

RURAL ECONOMIC DEVELOPMENT (RED) IN THE SOUTHERN REGIONS OF GEORGIA

BACKGROUND



Lack of affordable high quality seeds is the primary challenge for potato growers PHOTO/FDFA

The agricultural sector accounts for less than 10% of the GDP of Georgia and engages more than 50% of the labor force of the country. The targeted areas of Samtskhe-Javakheti and Kvemo Kartli are leading agricultural regions although with the high levels of poverty and diverse ethnic composition, which quite often manifests in exclusion and gender inequalities. Farming for self-subsistence is predominant and a majority of households generates only modest surplus production and incomes. Some 60 percent of the population lives in rural and hilly mountainous zones. Therefore, the Livestock and potato value chains were identified as the relevant domains for the program interventions.

Critical challenges faced by the potato sub-sector are the lack of affordable high quality seeds, the low level of mechanization and irrigation, shortage of quality storage facilities, and inadequate product preparation. The dairy sector has to cope with the enactment of the Law of Georgia on Food Safety and Quality which will tighten the regulatory framework for meat and dairy producers. Lack of financial resources is also an important impediment to modernize the sector. The loans have usually high interest rates, a relatively short repayment period and rather strict collateral requirements.

FACTS

Country: Georgia (Samtskhe-Javakheti and Kvemo Kartli regions)

Duration: 1 May '12-31 Nov '16

Total Budget: CHF 10'134'555

PROJECT OBJECTIVE

The project aims to contribute to the economic growth of the agriculture sector and reduction of poverty in the regions of Samtskhe-Javakheti and Kvemo Kartli.

PROJECT ACTIVITIES

The RED program provides technical assistance (TA) to the farmers and service providers related to the potato and dairy value chains. Assistance provided by the program team and experts aims at improving agricultural and business management practices of the target groups and enhancing their productivity and profitability. The program works with the government Institutions and local authorities to strengthen direct contacts with important agricultural players in selected regions and to facilitate a dialogue on agricultural development programs.

Project strategy is to encourage a demand based direct private investment in the targeted activities using the investment capitals, which is provided to the value chain actors in the form of i) co-investments (matching grants), and ii) innovative loan securing deposits at selected commercial banks allowing for reasonable interest rates to borrowers (secured lending facility). These deposits serve as secondary collateral for the loans disbursed to the actors of the targeted value chains whom the program supports with TA.

PROJECT RESULTS

Project will benefit the medium scale farmers, traders, processors and service providers, which are involved in the potato and dairy value chains and have a growth potential. Direct beneficiaries will be 1'600 growers and 40 service providers in the potato value chain, as well as 1'200 farmers and 130 service providers in the dairy value chain, who will benefit from improved access to the relevant services, know-how and investment capital. Indirect beneficiaries are estimated to be 26'000 potato growers and 25'000 dairy farmers in the selected regions.

PARTNERS

Implementing partners:

International consortium led by NIRAS A/S, with CNFA and Mercy Corps

Programmatic governance:

Steering Committee chaired by the Minister of Agriculture. Committee includes representatives of the Ministry of Regional Development and Infrastructure, Danish Ministry of Foreign Affairs and SDC.

Institutional partners:

Ministry of Agriculture of Georgia;
Ministry of Regional Development and Infrastructure; Regional and Local Authorities.

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