2/ At least 2 agriculture policy related studies implemented (identified by consultations with MoA)</p> <p>3.3/ The information system is maintained and updated</p>	<p>Activity 3 - Ajara MoAgriculture Inst. Development</p> <p>Activity Result: Developing capacities of effective agriculture development policy formulation and implementation through</p> <p>▪ Actions:</p> <p>3.1/ Study on agriculture sector development factors, investment attractiveness and export potential</p> <p>3.2/ Assessment of MoA staff capacity development needs</p> <p>3.3/ Capacity development measures for MoA staff</p> <p>Implementation of common information system on agriculture sector</p>	<p>UNDP, MoA of Ajara A.R.</p>	

IV. ANNUAL WORKPLAN Year 2013:

EXPECTED OUTPUTS	PLANNED ACTIVITIES	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			Amount USD
		Q1	Q2	Q3	Q4		Funding Source	account	Budget Description	
			X	X	X	Govt/000622	EU	71300/Lcl Cnslts	Capacity development of the management and consultants of ASC and training of trainers in extension services	7,853.6
			X	X		Govt/000622	EU	71200/Intl Cnslt	Developing ASCs Strategic Development Plan	8,638.7
			X	X	X	Govt/000622	EU	72210/Mac & Eqpt	Developing ASC branches' (infrastructure and equipment)	94,240.1
			X	X	X	Govt/000622	Ajara	72210/Mac & Eqpt	Developing ASC branches' (infrastructure and equipment)	48,594.2
			X	X	X	ASC/005778	EU	71300/Lcl Cnslts	Delivery of extension services	85,078.8
			X	X	X	ASC/005779	EU	71300/Lcl Cnslts	Training of local consultants in modern methods of artificial insemination	16,714.8
			X	X	X	Govt/000622	EU	72215/Tran Equip	Purchase of 7 (4*4) vehicles for ASCs branches	78,814.1
			X	X	X	Govt/000622	Ajara	72215/Tran Equip	Purchase of 7 (4*4) vehicles for ASCs branches	38,802.4
	Activity 1. Services to small farmers		X	X	X	ASC/005779	EU	71300/Lcl Cnslts	Developing template demonstration projects in selected fields (gardening, vegetables, animal husbandry and others)	6,102.1
			X	X	X	ASC/005779	EU	72300/Mat&Goods	Implementing demonstration projects	59,097.0
			X	X	X	Govt/000622	EU	71200/Intl Cnslt	Developing feasibility studies and business plans for models of consolidation services and their adjustment	15,052.4
			X	X	X	Govt/000622	EU	72210/Mac & Eqpt	Developing postharvest consolidation centers' infrastructure	75,916.2
			X	X	X	VET Cent/004162	EU	71300/Lcl Cnslts	Developing value add creation capacities (processing infrastructure, technical assistance)	19,633.6
			X	X	X	Govt/000622	EU	72100/Contr-Cmpy	TV Extension podcasts (8 shows annually)	26,200.0
			X	X	X	Govt/000622	Ajara	72100/Contr-Cmpy	TV Extension podcasts (8 shows annually)	3,855.4
			X			Govt/000622	EU	75100/F&A	GMS 7%	34,533.9
			X			Govt/000622	Ajara	75100/F&A	GMS 7%	6,387.6
									TOTAL Activity 1	625,514.9
	Activity 2. Farmers cooperatives		X	X	X	Govt/000622	EU	71300/Lcl Cnslts	Developing and adjusting the business models profit oriented small farmers groups to Ajara context	4,380.0
			X	X		BB/004179	EU	71300/Lcl Cnslts	Team building and mobilization of farmers	6,544.5
			X	X	X	BB/004179	EU	71300/Lcl Cnslts	Delivery of BDS services to prof oriented small farmers groups	29,050.0
			X			Govt/000622	EU	72210/Mac & Eqpt	Developing value add creation capacities (processing infrastructure, technical assistance)	80,000.0
			X			Govt/000622	EU	75100/F&A	GMS 7%	8,398.2
									TOTAL Activity 2	128,372.7
	Activity 3. A.R. MoAgriculture Inst. Development		X	X	X	Govt/000622	EU	71200/Intl Cnslt	Agriculture Development Studies (baseline, investment promotion, export competitiveness, disc-ns, publication)	51,963.4
			X	X		Govt/000622	EU	71200/Intl Cnslt	Ajara Agriculture Sector Baseline Survey and Competitiveness Study and Export Promotion Policy	16,963.4
			X	X		Govt/000622	EU	71200/Intl Cnslt	External advisory services (International Agriculture Advisor)	30,000.0
			X	X		Govt/000622	EU	74200/Audio/Visl	Translation, design and publication of baseline and competitiveness and export promotion policy study	5,000.0
			X	X		Govt/000622	EU	71200/Intl Cnslt	Technical assistance to MoA of Ajara AR (policy related consultancies)	14,856.0
			X	X	X				Capacity development needs assessment of the Ministry's staff	13,532.7
			X	X	X	Govt/000622	EU	71200/Intl Cnslt	Capacity development needs assessment of the Ministry's staff (Int consultant)	10,653.1
			X	X	X	Govt/000622	EU	71300/Lcl Cnslts	Capacity development needs assessment of the Ministry's staff (Nat Consultant)	2,879.6

EXPECTED OUTPUTS	PLANNED ACTIVITIES	TIMEFRAME				RESPONSIBLE PARTY	FUNDING SOURCE			PLANNED BUDGET		
		Q1	Q2	Q3	Q4		account	Budget Description				
								Funding Source	Amount USD			
		Capacity development programme for the MoA of Ajara AR										
		X	X	X	X	Govt/000622	EU	75700/TR,WKSP,CF	Capacity development program for MoA staff		43,345.6	
		X	X	X	X	Govt/000622	EU	72210/Mac & Eqpt	Logistics for trainings		15,000.0	
		X	X	X	X	Govt/000622	EU	71200/Intl Cnsit	Training in agriculture policy development		5,000.0	
		X	X	X	X	Govt/000622	EU	75700/TR,WKSP,CF	Study tours (Eastern Europe: Bulgaria)		8,541.9	
		Developing ToR and action plan for integrated information system on agriculture										
		X	X	X	X	Govt/000622	EU	71200/Intl Cnsit	Developing ToR and action plan for integrated information system on agriculture (Int Consultant)		19,640.1	
		X	X	X	X	Govt/000622	EU	71300/Lcl Cnsits	Developing ToR and action plan for integrated information system on agriculture (Nat Consultant)		12,598.2	
		X				Govt/000622	EU	75100/F&A	GMS 7%		7,041.9	
											10,033.6	
		TOTAL Activity 3										153,371.4
		X	X	X	X	Govt/000622	EU	71400/ServCon-In	Programme Officer UNDP(NOBS V 25%)		8,969.8	
		X	X	X	X	Govt/000622	EU	71400/ServCon-In	Programme Manager (SB4 Mid)		29,585.7	
		X	X	X	X	Govt/000622	EU	71400/ServCon-In	Agribusiness Advisor (SB4 Q1)		15,849.0	
		X	X	X	X	Govt/000622	EU	71400/ServCon-In	Monitoring and Financial/Admin Assistant (SB 3 Mid)		16,641.8	
		X	X	X	X	Govt/000622	EU	71400/ServCon-In	Driver (SB1 Q1)		5,229.5	
		X	X	X	X	Govt/000622	EU	71400/ServCon-In	Cleaner (SB1 Min, 50%)		2,725.5	
		X	X	X	X	Govt/000622	EU	72200/Equip&Furn	Computers, office equipment/maintenance		8,383.6	
		X	X	X	X	Govt/000622	EU	73100/Rent&Maint	Office rent/security		7,853.4	
		X	X	X	X	Govt/000622	EU	72400/Comm&AV	Communications (internet, telephone, etc)		1,178.0	
		X	X	X	X	Govt/000622	EU	73100/Rent&Maint	Utilities		1,570.7	
		X	X	X	X	Govt/000622	EU	72500/Supplies	Office operations (stationery, etc)		981.7	
		X	X	X	X	Govt/000622	EU	71600/Travel	Travel (field trips)		7,036.6	
		X	X	X	X	Govt/000622	EU	74200/Audio/visi	Visibility		15,933.7	
		X	X	X	X	Govt/000622	EU	72200/Equip&Furn	Purchase of Vehicle for Project Implementation Unit and insurance		39,066.8	
		X	X	X	X	Govt/000622	EU	73400/MaintTrnsp	Vehicle fuel and maintenance		3,900.0	
		X				Govt/000622	EU	75100/F&A	GMS 7%		11,543.4	
		TOTAL Activity 4										176,449.2
		GROSS TOTAL 2013										1,083,708.3

Year 2014:

EXPECTED OUTPUTS	PLANNED ACTIVITIES	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
		Q1	Q2	Q3	Q4		Funding Source	account	Budget Description	Amount USD
		X	X	X	X	Govt/000622	EU	72210/Mac & Eqpt	Developing ASC branches' (infrastructure and equipment)	12,204.2
		X	X	X	X	ASC/005778	EU	71300/Lcl Cnslts	Delivery of extension services	197,911.0
		X	X	X	X	ASC/005779	EU	71300/Lcl Cnslts	Training of local consultants in modern methods of artificial insemination	8,136.1
		X	X	X	X	ASC/005779	EU	71300/Lcl Cnslts	Developing template demonstration projects in selected fields (gardening, vegetables, animal	3,051.1
		X	X	X	X	ASC/005779	EU	72300/Matl&Goods	Implementing demonstration projects	59,096.9
	Activity 1. Services to small farmers	X	X	X	X	Govt/000622	EU	71200/Intl Cnslt	Developing feasibility studies and business plans for models of consolidation services and their	1,818.1
		X	X	X	X	Govt/000622	EU	72210/Mac & Eqpt	Developing postharvest consolidation centers' infrastructure	7,853.4
		X	X	X	X	ASC/005779	EU	71300/Lcl Cnslts	Delivery of post-harvest consolidation services to local farmers	9,738.2
		X	X	X	X	VET/004162	EU	71300/Lcl Cnslts	Developing value add creation capacities (processing infrastructure, technical assistance)	39,267.0
		X	X	X	X	Govt/000622	EU	72100/Contr-Cmpy	TV Extension podcasts (8 shows annually)	30,510.5
		X	X	X	X	Govt/000622	Ajara	72100/Contr-Cmpy	TV Extension podcasts (8 shows annually)	11,401.9
		X				Govt/000622	EU	75100/F&A	GMS 7%	25,871.0
		X				Govt/000622	Ajara	75100/F&A	GMS 7%	798.1
	TOTAL Activity 1									407,657.4
		X	X	X	X	Govt/000622	EU	71300/Lcl Cnslts	Developing and adjusting the business models profit oriented small farmers groups to Ajara context	4,384.8
		X	X	X	X	BBI/004179	EU	71300/Lcl Cnslts	Team building and mobilization of farmers	6,544.5
	Activity 2. Farmers cooperatives	X	X	X	X	BBI/004179	EU	71300/Lcl Cnslts	Delivery of BDS services to profoiet oriented small farmers groups	50,850.8
		X	X	X	X	Govt/000622	EU	72210/Mac & Eqpt	Developing value add creation capacities (processing infrastructure, technical assistance)	261,780.1
		X	X	X	X	Govt/000622	Ajara	72210/Mac & Eqpt	Developing value add creation capacities (processing infrastructure, technical assistance)	139,257.3
		X				Govt/000622	EU	75100/F&A	GMS 7%	22,649.2
		X				Govt/000622	Ajara	75100/F&A	GMS 7%	9,748.0
	Total Activity 2									495,214.7
		X	X	X	X	Agriculture Development Studies (baseline, investment promotion, export competitiveness, disc-ns, publication)				
		X	X	X	X	Govt/000622	EU	71200/Intl Cnslt	External advisory services (international Agriculture Advisor)	139,146.7
		X	X	X	X	Govt/000622		71200/Intl Cnslt	Investment profile and investment promotion study	70,000.0
		X	X	X	X	Govt/000622	EU	74200/Audio/visl	Translation, design and publication of investment promotion materials	23,154.4
		X	X	X	X	Govt/000622	EU	71200/Intl Cnslt	Study on structural issues of agriculture	12,263.1
		X	X	X	X	Govt/000622	EU	74200/Audio/visl	Translation, design and publication Structural issues study	17,573.3
	Activity 3. A.R. MoAgriculture inst. Development	X	X	X	X	Govt/000622	EU	71200/Intl Cnslt	Technical assistance to MoA of Ajara AR (policy related consultancies)	16,156.0
		X	X	X	X	Capacity development programme for the MoA of Ajara AR				
		X	X	X	X	Govt/000622	EU	75700/TR,WKSP,CF	Study tours (Eastern Europe: Poland)	29,712.0
						Govt/000622	EU	75700/TR,WKSP,CF	Capacity development program for MoA staff	65,163.6
						Govt/000622	EU	72210/Mac & Eqpt	Logistics for trainings	27,172.8
						Developing information system on agriculture, its maintenance and its update				
		X	X	X	X	Govt/000622	EU	71300/Lcl Cnslts	Software adaptation	19,031.4
		X	X	X	X	Govt/000622	EU	72100/Contr-Cmpy	Software and hardware purchase	18,959.4
		X	X	X	X	Govt/000622	EU	72100/Contr-Cmpy	Development and application of the system	191,171.4
		X				Govt/000622	EU	75100/F&A	GMS 7%	14,345.5
										87,138.7
										89,687.1
										29,763.6

EXPECTED OUTPUTS	PLANNED ACTIVITIES	TIMEFRAME				RESPONSIBLE PARTY	Funding Source	account	PLANNED BUDGET	
		Q1	Q2	Q3	Q4				Budget Description	Amount USD
Total Activity 3										
		X	X	X	X	Govt/000622	EU	71400/ServCon-In	Programme Officer UNDP(NOBS V 25%)	454,957.3
		X	X	X	X	Govt/000622	EU	71400/ServCon-In	Programme Manager (SB4 Mid)	13,454.7
		X	X	X	X	Govt/000622	EU	71400/ServCon-In	Agribusiness Advisor (SB4 Q1)	44,378.5
		X	X	X	X	Govt/000622	EU	71400/ServCon-In	Monitoring and Financial/Admin Assistant (SB 3 Mid)	36,981.3
		X	X	X	X	Govt/000622	EU	71400/ServCon-In	Driver (SB1 Q1)	28,528.9
		X	X	X	X	Govt/000622	EU	71400/ServCon-In	Cleaner (SB1 Min, 50%)	12,551.0
		X	X	X	X	Govt/000622	EU	72200/Equip&Furn	Computers, office equipment/maintenance	5,451.1
		X	X	X	X	Govt/000622	EU	73100/Rent&Maint	Office rent/security	1,963.4
		X	X	X	X	Govt/000622	EU	72400/Comm&AV	Communications (internet, telephone, etc)	15,706.8
		X	X	X	X	Govt/000622	EU	73100/Rent&Maint	Utilities	2,356.0
		X	X	X	X	Govt/000622	EU	72500/Supplies	Office operations (stationery, etc)	3,141.4
		X	X	X	X	Govt/000622	EU	71600/Travel	Travel (field trips)	2,617.8
		X	X	X	X	Govt/000622	EU	74200/AudioVisl	Visibility	10,555.0
		X	X	X	X	Govt/000622	EU	72200/Equip&Furn	Purchase of Vehicle for Project Implementation Unit and insurance	19,633.5
		X	X	X	X	Govt/000622	EU	73400/MaintTrnsp	Vehicle fuel and maintenance	1,331.2
		X	X	X	X	Govt/000622	EU	74100/Prof Svcs	Project evaluation	7,853.4
		X				Govt/000622	EU	75100/F&A		0.0
		X								14,455.3
Total activity 4										
TOTAL 2014										
									1,578,788.6	
									220,959.1	

Year 2015:

EXPECTED OUTPUTS	PLANNED ACTIVITIES	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
		Q1	Q2	Q3	Q4		Funding Source	account	Budget Description	Amount USD
		X	X	X	X	EU	71300/Lcl Cnsts	Capacity development of the management and consultants of ASC and training of trainers in extension	7,853.40	
		X	X	X	X	EU	71300/Lcl Cnsts	Delivery of extension services	146,450.26	
		X	X	X	X	EU	71300/Lcl Cnsts	Training of local consultants in modern methods of artificial insemination	8,136.13	
		X	X	X	X	EU	71300/Lcl Cnsts	Developing template demonstration projects in selected fields (gardening, vegetables, animal	3,051.05	
		X	X	X	X	EU	72300/Matl&Goods	Implementing demonstration projects	59,096.86	
	Activity 1. Services to small farmers	X	X	X	X	EU	71200/Intl Cnslt	Developing feasibility studies and business plans for models of consolidation services and their	1,818.06	
		X	X	X	X	EU	72210/Mac & Eqpt	Developing postharvest consolidation centers' infrastructure	7,853.40	
		X	X	X	X	EU	71300/Lcl Cnsts	Delivery of post-harvest consolidation services to local farmers	9,738.22	
		X	X	X	X	EU	71300/Lcl Cnsts	Developing value add creation capacities (processing infrastructure, technical assistance)	39,267.02	
		X	X	X	X	EU	72100/Contr-Cmpy	TV Extension podcasts (8 shows annually)	30,507.85	
		X	X	X	X	Ajara	72100/Contr-Cmpy	TV Extension podcasts (8 shows annually)	11,404.3	
		X				EU	75100/F&A	GMS 7%	21,964.1	
		X				Ajara	75100/F&A	GMS 7%	798.3	
	TOTAL Activity 1								347,938.9	
		X	X	X	X	EU	71300/Lcl Cnsts	Developing and adjusting the business models profit oriented small farmers groups to Ajara context	4,384.8	
		X	X	X	X	EU	71300/Lcl Cnsts	Team building and mobilization of farmers	6,544.5	
	Activity 2. Farmers cooperatives	X	X	X	X	EU	71300/Lcl Cnsts	Delivery of BDS services to profieit oriented small farmers groups	46,997.6	
		X	X	X	X	EU	72210/Mac & Eqpt	Developing value add creation capacities (processing infrastructure, technical assistance)	266,753.9	
		X	X	X	X	Ajara	72210/Mac & Eqpt	Developing value add creation capacities (processing infrastructure, technical assistance)	118,533.2	
		X				EU	75100/F&A	GMS 7%	22,727.7	
		X				Ajara	75100/F&A	GMS 7%	8,297.3	
	TOTAL Activity 2								474,239.0	
		X	X	X	X	EU	71200/Intl Cnslt	External advisory services (international Agriculture Advisor)	70,000.0	
		X	X	X	X	EU	71200/Intl Cnslt	Technical assistance to MoA of Ajara AR (policy related consultancies)	29,712.0	
	Activity 3. MoAgriculture A.R. Inst. Development	Capacity development needs assessment of the Ministry's staff							3,869.1	
		X	X	X	X	EU	71300/Lcl Cnsts	Capacity development needs re-assessment of the Ministry's staff (Nat Consultant)	3,869.1	
		Capacity development programme for the MoA of Ajara AR							13,955.1	
		X	X	X	X	EU	75700/TR,WKSP,CF	Study tours (Europe: Spain or Greece)	13,955.1	
		Developing information system on agriculture, its maintenance and its update							25,229.0	
		X	X	X	X	EU	72100/Contr-Cmpy	Development and application of the system	25,229.0	
		X				EU	75100/F&A	GMS 7%	9,993.6	
	TOTAL Activity 3								152,758.9	
		X	X	X	X	EU	71400/ServCon-In	Programme Officer UNDP(NOBS V 25%)	13,454.7	
		X	X	X	X	EU	71400/ServCon-In	Programme Manager (SB4 Mid)	44,378.5	
		X	X	X	X	EU	71400/ServCon-In	Agribusiness Advisor (SB4 Q1)	36,981.3	
	Activity 4: Management & M&E	X	X	X	X	EU	71400/ServCon-In	Monitoring and Financial/Admin Assistant (SB 3 Mid)	28,528.9	
		X	X	X	X	EU	71400/ServCon-In	Driver (SB1 Q1)	12,551.0	
		X	X	X	X	EU	71400/ServCon-In	Cleaner (SB1 Min, 50%)	5,451.1	
		X	X	X	X	EU	72200/Equip&Furn	Computers, office equipment/maintenance	1,963.4	

EXPECTED OUTPUTS	PLANNED ACTIVITIES	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET		Amount USD	
		Q1	Q2	Q3	Q4		Funding Source	account		
		X	X	X	X	Govt/000622	EU	73100/Rent&Maint	Office rent/security	15,706.8
		X	X	X	X	Govt/000622	EU	72400/Comm&AV	Communications (internet, telephone, etc)	2,356.0
		X	X	X	X	Govt/000622	EU	73100/Rent&Maint	Utilities	3,141.4
		X	X	X	X	Govt/000622	EU	72500/Supplies	Office operations (stationery, etc)	2,481.7
		X	X	X	X	Govt/000622	EU	71600/Travel	Travel (field trips)	10,555.0
		X	X	X	X	Govt/000622	EU	74200/Audio/visl	Visibility	17,602.1
		X	X	X	X	Govt/000622	EU	72200/Equip&Furn	Purchase of Vehicle for Project Implementation Unit and insurance	1,331.2
		X	X	X	X	Govt/000622	EU	73400/MaintTrnsp	Vehicle fuel and maintenance	7,853.4
		X	X	X	X	Govt/000622	EU	74100/Prof Svcs	Project evaluation	30,759.2
		X				Govt/000622	EU	75100/F&A		16,456.7
TOTAL Activity 4										251,552.1
TOTAL 2015										1,226,488.9

Year 2016

EXPECTED OUTPUTS	PLANNED ACTIVITIES	TIMEFRAME				RESPONSIBLE PARTY	Funding	account	Budget Description	Amount USD
		Q1	Q2	Q3	Q4					
	Activity 1. Services to small farmers	X	X			ASC/005778	71300/Lcl Cnsits	Delivery of extension services	85,078.5	
		X	X			VET/004162	71300/Lcl Cnsits	Developing value add creation capacities (processing infrastructure, technical assistance)	19,633.5	
		X	X			Govt/000622	72100/Contr-Cmpy	TV Extension podcasts (8 shows annually)	11,758.1	
		X				Govt/000622	75100/F&A	GMS 7%	8,152.9	
	TOTAL Activity 1								174,623.1	
	Activity 2. Farmers cooperatives	X	X			BBI/004179	71300/Lcl Cnsits	Delivery of BDS services to profit oriented small farmers groups	21,800.8	
		X	X			Govt/000622	71200/Intl Cnslt	External advisory services (international Agriculture Advisor)	36,000.0	
		X	X			Govt/000622	72210/Mac & Eqpt	Developing value add creation capacities (processing infrastructure, technical assistance)	147,068.1	
		X				Govt/000622	75100/F&A	GMS 7%	14,340.8	
	TOTAL Activity 2								219,209.67	
		X	X			Govt/000622	71400/ServCon-in	Programme Officer UNDP(NOBS V 25%)	4,484.9	
		X	X			Govt/000622	71400/ServCon-in	Programme Manager (SB4 Mid)	14,792.8	
		X	X			Govt/000622	71400/ServCon-in	Agribusiness Advisor (SB4 Q1)	21,132.2	
		X	X			Govt/000622	71400/ServCon-in	Monitoring and Financial/Admin Assistant (SB 3 Mid)	11,887.0	
		X	X			Govt/000622	71400/ServCon-in	Driver (SB1 Q1)	8,367.4	
		X	X			Govt/000622	71400/ServCon-in	Cleaner (SB1 Min, 50%)	2,725.5	
		X	X			Govt/000622	73100/Rent&Maint	Office rent/security	13,136.4	
		X	X			Govt/000622	72400/Comm&AV	Communications (internet, telephone, etc)	1,178.0	
		X	X			Govt/000622	73100/Rent&Maint	Utilities	1,574.1	
		X	X			Govt/000622	72500/Supplies	Office operations (stationery, etc)	2,407.9	
		X	X			Govt/000622	71600/Travel	Travel (field trips)	5,815.9	
		X	X			Govt/000622	74200/AudioVisi	Visibility	12,966.8	
		X	X			Govt/000622	73400/MaintTrnsp	Vehicle fuel and maintenance	2,617.8	
		X				Govt/000622	75100/F&A		7,216.08	
	TOTAL Activity 4								110,302.98	
	TOTAL 2016								454,135.72	

BUDGET SUMMARY PER YEARS/USD*

Source	2013	2014	2015	2016	TOTAL
EU Net	763,210.90	1,408,898.29	1,073,279.46	424,425.91	3,669,814.55
EU GMS	53,424.76	98,622.88	75,129.56	29,709.81	256,887.02
Gross Total EU	816,635.66	1,507,521.17	1,148,409.02	454,135.72	3,926,701.57
Ajara Gov.	52,449.60	189,461.55	129,937.43	0.00	371,848.58
Ajara GMS	3,671.47	13,262.31	9,095.62	0.00	26,029.40
Gross Total Ajara Gov.	56,121.07	202,723.86	139,033.05	0.00	397,877.98
Gross Total	872,756.73	1,710,245.03	1,287,442.07	454,135.72	4,324,579.55

BUDGET SUMMARY PER IMPLEMENTING PARTNERS (USD)

Implementing partner:	2013	2014	2015	2016	Total
GOVT/000622	667,501.53	1,335,649.48	911,194.83	327,622.89	3,241,968.73
ASC/005778	150,027.10	277,933.25	243,438.12	85,078.53	756,477.00
VET Center/004162	19,633.60	39,267.02	79,267.02	19,633.51	157,801.14
BBI/004179	35,594.50	57,395.29	53,542.11	21,800.79	168,332.68
Total	872,756.73	1,710,245.03	1,287,442.07	454,135.72	4,324,579.55

*The proposed budget is equivalent of 3,000,000Euro (EU contribution) calculated according to the official UN ex. rate for Jan-2013 to 0.754

*The proposed budget is equivalent of 3,000,000 EURO (Ajara contribution) calculated according to the official UN ex. rate for May-2013 amounting to 0.764; 300,000 EURO (Ajara contribution) calculated according to the official UN ex. rate for Jan-2013 to 0.754

V. IMPLEMENTATION ARRANGEMENTS

The project will be implemented under the National Implementation (NIM) modality under which the Government of Ajara AR through the Office of the Chairman of the Government will serve as implementing partner, while UNDP will provide support for the execution of project activities and provision of inputs.

Project Manager will be recruited by UNDP according to UNDP rules, regulations and procedures as part of UNDP support requested hereby by the Office of the Chairman to manage the project on a day-to-day basis. His primary responsibility will be, jointly with the project team, to ensure that the project achieves results that are capable of delivering the outputs described in this document. The Project Manager will be in charge of requesting funds to cover project-related expenses. Project Manager will be reporting periodically to UNDP on the implementation of the project.

Project team will consist of Project Manager, Agribusiness Advisor, Monitoring/ Financial-Administrative Assistant. Technical support will be provided by driver and cleaner. Consultants will be recruited as required for provision of high level expertise in agriculture extension service management, modern methods of artificial insemination, planning of post-harvest consolidation services to be provided to farmers, as well as for implementing of agriculture development studies, provision of technical expertise to Ministry of Agriculture of Ajara Autonomous Republic in various aspects of agriculture development policy, assessment of capacity development needs of the Ministry's staff and development of common information system of agriculture and others.

Project activities will be managed as close to the grass root level as is feasibly possible, in close cooperation with the regional/local administrations and private sector representatives. Namely close partnerships will be established with Ajara AR Ministry of Agriculture, Ministry of Economy and Finance, Agro-service Centre, Batumi Business Incubator and others.

UNDP will provide operational support to the project in the following areas: human resources management services, financial services, procurement and contracting services, as well as with logistics and administration. UNDP will be responsible for the provision of all project inputs upon a formal request from the Project Manager. The Project Manager will provide UNDP with the necessary documents authorizing payments to be made in connection with project activities. Official summary records of all transactions will be provided by UNDP to Project Manager who will in turn keep appropriate and complete records for future project auditing.

In accordance with standard UNDP procedures, all resources/equipment gained through project support remains the property of UNDP until project closure when a decision will be taken as to how to dispose of these resources. It is standard practice to leave resources with the implementing partner after project closure as a contribution to the development of national capacity.

Following standard UNDP procedures, an internationally recognized auditing firm, contracted by the UNDP will carry out annual auditing of the project. The purpose of the audit is to certify that disbursements were made by UNDP in accordance with the activities specified in the project document; disbursements by UNDP are supported by adequate documentation; appropriate management structure, internal controls and record keeping within UNDP is maintained.

As per UNDP internal procedures and requirements, project activities will be steered by the **Project Board**, which will be the ultimate decision-maker for it. It will ensure that the project remains on course to deliver the desired outcomes of the required quality. The Project Board will review and clear Annual Work Plans (AWP) and annual progress achieved by the project through Annual Project Reviews based on the approved annual work plans. The Project Board will meet on a bi-annual basis (more often if required). Prior to the meetings, the Project Manager will duly submit the progress report on the previous period and the plan for the next one. The Board will evaluate submitted documents and be in charge of approving plans and budgets. In addition, the Project Manager will report regularly on an informal basis to the Ministry of Agriculture of Ajara to ensure that there is full transparency and effective liaison between the project and the Ministry.

The **Project Board** will contain the roles of executive, senior supplier and beneficiaries.

The Executive is ultimately responsible for the project, supported by the Senior Beneficiary and Senior Supplier. The Executive's role is to ensure that the project is focused throughout its life cycle on achieving its objectives and delivering outputs that will contribute to higher level outcomes. The Executive has to ensure that the project gives value for money, ensuring a cost-conscious approach to the project, balancing the demands of beneficiary and supplier. For the project purposes, the Office Government of Ajara AR will assume the Executive Role in the Board.

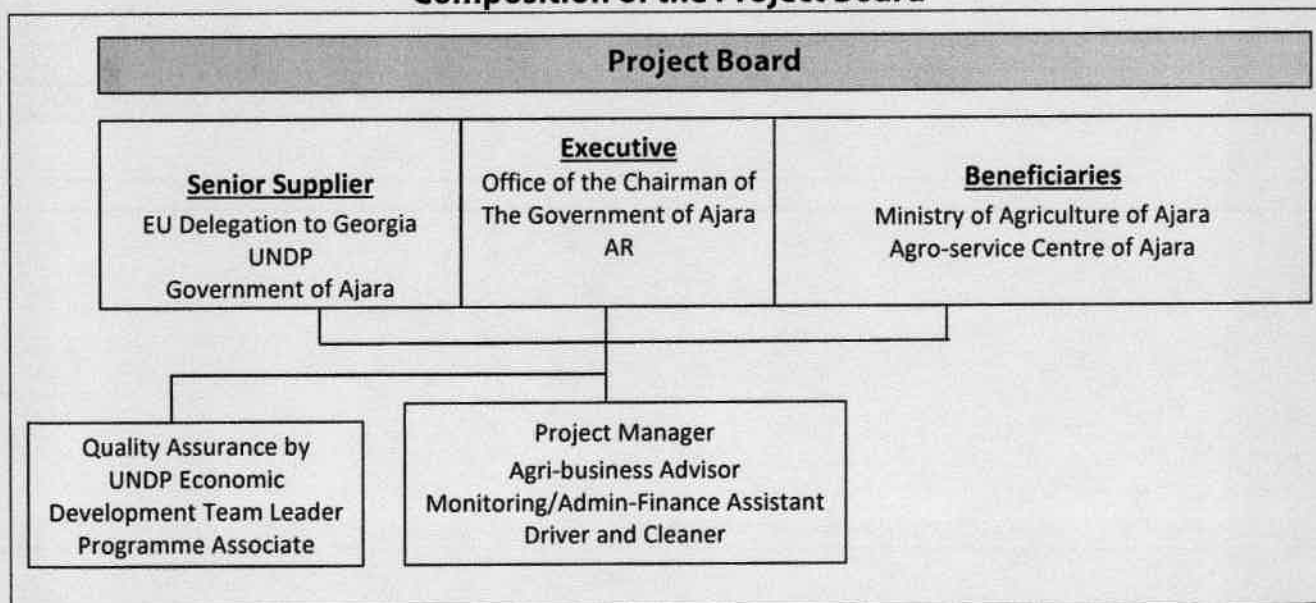
The Senior Beneficiary is responsible for specification of the needs of all those who will be primarily using or benefiting from the project outputs, for user liaison with the project team and for monitoring that the solution will meet those needs. The Senior beneficiary role commits user resources and monitors project outputs against agreed requirements. **The Ministry of Agriculture of Ajara** and **Agro-service Centre** will be the main beneficiaries of the project under the Project Board.

The Senior Supplier represents the interests of those committing resources either financial or human to the project. The Senior Supplier is accountable for the quality of the outputs delivered by the supplier(s). The Senior Supplier role must have the authority to commit or acquire supplier resources required. **EU** and **Ajara AR Government** together with **UNDP** will perform the role of the Senior Supplier representing the interests of the parties concerned, provides funding and technical expertise to the project, skills and guidance to produce the project output.

Project Assurance is one of the key roles in the project management structure. It supports the Project Board by carrying out objective and independent project oversight and monitoring functions. The Project Assurance will act as an objective quality monitoring agent, avoiding the potential "self-serving bias". In addition, the project assurance will verify the products' or outputs' quality. UNDP Economic Development Team Leader and Programme Associate will play the Project Assurance role.

Detailed project organization structure is presented in the chart below.

Composition of the Project Board



UNDP and Ajara Ministry of Agriculture will be the members of the Steering Committee of the ENPARD program, which will serve as the platform to ensure coherence amongst the various components of ENPARD. The steering Committee will organise sector coordination meetings at least three times a year involving the EU Delegation and the Ministry of Agriculture, to assess progress in the implementation of the ENPARD programme.

VI. MONITORING AND EVALUATION

The monitoring, evaluation and review processes represent an on-going effort in order to answer the questions: "How are we doing?" and "What can we do better?" Monitoring will be carried out on a regular basis by the UNDP Programme Team.

Work Plan: the project work plan will be used to set targets for the delivery of outputs and to develop a strategy for ensuring the achievement of project objectives and the work plan will be reviewed and updated regularly by the Project Manager in cooperation with key stakeholders. Performance measures will be identified to evaluate progress in implementing the project and measures will assess the effectiveness of the Project in meeting the objectives of promoting socio-economic development, rural revitalisation and poverty reduction.

Quarterly Progress Reports will be produced by the Project Manager for presentation to the UNDP Country Office and the Project Steering Group. The Progress Reports will be drafted which will reflect progress towards results, factors contributing to or impeding achievement of results and lessons learnt.

Terminal Project Report: the report will be prepared at the end of the period of implementation and will include an assessment and analysis of project performance over the reporting period, including outputs produced, constraints, lessons learnt and recommendations for avoiding key problems in future projects.

Preparation of the monitoring, evaluation and review is the responsibility of the UNDP Programme Team. The Programme Team will devise the system for project monitoring, review and evaluation. They will also allocate sufficient resources to this task and will invite outside parties to conduct the mid-term review and final evaluation.

VII. VISIBILITY

A key to the success of the proposed support is a wide public support of the proposed interventions which will be achieved by the projects' activities with sufficient media visibility. From the very start of the implementation, an outreach plan will be worked out and agreed upon with the EU Delegation in Georgia in order to plan outreach events and promote media coverage at important delivery points. At a minimum, the plan will satisfy the visibility requirements of EU-supported activities and will be developed in close collaboration with the communications officer of the EU Delegation in Tbilisi.

The signing ceremonies of the project document, cooperation agreements with implementing partners, launching of trainings to farmers, etc. will be properly highlighted and communicated to local and national media.

Each entity and facility engaged into the implementation of the proposed activities will have a sign naming the donor and implementer logos and names. Presentations and public coverage will ensure where special attention will be given to the role of the EU in developing relevant institutional capacities and supporting measures for farmers.

The equipment, as well as relevant teaching and training materials, as well as certificates for graduated students will have EU insignias.

The project manager will be primarily responsible for ensuring the distribution of press statements to the media, organizing open days and other outreach activities, thus guaranteeing proper visibility of the EC as the main donor of this project. The project will also receive support from the UNDP communication officer in promotional activities.

VIII. LEGAL CONTEXT

This document together with the CPAP signed by the Government and UNDP which is incorporated by reference constitute together a Project Document as referred to in the SBAA and all CPAP and CPD provisions apply to this document.

Consistent with Article III of the Standard Basic Assistance Agreement, the responsibility for safety and security of the implementing partner and its personnel and property, and of UNDP's property in the implementing partner's custody, rests with the implementing partner.

The implementing partner shall:

- a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
- b) assume all risks and liabilities related to the implementing partner's security, and full implementation of the security plan.

UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement.

The implementing partner agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via <http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document".

IX. ANNEXES:

1/ Risk Log

2/ Work-plan

ANNEX 1. Risk Log

Project Title: Support to Agriculture Development in Ajara Autonomous Republic	Award ID: 00071440	Date: 25-Apr-2013
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#	Description	Date Identified	Type	Impact & Probability	Countermeasures / Mngt response	Owner
1	Reluctance of farmers in joining the agriculture extension groups	14.08.2012	Operational	P = 3 P=4	Effective outreach and mobilization of farmers, ensuring adequacy of the service package to be delivered to farmers, designing relevant communication strategy with potential clients.	Project Manager/Project Team
2	Inefficient cattle artificial insemination services	14.08.2012	Operational	P = 3 P=4	Minimizing risks of possible complications of animal health related to artificial insemination through capacity development of local service providers, practice and equipping with high quality modern.	Project Manager/Project Team
3	Ineffectiveness of harvest consolidation services offered to farmers, which may be caused by reluctance of farmers and financial in-viability or non-sustainability of the services	14.08.2012	Operational	P = 3 I = 3	Study of market channels for ensuring high rates of sales of farmers' products, development of business plans for each consolidation scheme with calculations of benefits to farmers per each type of product, monitoring of the launching phase and mid-term corrections of the operational and financial schemes of the service model.	Project Manager/Project Team
4	Financial and/or operational ineffectiveness of business oriented small farmers groups	14.08.2012	Operational	P = 4 I = 3	Developing business plans for each farmers business oriented small farmers group formation creation of which will be facilitated based on UNDP developed sustainable business models of business oriented small farmers groups, BDS services' delivery during the inception phase of business oriented small farmers groups' business operations	Project Manager/Project Team

ANNEX 2. Workplan

	Output/Activity Budget Item Description	Year 1				Year 2				Year 3				
		I	II	III	IV	I	II	III	IV	I	II	III	IV	
	Activity 1. Increasing and improving services to farmers													
1.1	Training of the management and consultants of ASC													
1.2	Developing ASCs Strategic Development Plan													
1.3	Developing ASC branches													
1.4	Delivery of extension Services													
1.5	Training of local consultant in modern methods of artificial insemination													
1.6	Designing of template demonstration projects in selected fields and regular revision (gardening, vegetables, animal husbandry and others)													
1.7	Development of demonstration projects													
1.8	Developing feasibility studies and business plans for models of consolidation services and their update													
1.9	Delivery of harvest consolidation services linked to value chain or small scale farmers													
1.10	Planning and delivery of vocational courses in mechanization													
1.11	Designing and developing the TV extension shows													
	Activity 2. Development of business oriented small farmers groups and associations													
2.1	Developing and adjusting the business models of business oriented small farmers groups to Ajarian socio-economic environment													
2.2	Design of BDS services to agriculture business oriented small farmers group formations (access to finance, planning, internal saving schemes)													
2.3	Delivery of BDS services to business oriented small farmers groups (company in cooperation with ASC and Batumi Business Incubator)													
2.4	Developing capacities and infrastructure for farmers groups and business oriented small farmers groups (demonstration projects)													
2.5	Delivery of capital costs supporting grants to farmers organizations													
	Activity 3. Institutional development of the Ministry of Agriculture of Ajara AR													
3.1	Agriculture Development Studies (baseline, investment promotion, export competitiveness, discussions, publication)													
3.2	Capacity development needs assessment of the Ministry's staff													
3.3	Capacity development measures (on job trainings)													
3.4	Planning of common information system development for agriculture													
3.5	Developing information system on agriculture													