

## EUROPEAN UNION FOR GEORGIA: ENPARD'S ROLE IN THE DEVELOPMENT OF THE AGRICULTURAL SECTOR

ევროკავშირი საქართველოსთვის: ENPARD-ის როლი აგროსექტორის განვითარებაში

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**Abstract.** The rich traditions of agriculture in Georgia are an integral part of the country's history, consciousness, and cultural heritage. It played a significant role in the economic strength of the Georgian state for centuries.

Our country faced new challenges after signing the Association Agreement with the European Union. It is necessary to produce environmentally friendly, competitive products that meet European standards. At the modern stage, the most significant task facing the agro-food sector is the development of the countryside and agriculture on the basis of high technologies, which ensures the achievement of competitiveness in the local as well as international markets.

Under the European Neighborhood Program for Agriculture and Rural Development (ENPARD), the European Union promotes the development of agriculture, food security, sustainable production, and employment growth in Georgia.

**Keywords:** agricultural sector, agrarian policy, ENPARD in Georgia.

**გიული გიგუაშვილი**

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**აბსტრაქტი.** საქართველოში სოფლის მეურნეობის მდიდარი ტრადიციები ქვეყნის ისტორიის, ცნობიერებისა და კულტურული მემკვიდრეობის განუყოფელი ნაწილია. ის საუკუნეების განმავლობაში მნიშვნელოვან როლს ასრულებდა საქართველოს სახელმწიფოს ეკონომიკურ სიძლიერეში.

ევროკავშირთან ასოცირების ხელშეკრულების ხელმოწერის შემდეგ ჩვენი ქვეყანა ახალი გამოწვევების წინაშე დადგა. საჭიროა ევროსტანდარტების შესაბამისი, ეკოლოგიურად სუფთა, კონკურენტუნარიანი პროდუქციის წარმოება. თანამედროვე ეტაპზე აგროსასურსათო სექტორის წინაშე მდგომ უმნიშვნელოვანეს ამოცანას სოფლისა და სოფლის მეურნეობის მაღალი ტექნოლოგიების საფუძველზე განვითარება

წარმოადგენს, რაც უზრუნველყოფს კონკურენტუნარიანობის მიღწევას, როგორც ადგილობრივ, ასევე საერთაშორისო ბაზარზე.

ევროკავშირი სოფლის მეურნეობისა და სოფლის განვითარების ევროპის სამეზობლო პროგრამის ფარგლებში (ENPARD) ხელს უწყობს საქართველოში სოფლის მეურნეობის განვითარებას, სასურსათო უსაფრთხოებას, მდგრად წარმოებასა და დასაქმების ზრდას.

**საკვანძო სიტყვები:** აგროსექტორი, აგრარული პოლიტიკა, ENPARD-ი საქართველოში.

**Introduction.** Georgia is a post-Soviet country with a small economy and European orientation (Pazhava, 2022). From ancient times was thought of as an agrarian country. According to its scale and the number of people employed, agriculture plays a significant role in the economy of Georgia. Moreover, agriculture and agribusiness are one of the main sources of income for the population, which is currently the most fundamental factor in eliminating poverty in rural areas. By implementing the right state policy, entrepreneurs, farmers, and peasants will be able to respond to the new challenges that our country faces after signing the association agreement with the European Union. The EU-Georgia Association Agreement entered into force in July 2016 and strives for political association and economic integration between the EU and Georgia. The EU and Georgia have also entered into a Deep and Comprehensive Free Trade Area (DCFTA). Georgian citizens have benefited from visa-free travel to the Schengen area since 28 March 2017. The EU is Georgia's largest trading partner and provides, on average, over €100 million to Georgia annually in technical and financial assistance.

The EU supports Georgia with concrete investments to help post-pandemic recovery and improve the lives of Georgian citizens. In the coming years, the EU will invest in the following flagship projects:

- Reliable internet through a Black Sea data cable and electricity cable
- Ferry connections in the Black Sea
- Support to 80,000 SMEs
- High-speed internet access to 1,000 rural communities
- Cleaner air and energy efficiency for 1 million people. (The European Union and Georgia, 2023)

The European Union supports the development of the countryside and agriculture in Georgia within the framework of the ENPARD program. With ENPARD, the European Union provides multifaceted support to Georgia, which contributes to establishing European standards and raising the quality of life in the country. Benefits of this support include strengthening the capacity of government institutions involved in rural and agricultural development. Improvement of employment and living conditions in rural areas can be achieved by strengthening farming cooperatives as well as by ensuring better standards of products and access to finance. Along with cultural heritage and environmental support, the development of diversified social and economic opportunities in rural areas, especially for women and youth. (Chitaya, 2020)

**Literature review.** About 43.4% of the total territory of Georgia is considered agricultural land, and the remaining 43% of the area is covered by forest cover. Almost half of the existing agricultural land (47.9%) is arable, of which 30% is uncultivated. More than 42% of the population of Georgia lives in rural areas. 52% of the entire labor force is employed in agriculture. 95% of them are small entrepreneurs. (Geostat, 2022)

The efficiency of the agro-sector depends a lot on the specialization and concentration of production, rational coordination of branches, self-financing of entrepreneurial activities, provision of commercial activities and material stimulation, and correct development of the production strategic plan. In order to increase the efficiency of the agro sector, in the conditions of the market economy, not only limited capital but also the rational use of cash resources is needed in order to obtain the maximum and solid profit. (Giguashvili, 2017)

In recent years, the attitude towards agriculture has changed radically. Special attention was paid to the irrigation system improvement (Salkhinashvili & al., 2023), the purchase and use of agricultural machinery, the implementation of preventive measures to combat livestock diseases, the creation of laboratories with international accreditation, and the diversification of international markets. As a result of the assistance program implementation for small land farmers, the cultivated land area in the country has increased significantly.

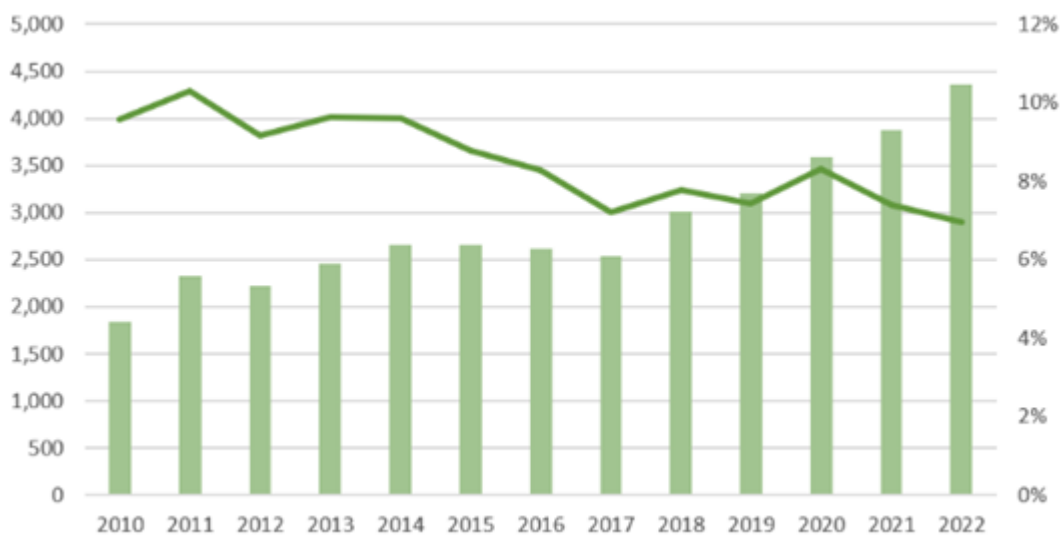
According to the data of the National Statistics Service of Georgia, in 2022, the wealth created by the agro-sector in the gross domestic product (GDP) amounted to 4.4 billion GEL, which is 6.5% of the GDP. The sector's economic growth in 2022 was 2.9%, while Georgia's economy grew by 10.1%. In 2011-2022, the growth was 2.7%, 1.7 times less than the GDP growth rate. (Gnomon Wise, 2023)

**Methodology.** The aim of the paper is to analyze the scientific bibliography and study the challenges of the agro-sector and the main directions of the EU agrarian policy in Georgia using quantitative-statistical research methods.

**Discussion/Results.** Against the background of diverse relief and climatic conditions of our country, the development of the agricultural sector in the regions is very diverse. The state must first determine what potential this or that region has and then take a concrete step to use the given potential.

The agricultural sector has a significant share in the economy of Georgia. In 2022, the sector's total output amounted to 7.1 billion GEL, and the wealth created in the GDP was 4.4 billion GEL, 6.5% of the country's GDP.

**Chart 1: Nominal and percentage indicators of the agricultural sector in the gross domestic product (2010-2022)**



**Source: National Statistical Service of Georgia**

Compared to other sectors, the agricultural sector of Georgia benefits from special tax and regulatory approaches from the government. Despite this, the economy of Georgia grew by 4.3% in

2015-2023, while the real growth rate of the agricultural sector in the gross domestic product was only 2%. According to the data of the Ministry of Finance of Georgia, the Ministry of Environment Protection and Agriculture expenses in 2023 were planned as 698.5 million GEL, of which 598.1 million GEL is for the agricultural sector, and the remaining 100.4 million GEL is intended for environmental measures.

Trade between the European Union and Georgia has grown steadily over the years, and today - the European Union is Georgia's main trading partner. In 2022, the turnover with the European Union increased by 29%, amounted to 3 912 million USD, and occupied 21% of the total turnover. However, agricultural exports decreased by 4%, amounted to 173.2 million US dollars. In the same period, the import of agricultural products increased by 37% and amounted to 404 million US dollars. ([www.economy.ge](http://www.economy.ge))

The main challenge of agribusiness is the European standard production, ecologically clean, competitive products, and establishing a worthy place on international markets (<http://eeas.europa.eu/>). The European Union supports the growth and strengthening of Georgia's agriculture through the European Neighborhood Program for Rural and Agricultural Development (ENPARD).

The general goal of the ENPARD program is to increase the production of food products in Georgia and reduce poverty in rural areas. The program's specific goal is to promote the implementation of the national sectoral strategy and strengthen small farmers' organizations. It aims to develop rural Georgia and revitalize the agricultural sector in conditions of multilateral cooperation between the government, civil society, and farmers.

Within the framework of ENPARD, the European Union's assistance considers the following main issues:

- Improving the effectiveness of agricultural institutions and their assistance in the process of reforming the agricultural sector;
- Improving employment and living conditions in rural areas by strengthening small farming cooperatives and providing access to resources;
- Promotion of diversification of social and economic opportunities in rural areas, especially with the involvement of women and youth, environmental conditions, and cultural heritage protection.

**For 2013-2022, the ENPARD budget in Georgia was 179.5 million euros:**

Phase I – €52 million, 2014-2017

Phase II – €50 million, 2016-2019

Phase III – €77.5 million, 2018-2022

The first phase of the mentioned program - ENPARD I, started in 2013, and its budget was 52 million euros (approximately 135 million GEL). In 2016, the program's second phase - ENPARD II was launched, within the framework of which Georgia received an additional 50 million euros (approximately 130 million GEL) from the European Union for rural and agricultural development. The total budget of the third phase of ENPARD was 77.5 million euros, of which approximately 45 million euros were budgetary. ENPARD III (2018 – 2020) provided support for both agricultural and rural development. The rural development budget was 32 million euros.

**ENPARD I (2013-2017) – the main achievements are considered to be:**

1. Strengthening cooperation between farmers
2. Improvement of consulting services
3. Support of the Ministry of Agriculture
4. Rural development pilot projects in Borjomi, Lagodekhi, and Kazbegi.

**Based on the experience of the pilot projects, the second phase of ENPARD developed,** which continued to support the Ministry of Agriculture in the 2016-2020 Agriculture Development Strategy implementation. In this regard, the European Union support was implemented through direct budget assistance and financing of grant programs.

ENPARD II outlined three main directions: (1) improvement of agriculture; (2) promotion of rural development; (3) Raising food safety standards.

Within the framework of ENPARD II, the technical support and training of the Ministry of Agriculture initiated in the phase of ENPARD I continued. In this regard, with the help of the European Union, a database of farmers was created, seed material certification systems were established, and environmentally sustainable agricultural practices were introduced. Moreover, with direct budget support, ENPARD II continued to encourage the creation of business-oriented farming cooperatives and their sustainable development.

**In 2018, the third phase of ENPARD began,** which aimed to greatly increase the competitiveness of agriculture, improve living conditions in rural areas, and support environmental protection and sustainable management of natural resources. (Chitaya, 2020)

**ENPARD IV was scheduled to be launched by the end of 2022.** The prior donor of the three-year project (2023-2025) is the European Union (US \$2,398,720.69 / EUR 2,250,000.00), Estonia (US \$42,643.92 / EUR 40,000.00) and the United Nations Development Program (US \$149,786.78/ EUR 140,500.00) also contribute to the financing of the project (<https://www.undp.org/ka/georgia/projects/enpard-4>). Phase IV of the program will help food safety, sanitary, and phytosanitary standards introduction in Georgia. As a result, consumers' rights will be better protected and the export potential of Georgian products to EU member states will increase. ENPARD IV will build on the Comprehensive Institutional Development Program (CIB) and previous ENPARD phase results. Phase IV of the program will be highly focused on the economic and social integration of vulnerable regions and families (eco-migrants, conflict-affected persons, ethnic minorities, migrants). In addition, civic engagement promotion in the local development decision-making process, including the empowerment of youth and women, will continue to be a program priority.

Agrarian policy in our country is implemented according to the "2021-2027 Strategy of Agriculture and Rural Development of Georgia" and "2021-2023 Action Plan". The strategic vision of Georgia's agricultural development, based on the principles of sustainable development, envisages the creation of such an environment that will contribute to increasing competitiveness in the agro-food sector, stable growth in the production of high-quality products, ensuring food security, food safety and overcoming poverty in rural areas.

Thanks to the efforts of the European Neighborhood Program for Agriculture and Rural Development (ENPARD), Georgia already has a separate policy for agriculture and rural development, which includes specific support programs.

**The main directions of the agriculture development strategy are:**

- Increasing the competitiveness of employees in the agricultural sector
- Institutional development
- Reclamation and soil fertility
- Regional and sectorial development - promoting the development of value-added full-cycle production
- Ensuring food safety
- Food safety, veterinary medicine, and plant protection
- Climate change, environment, and biodiversity conservation

In the process of implementing the strategy, special attention will be paid to the measures of economic development of regions and municipalities, the perfection of institutional arrangements, effective functioning of information and consulting services, retraining of farmers in accordance with the requirements of market relations, integrated development of agricultural cooperatives, rehabilitation of agricultural infrastructure, improvement of statistical accounting, creating a market information system, improving the quality of food safety analysis and monitoring, developing and implementing relevant flexible legislative initiatives. The strategy envisages the fulfillment of the obligations undertaken within the framework of the deep and comprehensive free trade space with the European Union, which ensures the maximum approximation to internationally recognized standards and norms and the quality improvement of manufactured products. Maximizing the potential of Georgia's agriculture and making targeted use of it is vital for the country's economy. That is why the first guarantee of achieving a positive result will be the "2021-2027 Strategy of Agriculture and Rural Development of Georgia" and the "2021-2023 Action Plan" consistent implementation.

**Conclusion.** For Georgia, as a country focused on the future membership of the European Union, it is especially significant to get closer to the European systems, harmonize all legal acts, share the experience and best practices of the European Union and partner countries. Solving the problems facing the agro sector depends on how effective and flexible Georgia's agrarian policy will be, how it will meet the standards necessary for agribusiness development, and finally, how the updated system will be able to adapt to the EU system.

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