Assessment of the Ministry's Structure, Staffing and Functions

Restructuring Assistance and Policy Advice for the Ministry of Agriculture and Food of the Republic of Georgia Task Order

Under the Broadening Access and Strengthening Input Market Systems (**BASIS**) IQC, LAG-I-00-98-00026-00, Task Order #804 for USAID/Caucasus.

Development *Alternatives,* Inc.
7250 Woodmont Avenue, Suite 200, Bethesda, Maryland 20814
Tel: (301) 718-8699 Fax: (301) 718-7968 Email: info@dai.com

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ASSESSMENT OF THE MINISTRY'S STRUCTURE, STAFFING AND FUNCTIONS

Don Van Atta

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Introduction

Georgian agriculture at present is divided between a large and expanding subsistence sector and a deeply depressed "commercial" sector which is not competitive either internally or on the world market. The infrastructure of input-supply, agriculture service, processing and distribution enterprises inherited from the Soviet Union has largely disintegrated. The only real service provided by the Ministry of Agriculture and Food of Georgia (MAF) to the subsistence sector is disaster relief. It offers some resources, particularly water and veterinary supplies for the "commercial" sector. However, those resources are limited, declining in amount, and in fact largely controlled by local authorities, not the MAF apparatus at higher levels. In dealing with both sectors there is certain to be corruption since "rent-seeking" by those with access to scarce resources is predictable. The lack of mechanisms and will to control and limit corruption by previous Ministry leaderships has surely made this situation worse.

As a result, the present MAF is essentially irrelevant to Georgian agriculture. Except for some food safety regulation and allocation of a few resources which would be unnecessary if the economy functioned better since resources could and should be allocated by market mechanisms (and, hopefully, "disasters" would be fewer as well), it does nothing its clients and audiences need done, and may in fact hinder them.

Most of what an agricultural ministry does in well-functioning market economies revolves around enforcing grades and standards, providing information (both on markets and techniques), and representing client interests, both in national politics and internationally. The MAF now does little or none of this except in the narrowest sense of lobbying for agricultural subsidies—and that not very effectively given the country's lack of resources for them and its inability to manage them effectively. The present management of the Ministry has recognized this situation, and therefore asked for assistance in restructuring the Ministry and, in parallel, developing a true capacity to develop and evaluate policy alternatives.

Given that request for assistance from the Georgian authorities, and as part of a USAID-supported response to it, this memorandum considers the structure, functions and staffing of MAF. It is based on my own observations and assessment, my experience in similar institutions elsewhere, and discussions with a number of Georgian and foreign experts and observers. It has particularly benefited from cooperation with Mr. Ranjan Ganguli of the World Bank during his mission to design the terms of reference for a proposed WB-funded "audit" of the Ministry, and from information provided by Mr. Joep Cuijpers, European Commission Food Security Program advisor in the MAF, who has been working on restructuring issues under his own terms of reference. Obviously, such an assessment would have been useless without the cooperation of the senior staff of the Ministry, who have been extremely helpful in explaining things that must have seemed obvious to them and patient with the parade of foreigners trooping through their offices with what must have seemed at times like little real result. I am solely responsible for the content of this note, however.

After a brief overview of the Ministry's present structure, this note presents some general issues of its restructuring, then examines a series of specific organizational and functional problems identified in the course of this work as well as some possible solutions to those difficulties. The memorandum concludes with some reflections on reorganization strategy and procedures. This note does not investigate the history or functioning of every major Ministry department in detail, nor does it consider at length what a reorganized Ministry

should look like, since the first task will need to be undertaken as part of the reorganization and the second has been done by a number of previous reports, including a memorandum drafted earlier in the present technical assistance activity (Tacis: 1996; World Bank: undated; Van Atta: 2001. Works cited are listed in Annex 1).

The Present Ministry

The present Ministry of Agriculture and Food of Georgia was chartered by a Presidential decree of December 1, 1997 (Annex 3). As such, the Ministry is the latest incarnation of an institution which has existed, in one form or another, throughout almost the whole Soviet and post-Soviet period, and which has always been primarily concerned with directing agricultural production. Indeed, except for part of the 1980s experiment with the State Agroindustrial Committee *(Gosagroprom)* and the early post-Soviet period, the Ministry has always been counterbalanced by a separate procurement organization in charge of distributing agricultural produce.

Like all other Soviet and post-Soviet ministries, the MAF has undergone repeated reorganizations. In many ways, the Ministry is an artificial organization. On the one hand, the autonomy, in law and practice, of many of its major subunits—some of which, such as the Department of Amelioration and Water Economy, have for long periods of time themselves been independent ministries—is so great that their subordination to the Ministry is little more than a convenient fiction that reduces the apparent number of separate government agencies. During the constant reorganizations of the government apparatus that characterized the Soviet era and have continued since in many countries of the former Soviet Union, the "main administrations" or "*departamenty*" have been shuffled from one Ministry or Committee to another, and in many ways they, rather, than their Ministerial shells are the cohesive organization units of Soviet- and post-Soviet governments. On the other hand, the Ministry itself developed to operate as part of a unified state system in concert not only with the Ministry of Economy (the heir of the former State Planning Committee) and the Ministry of Finance, but with industrial ministries producing inputs for its organizations and others utilizing its outputs. This system was coordinated by the actions of the Communist Party until 1991 and still relies much more on interpersonal ties than on market and contractual relationships. In such an environment, the meaning and nature of organizational boundaries is very different than they would be in an established market economy.

Within this system, the Ministry served to allocate physical resources among production units and to direct their operations. For both purposes, the Ministry had a hierarchical organization, in which the Georgia n SSR Ministry of Agriculture was itself subordinate to the USSR Ministry of Agriculture in Moscow, while the Georgian Ministry controlled Administrations of Agriculture in each raion, major city, and town. The raion Agricultural Administrations, in turn, controlled and directed the activity of small agricultural departments in every major village and, more importantly, the activities of every collective and state farm. However, this coordination was also less fixed in law than it relied on the disciplinary powers of the Communist Party over individuals.

As a consequence of the breakup of the Soviet Union and, in Georgia, the extensive civil conflicts that accompanied and followed that disintegration, however, the Ministry has largely lost control of "its" production units. The end of the USSR meant that the Ministry no longer had access to resources to distribute to producers. Instead, the Ministry was reducing to lobbying parliament for a share of the state budget which could be used to buy those resources for the primary agricultural producers, their suppliers ("up-stream

agriculture") and processors and sales agencies ("down-stream agriculture"). Processing enterprises and supply facilities were to be privatized under legislation adopted in 1992. Many collective farms, which were never strongly institutionalized in many parts of Georgia, have disintegrated, and aggressive land-titling efforts by a variety of international donors have led to the legal recognition that the collective and state farms have disappeared in many areas. Some of the old farms remain, as government-sponsored cooperatives (formed from former collective farms) or limited-liability companies (formed from state farms) in at least some areas, such as the Gori raion. In addition, it seems likely that much of the not-yet privatized farm land is supporting transformed kolkhozy in the form of "land-leasing farms" most probably run, in many cases, by their pre-1991 leaders. However, the Ministry no longer has much if any control over the activities of those farms.

The 1997 Ministry charter specifies that it should perform most of the functions usual for ministries of agriculture in market economies, including establishment and enforcement of quality grades and standards, collection, analysis and distribution of market information, assistance to producers in improving their activities, and market regulation, including price supports and other subsidy devices typical of many market-oriented agricultural sectors. However, the Ministry does not in fact appear to be providing many of these services, and both the Ministry and Georgia as a whole lack the resources that would make market intervention and price support policies financially feasible.

During most of the 1990s, to the extent the national leadership thought about the Ministry at all, it seems to have been viewed as a political instrument for insuring control of the countryside and as a way to purchase the loyalty of certain influential political groups. One person served first as Deputy Prime Minister for Agriculture and, following the abolition of the Cabinet of Ministers in 1995 and the end of the DPM position, Minister of Agriculture, for most of the decade. He seems to have been retained in his post as a way to insure the political loyalty of his supporters. Although the President re-nominated that agricultural minister as part of the formation of the last entirely new government following the 2000 presidential election, the Parliament refused to confirm him. After a month-long hiatus, marked by attempts by the previous Minister to continue to attend Government (cabinet) meetings, the President nominated the head of the Parliament's agricultural committee, who had been one of the leading critics of the former minister, to head the ministry. That candidacy was approved by Parliament with only two dissenting votes.

As might be expected, the new minister took up his post in mid-2000 an atmosphere of sullen hostility and resistance from much of his staff. One of the four then-serving deputy ministers was immediately fired for corrupt practices and was brought up on criminal charges along with a department head. The other two deputy ministers and the one first deputy minister remain from the previous regime, as does most of the rest of the staff. The Ministry is involved in a number of legal actions involving contracts made by the previous regime which were not paid, and the Ministry's bank account is under threat of arrest by the Tax Police (i.e., seizure of any funds in it to pay a tax debt) because of omissions in accounting made in 1997 and 1998 and uncovered by the Chamber of Control in an audit (Chamber of Control: 2000). Moreover, much of the Ministry's present budget comes indirectly from the European Commission through its Food Security Program. Because of poor accounting for the funds before 2000 by the MAF, much of that funding has been diverted by the EC and the Ministry of Finance to pay pensions and other social benefits, and recent changes in EC procedure have delayed recent tranches of funding. While these changes are understandable and

justified, they have increased the difficulties confronting the current Ministry management still further.

The Minister has managed to make considerable political capital in the fall of 2000 by not trying to manage donor-supplied drought relief through the Ministry. This was in part a forced decision, since the donors were skeptical of the Ministry's ability to do so competently, but by asking the donors to manage the assistance the Ministry managed to win points both with the recipients of the assistance, who by-and-large received it, and with the donor community. A current initiative by the Minister to build on this success by pushing agricultural tax reform through introducing a unified tax in place of the many separate taxes for which farmers are now liable, and by exempting agricultural products from VAT, has been much less successful since it has been resisted by the Ministry of Finance and others worried about potential loss of tax revenues and the precedent that special tax treatment for one important sector would set.[1]

The present MAF organization follows closely that outlined in the 1997 Charter. The Minister, his first deputy and three deputies divide up direct management responsibility for line departments and oversight of what the Ministry's charter calls "State-Subordinated Agencies"—the quite autonomous units such as the Department of Amelioration and Water Economy (DAWE) and the Veterinary Department (Annex 4).

General issues

Because this is a sectoral Ministry, not a functional one, its difficulties can only be resolved by many coordinated actions. No single change or remedy can fundamentally reform the Ministry in the way that a similar drastic change can affect the operations of a functional agency such as the Ministry of Tax Revenues or the Customs Service. Ill-considered or hasty reforms could make the situation much worse, since some of the Ministry's missions, such as monitoring of food safety and animal disease, are fundamental to maintaining the polity and society. For instance, failure to carry out reported vaccinations against anthrax or dishonest monitoring of cattle for signs of BSE or other diseases can have effects far beyond the immediate ones of enrichment of particular corrupt individuals.

Many of the Ministry's problems are structural, resulting from the Soviet system, and as such must be common to all Ministries in Georgia and the other states of the former Soviet Union. They are more obvious here simply because a minister from a new political generation has called attention to them and asked for help in resolving them.

The Ministry of Agriculture and Food of Georgia suffers from a number of underlying problems.

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[1] The Minister argues that a flat tax, based on a per-hectare assessment, would increase revenue to the state by making tax collection simple and transparent. He holds that the present confused tax code and opaque assessments mean that farmers often pay more to tax inspectors in bribes to avoid assessment and payment hassles and penalties than they would have to pay to the state if the system were more transparent and self-regulating. Thus the state would, it is held, gain revenues while the total taxes paid by farmers, including the present "corruption tax" would decrease. Further, the Minister holds that exempting producers and processors from VAT (which, it is said, in practice more resembles the Soviet-era "turnover tax" than a European-style VAT) would have the effect of driving flour smugglers out of business, since the price increase resulting from the VAT provides the margin that makes it attractive for smugglers to operate. Although both these claims seem plausible, there is no systematic empirical evidence either way, and it is hardly surprising that officials whose primary concern is revenue would be resistant to these changes.

1. The Ministry is a Soviet-style organization operating in a Soviet-type government. That is, missions, procedures and mindsets remain those of the Soviet command economy. Moreover, employees continue to behave in Soviet ways, hoarding information, failing to report fully and truthfully to their superiors, and generally not acting as a cohesive organization with a common mission—and common threats and possible penalties (i.e., unemployment) if the organization's core missions are not reasonably well fulfilled.

2. The Ministry has no effective internal control or management procedures, both because the Ministry continues to operate as part of a single command-economy structure in which organization boundaries are fluid and have little meaning, and perhaps because those management checks and balances used to be provided by the parallel organization of the Communist Party, and no new procedures or institutions have evolved.

3. The Ministry is almost entirely irrelevant to the political, administrative, and governmental needs of a successful market economy. Most of the work the MAF does is not done at all, or is performed by the private sector or other political bodies, in developed market economies. Much of the basic work of ministries of agriculture in OECD countries, particularly market development, general research and data collection and dissemination, and agricultural extension, is not done at all by the present MAF. At this point, the MAF is probably an overall cost to the Georgian economy, subtracting value, rather than a contributor to its growth and development.

4. The MAF's capacity to absorb donor assistance usefully, or even to track it properly, has been overwhelmed. With the possible exception of World Bank efforts, every donor project that has been implemented in cooperation with the MAF since Georgia regained its independence has been under- or mis-managed in such a way that the present Ministry leadership identifies it as a problem, in some cases involving significant legal and financial liabilities for the MAF and the Government of Georgia.

5. As a result of these conditions, the present Ministry leadership is almost entirely occupied in trying to understand the dimensions of the mess they inherited, and so unable to concentrate on redesigning the Ministry or providing better service to their clients.

6. Even if the Ministry were itself a well-functioning organization, the general financial crisis in Georgia has led to a situation where uncertainties about funding would make planning, staff retention, and other basic organizational activities very nearly impossible. The long-term solution to this problem will come from an improvement in the country's economy. In the short run, however, this situation means that restructuring this one Ministry must be approached as part of a general restructuring and rethinking of the structure and particularly the budgeting process for the government as a whole, including especially the Ministry of the Economy, the Ministry of Finance, and the Treasury as well as the Ministry of Agriculture and Food.

Specific problems

The Ministry has a host of specific problems, all of which add up to a failure to perform any useful missions and so failure to provide any services needed by the Ministry's presumed clients, the people of Georgia, Georgian consumers, and Georgian farmers.

1. Paper flow

It might seem odd to list the flow of documents in the Ministry as its first and so most important problem, but in fact all bureaucratic organizations communicate with the outside world in writing. The difficulties of document tracking and creation mean that the Ministry cannot perform its proper functions of policy making or policy coordination, much less be of service to clients spread throughout the country.

Problem

All documents coming into the Ministry now go first to the Ministerial Chancellery for registration, then to an assistant to the Minister who decides how to direct them further. Once assigned for action, each department to which a document is directed registers each document on arrival in the department and each outgoing item. Outgoing documents from the Ministry are similarly assigned a registration number and stamped with the Ministry's seal by the Chancellery before dispatch. However, there is no way to cross-reference related documents within a department or within the Ministry's registry, nor is there any way to determine where a document is within the Ministry except to ask at all points where it might be.

Further, although, for instance, a Ministry staff lawyer is supposed to check all draft legislation, contracts, etc., for legal correctness, and although similar checks for financial appropriateness are also presumably made, the departments concerned see only paper that is sent to them. Thus, if the Minister wishes to sign a contract or write a draft legal act without having it reviewed by anyone else within his Ministry he can do so, and the document will be issued, properly registered with the Ministry chancellery and stamped with its seal, making it a binding obligation of the Ministry and so of the Georgian government, without having been seen by anyone except a clerk in the Chancellery, the Minister himself, and his assistant who directs correspondence. The Ministry's only remedy if the Minister chooses to violate the Ministry's normal procedures is a civil suit to recover damages against the individual.

This loose tracking system not only puts a great burden on top-level Ministry staff, who must remember what documents are in process and where they are likely to be, it also makes it possible for top Ministry officials to circumvent almost all controls on their activity while producing documents which, from a legal standpoint, are properly drawn and attested to (registered and sealed) and thus are legal obligations of the Ministry.

Proposed remedies

- Institute a civil service post of Ministry Administrator or State Secretary. This individual should be responsible for tracking and directing the entire paper flow within the Ministry. He or she should also be responsible for the Ministry's administrative apparatus, including the legal, personnel, accounting, chancellery and other service departments. The post should be non-political, with its incumbent's performance subject to review by both the Minister and a state civil service agency.
- Institutionalize the informal requirement that matters concerning given departments should be seen by them by making it a legal requirement for valid Ministry documents, with violators subject to administrative penalties or legal action if they act otherwise. For instance, no contract to purchase goods and services should be considered valid unless it has been examined for legal correctness by the Ministry's

legal department, unless the Ministry's procurement department confirms that it was tendered in accordance with applicable law, and unless the Ministry's financial-accounting department certifies that funds are available or reasonably anticipated for payment.

- In the long run, as funds become available, institute a better document tracking system, probably involving computerization of both document storage and circulation.

2. Lack of Financial Controls

Problem

The Ministry now has no financial tracking system worth the name, let alone any effective means of forecasting income or expenditures or internally cross-checking them. It appears likely that this is true of all Georgian ministries, and, indeed, because of European Commission technical assistance, the MAF almost certainly has better controls and financial information than almost any other Georgian government agency.

According to the Deputy Minister in charge of financial affairs, the MAF budget is prepared by the Ministry in collaboration with the Ministry of Economy, then submitted to the Parliament, and only then seen by the Ministry of Finance. The reported role of the Ministry of Economy in the budget exercise suggests that the budget continues to be a plan based on allocation of physical commodities to which monetary values are attached only later.

The Ministry's central budget shows only incomes and receipts related to the national budget. Many of the Ministry's subunits receive fees for services, operate for-profit enterprises, or have other sources of income. Some departments, the "state-subordinated agencies," have their own bank accounts and seals, so they can make their own financial commitments independent of the central ministry. None of these receipts or the expenditures and expenditure commitments which surely accompany them are shown in the Ministry's overall budget, although they are reported by the departments involved to the Ministry's chief bookkeeper. According to Ministry officials, there are two reasons for this: first, the bank account of the central apparatus of the MAF is either blocked or under threat of blockage by the tax authorities, who would utilize their priority claim on any amounts in that bank account to extinguish old tax debts and penalties incurred by MAF subunits in the past, so that consolidating accounts right now would simply lead to the loss of funds. Secondly, any attempt to show these subunits' budgets in the central budget would lead the Ministry of Finance to reduce the amount allocated in the national budget for the MAF.

Within the Ministry, the budgetary process continues to operate up and down a hierarchy from Ministry central office, through regional and district agricultural administrations, to individual enterprises.

The budget process has been complicated because the European Commission's Food Security Program pays certain expenses of the MAF that are considered appropriate costs to ensure the country's food security. This is done by reimbursement: the Ministry of Finance provides funding to the MAF, the funds are expended, the expenses documented through a "claim" process, and the claims then periodically reimbursed by the EC through payments to the Ministry of Finance. The EC accepts items for payment that are included in previously-agreed budget lines subject to the availability of EC funds. The Ministry of Finance has not been able to fully fund the initial expenditures. In order to track these expenditures, the EC has computerized the "claims" process and created a detailed budget for the Central Apparatus of the MAF. This system is only now being put into full operation, and the staff

operating it are still less than fully comfortable with it--for instance, the computer operator was unable to generate a total of claims for 2000, although the custom software includes a report generator designed to provide such totals. Although this computerized system is a tremendous step forward and represents a great and fruitful effort by the small resident EC staff monitoring the Food Security Program, the claim operation is only one step in the financial management process. The Ministry's financial department, within which the claims unit operates, continues to aggregate requests for funds from subordinate organizations, include them in the Ministry's budget, negotiate them with the Ministry of Finance, and then allocate the funds received back down the Ministry's bureaucratic hierarchy.

The Ministry's chief accountant and his staff, meanwhile, receive reports on the financial position (the "fulfillment of the financial-industrial plan") by each enterprise, as well as aggregated reports by line of business (and probably region as well). These expenditure reports are aggregated for the Ministry as a whole. The entire process is done by hand on large ledger pages, and it is doubtful that the sheets can be understood by anyone except the individual who prepared them. There is no reporting requirement for funds committed but not yet spent by operating units or lower-level agencies, no mechanism for cross-checking actual expenditures or receipts against expected ones, and no forecasting capability. Nor is it clear that the central ministry's Finance Department, in charge of making funding requests and allocating funds received from the national budget, has any effective way of cross-checking and coordinating with the bookkeeping department's records of income and expenses by individual operating units.

A third source of Ministry funds are grants, loans and reflows from donor technical assistance activities. Although the Ministry's Foreign Relations Department has cataloged such activities (MAF Foreign Relations Department, 2000), there does not appear to be any real record of the amounts involved, their disposition, or collection status.

The problem with use and tracking of donor funds is part of a larger issue: there is no central record of outstanding claims on the Ministry. Contracts made in the past "turn up" when they are presented for collection, or when court cases are begun to collect overdue debts from the Ministry. The Deputy Minister for finance has a list of approximately GEL 500,000 worth of such "unanticipated claims" which the Ministry of Finance has agreed to pay from the national budget when and if the national budget permits. However, he also has a list of another 20 or so outstanding claims which are still being investigated and confirmed. The MAF does not know what other contracts it may have failed to fulfill or what deals have not yet come to light or been presented for collection.

Proposed remedies

- Document the budget preparation process (this has been partly done by the EC)
- unite all departmental budgets in a consolidated budget for the whole ministry. A property documented report of receipts of fees for services should have little impact on the Ministry of Finance's budgeting process. Moreover, the State Treasury claims to have information on these accounts already.
- The Finance and Bookkeeping Departments should be united, their tasks and staffing carefully examined and redefined, and their records made more transparent. In an ideal world, these operations should probably be computerized, but the problem is not the need for automation, it is a process which does not fit the needs of financial control. A carefully-designed paper-based system should probably be implemented and operated for some period of time before any attempt

is made to move to technological toys which the Ministry's (and the city of Tbilisi's) infrastructure may very well not be able to support.

- As part of this redesign, and as already intended by the EC advisors in the MAF, the EU "claims" process should be more tightly integrated into the Ministry's overall budgeting process.
- As part of the redesign of Ministry financial procedures, a forecasting capability should be developed and integrated into the budget process. Bookkeeping should certainly move from an cash-based system to one based on funds committed, even if not yet expended.
- As the EC has also proposed, an internal audit service should be established.
- Each case of the Ministry's inherited liabilities needs separate and thorough investigation. It is unlikely that much can be recovered, but the claims must be settled if the MAF is to have a chance to function normally, and the process of investigation will certainly reveal a great deal more about the holes and shortcomings of the Ministry's financial control procedures, allowing those problems to be addressed in designing and implementing new procedures.

3. Excessive Autonomy of Subunits

Problem

Despite its hierarchical structure, the Ministry includes a number of powerful agencies which are legally or operationally largely outside the MAF's control. Some of this autonomy is mandated by law--the veterinary inspection is legally a separate service, presumably to keep it from a conflict of interest between its monitoring duties and the Ministry's production tasks. Some of this independence results from prior reorganizations (the Department of Amelioration and Water Economy and the food processing departments, for instance, have been at some times separate and equal ministries with the MAF) with the consequence that the agencies retain most of the legal requisites of legal entities (separate bank accounts and organizational seals). Finally, some autonomy is *de facto*, based on the empire-building of long-serving department heads and their independent political connections in the Georgian elite—connections which they undoubtedly use their departments' resources to maintain and reinforce.

Many of these departments need to be eliminated or radically re-thought and reformed. However, the first step in that process, given the need to clean up the existing mess, is likely to be curtailing their autonomy. Each department will need separate study, and very likely separate resolution of its problems.

The Ministry itself, and each of its major national-level departments, have subordinate units in each district of the country (Annex 5). Generally called agricultural administrations, these agencies replicate the functions of the MAF in their own territory. A sample charter for one district Administration of Agriculture and Food, in Gori, is attached to this note (Annex 6). The central AAF in Gori has seven employees, while the various departments there have up to 40 staff members. Discussion with the head of that administration indicated that he had little control over the departments, few resources to provide his immediate staff, those of the various departments nominally subordinate to him, or the farms which he was still supposed to be advising and perhaps administering. Each one of these district administrations essentially replicates all the problems of the national MAF on a smaller scale.

Proposed remedies

- Establish a procurements department, to handle tenders for goods and services needed by the Ministry according to the Georgian Law on State Purchases. (Among other things, the lack of such a unit probably means that the MAF is now spending more than it should when it can afford to procurement goods and services since each subordinate unit is doing its own small-lot buying.)
- All procurement contracts above a certain amount should be subject to confirmation by the central ministry's procurements department. Procurements contracts should also be subject to periodic auditing by the Ministry's own auditors. (This process should look at the substance of contracts as well as their legal forms. As a result, it parallels but does not duplicate what the State Treasury is now doing.)
- All jobs in the Ministry up to the level of deputy minister should become "civil service" appointments, subject to regular testing and review as well as a defined promotion ladder. This will place responsibility for MAF policy, and its relations with other policy-making bodies of the national government, on the Ministry's political appointees, the Minister and his deputies. In the absence of a generally reformed civil service, a "MAF service" could be established to achieve many of the same benefits of a depoliticized, merit-based staffing system.
- Many subunits should be eliminated or radically reorganized. In some cases where the functions are important and necessary, the organizations should be broken up and privatized. However, each major subunit will require independent analysis and its own reform strategy and design, since each existing department has specific functions and constituencies.
- The district Administrations of Agriculture will have to be downsized and restructured as their parent Ministry and State-Subordinated Agencies are. Whether or not these offices and their staff can be used as the basis for rejuvenated and redesigned national systems of statistical collection and agricultural extension, local offices' two most obvious potential functions, is not yet clear.

4. Botched Privatization and Continued Direct Involvement in Production

Problem

Until 1992, the MAF was responsible for enterprises in "upstream" agriculture (input supply and agriculture services such as chemical application), production agriculture (collective and state farms and other primary agriculture producers), and "downstream" agriculture (processors, wholesalers, transport operations). Primary production units fell apart or were disbanded as a result of the political turmoil in 1991-1995, and various donors' land projects in recent times have been largely aimed at legalizing and regularizing this de facto decollectivization. Input supply and processing units were privatized under the terms of pre-1991 Soviet legislation allowing long-term leases and a 1992 Presidential decree on privatization with subsequent changes. It appears that many of the most valuable up- and down-stream agricultural enterprises were essentially seized by their management or other favorably-situated parties. Many of these enterprises are reportedly no longer in operation, with many essentially ruined as a result of stripping of assets by new owners or regional authorities, civil disorders, or theft by the local population. The Ministry says that it no longer has a complete list of production assets which it once owned, and it has spent considerable effort in the past five months re-assembling its records. Moreover, there are disputes between the Ministry and individual enterprises and local authorities over ownership of much of what remains. For instance, stocks of distilled wine in wineries were originally generally privatized with the wineries, only to be declared state property in 1995. Most of

these stocks have now been sold off by regional governments seeking to raise revenues or simply stolen. The MAF is now trying to centralize remaining stocks in order that they can be properly packaged and sold. It is not clear just what remains or how successful this attempt will be.[2]

In addition to the problem of production units, the MAF has an ownership interest in about 60 "limited-liability companies" and a number of "joint-stock companies" (Annex 7). These include an organization responsible for building services in the Ministry's main building on Kostava Street in Tbilisi, a monthly journal, the State Regulatory Board (which handles the country's grain), and other entities. It appears that these units were spun off from the MAF to handle particular activities that used to be done by the central apparatus. All of these entities are reportedly still 100 percent state-owned. A typical charter, for the Ministry's building-service enterprise, is included as Annex 8. Although this sample charter specifies that state ownership is held by the Ministry of State Property, management rights have been transferred to the MAF. Many of these entities are moribund, although some, such as the State Regulatory Board, are in operation and, judging from their premises, quite prosperous indeed.

Proposed remedies

An inventory of the country's up- and down-stream agricultural enterprises and related units needs to be conducted. The last USSR Goskomstat list of enterprises, available from CIS Goskomstat in Moscow, might be a useful starting point for such an audit, but someone will have to visit and appraise each site.

Once it is clear what remains, the properties will have to be disposed of on a case-by-case basis. Most should probably be privatized or liquidated. Where individual entities have particular national value, such as experimental farms, they may be retained by the state, however.

In a similar manner, the charters and other legal documents of every LTD must be examined, and then decisions about whether or not to continue the activity, and by whom and in what way, must be made on a case-by-case basis. It might be that some of these agencies should actually be put back into the Ministry's own organization.

5. Lack of Appropriate, Trained Staff

Problem

Many MAF staff seem to be there because they have not left, not because their positions are particularly needed or truly full-time posts (Annex 9). Skills and attitudes in most cases are those taught during the Soviet era and a poor match to the needs of the MAF in a market environment. Because of low salaries (reported to average GEL 50, currently a bit more than US$ 25, per month) and delays in payment, it is difficult for the MAF to attract qualified new staff, although the low-level clerical staff seems younger and better qualified than might be expected or than is the case in other FSU countries' equivalent ministries. This relative youth is probably the result of an employment situation so unusually bad, even for the FSU, that it is possible to attract some young people with reasonable training even for this inadequate remuneration.

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[2] The list of upstream, primary production, and downstream enterprises owned by the Ministry and recently presented to the Ministry of State Property was made available for this work. However, it is available only in a poorly-translated hard copy and therefore has not been attached here. The entire list needs to be checked and verified by field visits.

Proposed remedies

- Restructure and retrain the MAF employment department to handle active recruiting and training functions. It will need a separate evaluation and development plan. This must be largely done before it will make sense to hire new employees, or transfer existing ones, to handle the Ministry's new activities.
- Much of the existing staff should be released. This should be done through a program of employee buy-outs in order to reduce opposition to the restructuring. There is reason to believe this could be done at a relatively reasonable cost. As a result of current budget stringencies, all Ministries have been instructed to reduce their staffs by 10 percent. The deputy minister for finance in the MAF estimates that he needs GEL 4500 to pay wage arrears and legally-mandated severance pay to the 10 persons identified for separation under this order. If staff members could be induced to leave in return for a lump-sum payment of US$500 each, that would probably be the most cost-effective way to significantly reduce existing staff.
- Make most staff civil servants subject to regular periodic performance reviews. As comments on previous items indicate, most staff should become civil servants with considerable—though less than under the Soviet regime—job security and a formal, impartial review process.
- The MAF has many chiefs and few indians. As a result, senior management are occupied with tasks that should be done by junior staff, while some junior staff now appear to be underutilized. This phenomenon, too, has historical roots in the difficulty seniors found in controlling juniors who could not be fired and so had no incentive to do good work, and on the other hand could use their knowledge of their bosses' actions to denounce them and move up themselves. Further, everyone has been trained to duck responsibility, tending to move even the most minor issues up to the senior management. As a result, it is very likely that a restructured ministry would not be smaller in numbers of employees. It would, however, distribute them very differently.
- Provide donor support for some staff salaries. Although there will be savings from terminations, some additional funding for staff salaries should be available from the national budget, which now allows bonuses for good work, and reclaiming some profitable MAF activities for the central organization from the "limited-liability companies" should also provide some additional salary money. However, it seems likely that at least some salaries will need to be supplemented by donor funds. Although the EC Food Security Program has not paid salaries, covering other budget lines instead, perhaps continuation of that program would make it possible for the national budget to fund improved salaries for the central staff.

6. Poor Information Flows

Problem

Like any governmental organization, the MAF has four major audiences:

- Its own staff
- Its direct constituency in the agricultural sector, particularly primary producers
- Consumers of food and agricultural raw materials
- The political elite

Since the purpose and mission of the MAF and its subunits are generally not clear, none of these four possible audiences that the MAF needs to address have much understanding of what it does or why (Georgian Public Education Project: 2001). Internally, there appears to

be very little information flow between management and employees. A weekly planning meeting is attended by the top and middle management. They are then responsible for passing on tasks and "the word" to their own units. The Minister rarely if ever addresses the whole group of employees, and there is no internal newspaper, regular memo to staff, or other customary vehicle by which the top management can speak directly to rank-and-file employees. The results are predictable, if hard to document in the absence of a specific survey: employee misinformation and inaction, the dominance of rumor, and lower morale among a staff that is already suffering from the difficulties of recent years, poor and deteriorating working conditions, and, recently, fear that the new leadership will unceremoniously remove them.

A current flap over the Minister's taxation proposals, which appeared in press monitoring provided by USAID to be interpreted simply as a case of a sectoral lobby looking for unjustified privileges for its clients suggests that the Ministry's explanation of its activities within the government and public opinion leaders is less than crystal-clear. The present minister recognizes this problem, as any politician might be expected to, but his efforts to organize a "public relations" department have so far been less than successful, because of lack of even the simplest and cheapest resources--such as subscriptions to the country's major newspapers--and too-great concentration on individual "image-making" rather than getting the institutional message clear and clearly delivered.

The Ministry seems even less successful at present in dealing with its core constituency, primary agricultural producers. During the Soviet era, orders from the Ministry to the farms and the rural population were accompanied by real resources. Those resources might have been poor-quality or inadequate, but they served as the basis for a simple patron-client relationship: the Ministry tells us what to do and pays us off for doing it, we do it (often badly) and keep our mouths shut. This kind of arrangement, common in landlord-tenant relations in premodern agriculture in many places in the world, formed an unwritten, unacknowledged "social contract" to which both bosses and workers knew the approximate limits. The Ministry's inability to provide resources means that the contract has now been broken. Many rural people continue to demand that it be restored, but it is clear to most that it will not be. In that situation, just what the Ministry can or should do for the farmer is unclear to many rural people and not a few MAF staff members. Occasional meetings between the Ministry's leadership and local groups of farmers are unlikely to restore this broken contract or to provide a viable replacement. As a result, the Ministry must not only find a new mission for itself, it must demonstrate to the rural population that it can be of use to them in some way other than as a capricious sugar daddy.

The MAF also has a responsibility to consumers at large, that is, to the whole population. What was said to be cheap food was a cornerstone of the Soviet system, although in fact artificially low consumer prices were retained as a result of widespread shortages and rationing, even in the 1990s, and by the payment of large subsidies from the national budget to the agricultural producers and processors. The political leaderships in all the FSU countries continue to approach the issue of raising consumer food prices for staple foods to levels where they would reflect the full cost of the items with great and understandable trepidation. The MAF continues to be seen as the agency responsible for keeping prices low. This puts it in a bind between its function as representative of farmers, who of course want higher prices for their goods, and consumers who want lower ones. This difficulty should be resolved by getting the Ministry out of the food-supply business.

The Ministry is also responsible for food safety. For instance, the Veterinary Department handles safety inspections of all foodstuffs, crop and livestock, in Tbilisi's city markets. It has been common knowledge that the inspectors could be bought, and MAF staff report that the job of chief inspector in the main Tbilisi market could be had for US$25,000 to the right officials. Clearly these positions have been viewed as sources of economic rents rather than as enforcing a public trust. The MAF is in the process of examining and certifying all the Tbilisi market inspectors, and reportedly 75 of a workforce of 150 have recently been fired. However, such actions will not immediately change public perceptions of the Veterinary Service as an ineffective organization.

Proposed remedies

Within the MAF, regular communication with all staff, including an in-house newsletter and simple "walk-abouts" by the Minister would help clear-up communications by breaking down the hierarchical flow of information.

With its other audiences, the MAF will need first to redefine its missions, then to explain those missions appropriately. This will eventually require a considerably greater public education effort than the MAF's own resources will allow. Whether or not efforts to explain how the Ministry is being restructured should be begun relatively soon in order to generate interest and support within the Ministry's own natural constituency should be considered by Ministry management. Announcing too much of restructuring plans too quickly can serve to mobilize opposition as well as support among the elite and the rural population.

7. Apparent Malfeasance by Earlier Managements

Problem

It is commonly believed that the MAF under its previous leadership was a thoroughly corrupt organization. Two deputy ministers from the previous regime are now under investigation, and there have been suggestions in some quarters that other former leaders should be. Accusations of corruption cut both ways, however: the new MAF leadership has been accused of questionable behavior because of the actions of some departments as well as the residual inheritance of the past.

It seems certain that there was a good deal of corruption in the past within the MAF, as there has been throughout the government of Georgia and all the FSU states. This situation is not surprising, since all personal rewards came from a monolithic political and economic system in which one's standard of living and access to consumer goods depended directly on one's work. This was not because salaries grew, but because the universal allocation system gave higher-level staff more access to scarce goods, in a system in which money was almost irrelevant. With the removal of the old control mechanisms, it is hardly surprising that both old bosses and new "businessmen" should use their positions to grab whatever they could.

The branch economic ministries, including the MAF, were also accustomed to distributing resources obtained by a process of allocation from the central authorities in which economic costs were largely irrelevant. Those resources were then used to develop personal support networks. Many elites in the former Soviet republics favored independence largely because they believed that independence would increase the amount of and their access to scarce resources which had, they thought, been taken unjustly by "the center" in Moscow. So it is hardly surprising that the old non-economic patterns of resource allocation based on personal relationships continued and even intensified after 1991.

Proposed remedies
Although the most obviously corrupt individuals should be pursued by legal means, a witch hunt to find the guilty is unlikely to be of much use in a situation where the economy continues to decline. Moreover, even though accusations of on-going corruption must be responded to, concentration on defending the Ministry against such continuing mudslinging is likely simply to divert energy from cleaning up the situation which makes such accusations seem plausible. Under a new generation of management such as the MAF now possesses, much of this baggage can be discarded. The Ministry should emphasize instead that it is taking measures to clean up the mess and prevent it from recurring, and demonstrate its new public-service orientation.

8. Poorly-designed or Inattentively-managed Donor Assistance

Problem
The MAF has received a great deal of assistance from almost all the major bilateral and multilateral donor agencies. However, most of them also have left a legacy of problems for the new ministry management that appears to be at least as great as the good they were supposed to do. In some cases, projects seem to have disappeared without trace as soon as they were taken off the donor-money life support system.

The donors seem generally to have assumed that the recipients understood the goals and purposes of their projects, and would be able to deal with them much as the donors' own countries would have in similar circumstances. Many of the recipients, by contrast, welcomed this new donor support as, essentially, a replacement for the lost flows of resources from the former Soviet empire. Given this systematic misunderstanding between donors and recipients, it is hardly surprising that programs have not been more effective.

Some donors, and almost all donors by the end of the previous management regime in the MAF, have sought to counter the difficulties of working with the MAF by simply ignoring it. However, this avoidance is hard to justify when the MAF has the legal responsibility to deal with agricultural matters in a sovereign state. Even if the MAF is hard to deal with, incompetent or corrupt, it is clear that there must be a significant decline in program effectiveness when the government agency responsible for this part of the economy must be avoided.

Proposed remedies
Working more with a restructuring ministry, therefore, can provide wins for both sides. The development of good controls on donor resources, such as those evolving in the EC Food Security Program, can help to restructure and reorient the Ministry at the same time as they provide real benefits. Similarly, strengthening the Ministry's ability to coordinate donor assistance—under careful supervision by neutral parties—is likely to make such assistance more effective.

General strategy for reform

The problem of Ministry reform can be approached in two ways. One possibility is essentially to do away with the existing entity entirely. The European Commission Food Security Program's lawyer in the Ministry is currently preparing a legal opinion regarding the precise legal steps needed to reorganize the Ministry. A presidential decree approving the new Ministry Charter will certainly be needed. This suggests a radical solution to the debt and liability issue by doing away with the existing MAF completely: to obtain a presidential decree reorganizing the ministry and setting up a liquidation commission for the existing

MAF. All liabilities could then be left with the MAF liquidation commission, and would be extinguished when it wound up. This would require stipulating that the reformed Ministry of Agriculture should not be the legal successor of the existing MAF. This solution would be easier and cheaper in terms of donor resources as well as faster, assuming the Presidential decree could be drawn properly and signed expeditiously. However, this solution would create difficulties in property transfer as well as possible court challenges. It would also be another instance of debt forgiveness, the bane of the Soviet system, and a managerial mindset which must be changed if the Georgian economy is ever to prosper in a market setting. Moreover, this maneuver, by itself, would not put in place any safeguards against repetition of the incompetence and abuses which got the MAF into its current trouble. If anything, it would make their repetition more likely by wiping out the current obligations relatively "painlessly." Therefore, it is very much preferable from the point of view of capacity building and longer-term sustainability of the reform to take a more incremental approach to dealing with the Ministry's difficulties.

An incremental reform strategy would involve five tasks. Although they form a logical sequence, these tasks will in fact have to be tackled simultaneously.

1. Clean up the existing mess
2. Install controls to ensure that those messes do not recur
3. eliminate unnecessary units
4. develop new, appropriate and useful missions and capacities
5. institutionalize those new and transformed missions and capacities

Some initial steps have already been taken. A working group headed by the Minister has been established within the Ministry to coordinate reorganization. As part of its Food Security Program conditionalities, the European Commission has required that the Ministry prepare a major seminar to discuss appropriate missions and structure for the MAF in a market environment. That conference will be held within the next month. As noted above, the Ministry staff is already carrying out work to resolve problems in the food inspectorates. The USAID supported Ministry Restructuring and Policy Advice activity has provided a lawyer to work with the Deputy Minister for Finance in examining the most pressing and problematic contractual claims, and is negotiating with the Georgian Auditing and Consulting Company (formed from the now-concluding USAID Accounting Reform Project) to provide an additional one or two auditors. The World Bank has agreed to provide resources to support a larger "forensic accounting" effort to deal systematically with all the troublesome accounting cases, including provision of an expatriate advisor and several local staff with World Bank funds. Such staff would be in addition to what the Bank expects to provide to support development of MAF policy-analysis capability under an Institutional Development Funds grant now being considered by Bank management. These measures should begin to free Ministry management from some of the immediate pressures which have retarded more progress in fundamental organizational redesign.

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Annex 2. Abbreviations

AAF	Administration of Agriculture and Food
DAWE	Department of Amelioration and Water Economy
EC	European Commission
FSU	Former Soviet Union
MAF	Ministry of Agriculture and Food of Georgia
OECD	Organisation for Economic Co-operation and Development
USAID	United States Agency for International Development
WB	World Bank

Annex 3. Charter of the Ministry of Agriculture and Food of Georgia

APPROVED by order of the President of
Georgia ? 2-404 of December 1, 1997

Charter of the Ministry of Agriculture and Food of Georgia

I. General Provisions

1. The Ministry of Agriculture and Food (hereinafter termed "the ministry") is founded and carries out its activities on the basis of the law "On the Structure and Charters of Agencies of Executive Power."
2. The ministry's address is: 41 M. Kostava St, 380023, Tbilisi.
3. The ministry is accountable to the President of Georgia for discharging its duties.
4. Normative acts issued by the ministry within its competence and in compliance with Georgian law and acts of the President of Georgia are binding on legal entities and physical persons within the territory of Georgia.
5. The ministry has a charter, an independent balance, a clearing account in the bank, a special account in the treasury, an estimated budget and a seal with the state emblem of Georgia.
   The ministry is financed from the state budget.
   The ministry has the right to attract financial support, donations and other non-budgetary income and is accountable for their appropriate use.
6. The Ministry is based on the principle of single responsibility. A Ministry employee must suspend their position in any other public service for the period of their activity as a ministry employee.
7. The competence of the Ministry is defined by and based on law. No rights or duties within its competence may be assigned by the ministry to any other governmental or non-governmental bodies, unless otherwise stipulated in legislation of Georgia.
8. The ministry issues acts within the framework of its competence on the basis of and for the implementation of the constitution of Georgia, acts of the President of Georgia and the Parliament of Georgia.
9. The ministry's authority extends to state budget-funded sub-departments of which the main objective is not the implementation of executive authority.
10. A state sub-department is created, modified and terminated by decree of the President of Georgia or by the ministry on the basis of rules determined by the President.
11. Charters for sub-departments are approved by the Minister of Agriculture and Food.
12. The ministry and the sub-departments are authorized to represent the state within the limits of duties prescribed by Georgian legislation.
13. The minister or a person authorized by the minister is a representative of the ministry.
14. The ministry is divided into structural units in accordance with the charter.
15. In order to work out policy in respective sphere of authority, make decisions on strategic issues and collaborate with State Departments, minister creates a Joint Consultative Body, a collegium , which consists of ministry employees as well as of heads of other interested ministries and departments.

16. The structural sub-units of the ministry have no executive authority over those employees of the ministry who are not in charge with public service.
17. The competence of structural sub-units of the ministry is determined by regulations approved by the minister.
18. The competence of Departments, Inspection, Central Administration, Administration and other units that are concern with governing functions, State supervision and State compulsion (if prescribed by law) is defined by law and regulations established by the ministry.

II. Objectives, Sphere, Functions and Tasks of Activities

1. To support improvement of living conditions of population and level of production during the process of transformation of agricultural production and food product complexes taking into consideration maximum economy of natural resources and the reference-point defined by agrarian policy.
2. To implement agrarian reforms on the basis of national traditions and international experience; forming strong strata of private entrepreneurs in the field of agriculture; solving complex problems concerning the development of village as a socio-economic unit; arranging integration and cooperation between science, agriculture and industry.
3. To promote the competitiveness of local entrepreneurs in order to supply the domestic market with food produce; maximal use of export potential; and ensure a stable position on the international market.
4. To support the mutual interests of producers and consumers; promoting the production of ecologically pure food products and food safety for the population.
5. To apply international experience in field of agricultural production and sales; coordination of foreign assistance and its effective utilization.
6. To provide the sector as a system with State Administration
7. To elaborate strategy and policy for the sector; to plan and forecast; to present proposals and projects to the President of Georgia; to implement the decisions adopted.
8. To prepare draft laws and normative acts to create the legal bases for reform and the functioning of the sector.
9. To participate in the restructuring and reorganization of the sector.
10. To organize adequate capability of market economy in different administrative sections of the sector.
11. To obtain, analyze, systematize, forecast and disseminate information on domestic and international markets; to support and advise the organization and management of production and social systems and to promote the process of integration in the sector.
12. To support the formation of market infrastructure (wholesale markets, commodity exchanges, intermediary firms, credit unions and societies, and insurance and pension institutions).
13. To promote and develop land improvement, breeding, species and plant selection, seed production, species examination and preservation, plant protection, veterinary, agronomic, engineering and other services.
14. To ensure the regulation of agricultural and food production and sales by issuing state licenses; organize quality control and certification within its competence.
15. To register and test plant protection substances, fertilizers, veterinary preparations, the bio-energetic activity of agricultural crops; to grant the right for their application; to monitor application in concert with the Ministry of Public Health and the Ministry of Environment and Natural Resource Protection; to protect the country from penetration

by objects in quarantine; to monitor seed and planting materials; to supervise maintenance of [agricultural] equipment (other than automobiles).

16. Along with other Central Departments and regional (city) institutions of the autonomous republics to participate in implementation and working out of methods for the integrated development of the village as a socio-economic unit.
17. To implement functions of managing state property in the sector within the limits of delegated authority.
18. To consult, assist and provide organizational and methodological supervision of the Agriculture and Food Administrations of the autonomous republics and other administrative-territorial units.
19. To organize analytic and training activities and scientific consultants for managers employed in the sector.
20. To support the activities of non-governmental organizations (Unions, associations and other public organizations) in agricultural production and food processing sectors.
21. To participate in developing financial and economic policy, and, as a result of that policy and through the creation the appropriate stockpiles, to influence the foodstuff markets in order to satisfy market demand.
22. To create stockpiles for state needs and reserves and to supervise their use.
23. To establish international relations in the sector and to develop international cooperation.
24. Within its competence, to collect and analyze information obtained from physical persons, legal entities and government agencies.

III. Authority

The ministry is empowered:

1. To participate in the working out of economic and social policy, laws in draft, regulatory acts, state programs and the state budget.
2. To request and obtain necessary legal information from legal entities, physical persons and government agencies.
3. To effect monitoring of projects and programs related to development of the sector; to get reports from participants in accord with established rules.
4. Within the framework of its competence and in compliance with a law to draw up and adopt normative and individual type normative acts, instructions and standards and require their fulfillment; to prevent illegal conduct and achieve the reimbursement of any damage or loss.
5. To present to the President of Georgia proposals for, changes in, and approvals or rejections of, amendments to policy for the sector.
6. To prepare opinions and memoranda concerning draft laws, draft decrees of the President of Georgia and other documents.
7. To terminate interference of governmental institutions, public organizations, legal or physical persons; to present corresponding proposal to the President of Georgia.
8. To establish relations with the appropriate government agencies of other countries, international organizations and physical persons and legal entities in accord with established rules; to make agreements with them on behalf of the state within its competence or when authorized to do so by current legislation.
9. To establish, together with scientists and experts, consultative and grievance committees and councils.

10. To organize auctions, tenders and competitions in the sector to find candidates for participation in state and international programs and to execute state orders (in case of need) and to sign agreements with them on the basis of established regulations.
11. To exercise authority defined by the "Law on entrepreneurs" over state enterprises of which the ministry is a founder, over limited liability companies [of which the state is a shareholder] and over state property to which the right of management has been delegated to the ministry.
12. To directly manage the activities of departments, services and organizations that are under the authority of the ministry; to carry out their reorganization and abolition, and to organize new structures.
13. To select staff, to arrange staff training and a system for improving their qualifications.
14. To consider and decide on citizens' applications concerning issues within the competence of the ministry.
15. To exercise other powers provided for in the legislation of Georgia, acts of the President of Georgia and this charter.

The ministry is required:

16. To report from time to time to the President of Georgia on fulfillment of authority.
17. To ensure implementation of the tasks and functions entrusted to it.
18. To execute orders and instructions of the President of Georgia with a high decree of efficiency and in a timely manner.
19. To present at the required time and as requested, drafts and comments for the working out of draft laws, indicative plans, the state budget, state programs, etc.
20. To cooperate closely with administrative–territorial units of the central authorities and the autonomous republics, with courts, the legislative and executive authorities.
21. To prevent interference in the competence of other agencies.
22. To cooperate with public organizations; to ensure systematic contact with the public directly and through the mass media.
23. To annul its own decisions and acts currently in force if so requested by the competent agencies, or to cancel or change them when they are incompatible.
24. To report on time and in the approved form to the appropriate government agencies.
25. To be responsible for decisions adopted [including] any damages or losses caused by those decisions, in accord with regulations approved by legislation.
26. To represent counterparts in court and, in case of being party to an action, to be free of state fees.
27. To perform all duties stipulated herein and in legislation.

IV. Organization and Structure of Activities

1. The ministry consists of employees, structural subunits, Departments that are under the authority of the ministry, a Central Department, Departments, an Inspection, Services, Regional (city) Organizations, Regional (City) Departments for Enterprises and Agriculture and Food Products. The ministry carries out organizational and methodological supervision of the relevant structural subunits of the autonomous republics and the corresponding departments of other administrative-territorial units. Their main tasks and competence are defined by regulations approved by the minister.
2. The ministry is administered by the minister, appointed to this post by the President of Georgia with the consent of Parliament.
3. The minister, as the administrator of the ministry:

a. Supervises the ministry and arranges matters for which ministry is responsible
b. Is responsible under the constitution of Georgia and the laws, for the execution of instructions and decrees of the President of Georgia and Parliament in the agro-food sector.
c. Makes decisions on matters within the competence of the ministry if authority to decide them is not given to government sub-departments or the people in charge of them by the law or acts issued by the President of Georgia.
d. Monitors the fulfillment of their duties by ministry structural subunits and governmental agencies under authority of the ministry, and oversees activities and decisions by public employees in accordance with the law.
e. Within his competence, appoints and dismisses from their posts advisors to the minister, heads of ministry units, heads of the territorial administrations of the ministry–in agreement with the relevant local agency of public authority, and other public employees as authorized [by legislative act or regulation].
f. In accordance with the law, appoints or dismisses from their posts heads of government subunits.
g. Presents proposals to the President of Georgia regarding candidates for the posts of first deputy minister, deputy ministers and other officials in the ministry's system in accordance with the rules determined by law as well as matters of the annual budget income and expenses and supplementary budget projects if needed and decides on the appropriate use of budget funds and is responsible for implementation of the budget.
h. In accord with the state budget, approves cost estimates of governmental agencies subject to the authority of the ministry, arranges financial and other resources for them, monitors their fulfillment and, in case of need, gives instructions on the use of budget and non-budget funds.
i. Together with the Ministry of Finance approves the record of non-budgetary expenses and procedures for their expenditure and is responsible for their implementation.
j. Establishes the structure of government agencies that are subject to the authority of the ministry and the procedures for performing activities, except in those cases when these things are stipulated in higher legal acts.
k. In accordance with approved rules, presents proposals to higher bodies for decisions on matters that within the competence of the ministry.
l. Reports to the President of Georgia on the activities of the ministry.
m. Performs such other activities as provided for in the laws of Georgia and in instructions and decrees of the President of Georgia.
n. Agrees issues within the competence of the ministry that concern other ministries or government agencies with such ministries or government agencies. In case agreement cannot be reached, the issue is to be discussed at a meeting of the Government and the President of Georgia takes a decision.
o. Is responsible for the protection and use of state property, and regulates its protection and use according to law.
p. Ministry structural subunits appeal to the President of Georgia through the minister.

The minister:

q. Represents the ministry in relations with other ministries.

r. Directly or together with deputies, heads of departments and heads of organizations resolves issues raised by the tasks, functions and activities of the ministry.
s. Determines the functions and duties of assistants and other officials.
t. Approves regulations of structural subunits and agencies, charters of limited liability and ministry-funded state enterprises, the regulations for sub-units provided for in Article I, section 9 of this charter and agrees those regulations with the appropriate agencies of the executive authorities of the autonomous republics.
u. Approves the charters of territorial agencies of the ministry.
v. Agrees with the autonomous republics the candidates for posts of heads of Ministries of Agriculture and Food; appoints and dismisses the heads of the appropriate structural subunits nominated by regional and city agencies; and exercises other powers defined by legislation, acts of the President of Georgia and this charter.

V. Legal Acts of the Minister

1. In accordance with article 31 of the Constitution of Georgia, the minister issues orders in compliance with law and for their implementation.
2. The minister who signs an order is [testifying to] its legality and expediency.
3. An order of the minister is an enabling or prohibiting act. It should indicate the legislative measure on the basis of which or for the implementation of which the order is issued.
4. Draft normative acts of the minister shell be given to the Ministry of Justice to decide within two weeks whether or not the act is compatible with Georgian legislative acts and decrees of the President of Georgia. After the normative act is signed, it should be given to the Ministry of Justice within ten days for registration in the State Register.
5. An order of the minister should have a title, the date and place of adoption, the dates of going into effect and validity (if adopted for a definite period of time), the signature of the official, a registration number and the code of the State Register if needed.
6. A normative legal act of the minister goes into effect as of the day it is officially published, unless the legal act itself specifies another date. An individual legal act comes to force as of the day it is signed and is sent immediately to the person in charge.

VI. Termination of the Authority of the Minister

1. Termination of the authority of the Minister is regulated under the constitution of Georgia in accordance with the requirements of Article 18 of the "Law on Executive Power Structures and Activities" of Georgia.

VII. First Deputy Minister, Deputy Ministers and Heads of Structural Subdivisions

1. The Minister shall have a first deputy and two deputies and their authority shall be determined by the order of the Minister.
2. Termination of the authority of the Minister by the government or on any other basis cancels the authority of the first deputy and the other deputies.
3. The first deputy and other deputies shall not be authorized to be involved in the management, control or auditing of private businesses societies nor shall they conduct any private business.
4. The first deputy minister shall head those structural subdivisions specified as subordinated to him by the order of the Minister.

5. The first deputy minister shall administer the activities of the Ministry and coordinate the relations of the units during the absence of the Minister.
6. The first deputy and other deputies of the Minister shall be appointed and dismissed by the President of Georgia.
7. One of the deputies shall perform the duties of parliament secretary at the decision of the Minister.
8. The primary structural units of the Ministry are as follows: apparatus of the Minister, departments, inspection units, service units, major administration units, administrations, divisions and groups (sectors).
9. Heads of the structural subdivisions shall conduct the activities of the subdivisions in accordance with the instructions and powers specified by the present Regulations.

VIII. Supervision

1. The powers of the Minister in supervising the activities of the Ministry shall be executed in accordance with the requirements of Article 45 of the "Law on Executive Power Structures and Activities" of Georgia.

IX. Structure of the Central Apparatus

1) Apparatus of the Minister;
2) Administration office of the juridical and parliament relations;
3) Department of agrarian reforms;
4) Department of finance and economy;
5) Department of agriculture;
6) Department of food industry;
7) Department of grain products and food;
8) Department of international relations;
9) Department of scientific support and nature utilization;
10) Administrative department.

X. Territorial Agencies

In the corresponding administrative-territorial units the Ministry has established the following agencies:

- Ministries of Agriculture and Food in the autonomous republics;
- Administrations of Agriculture and Food in regions and in towns that are subdivided into districts);
- Structural subdivisions of the Ministry and the appropriate territorial entities of state subordinated enterprises and organizations.

XI. Table of State-Subordinated Agencies Attached to the Ministry

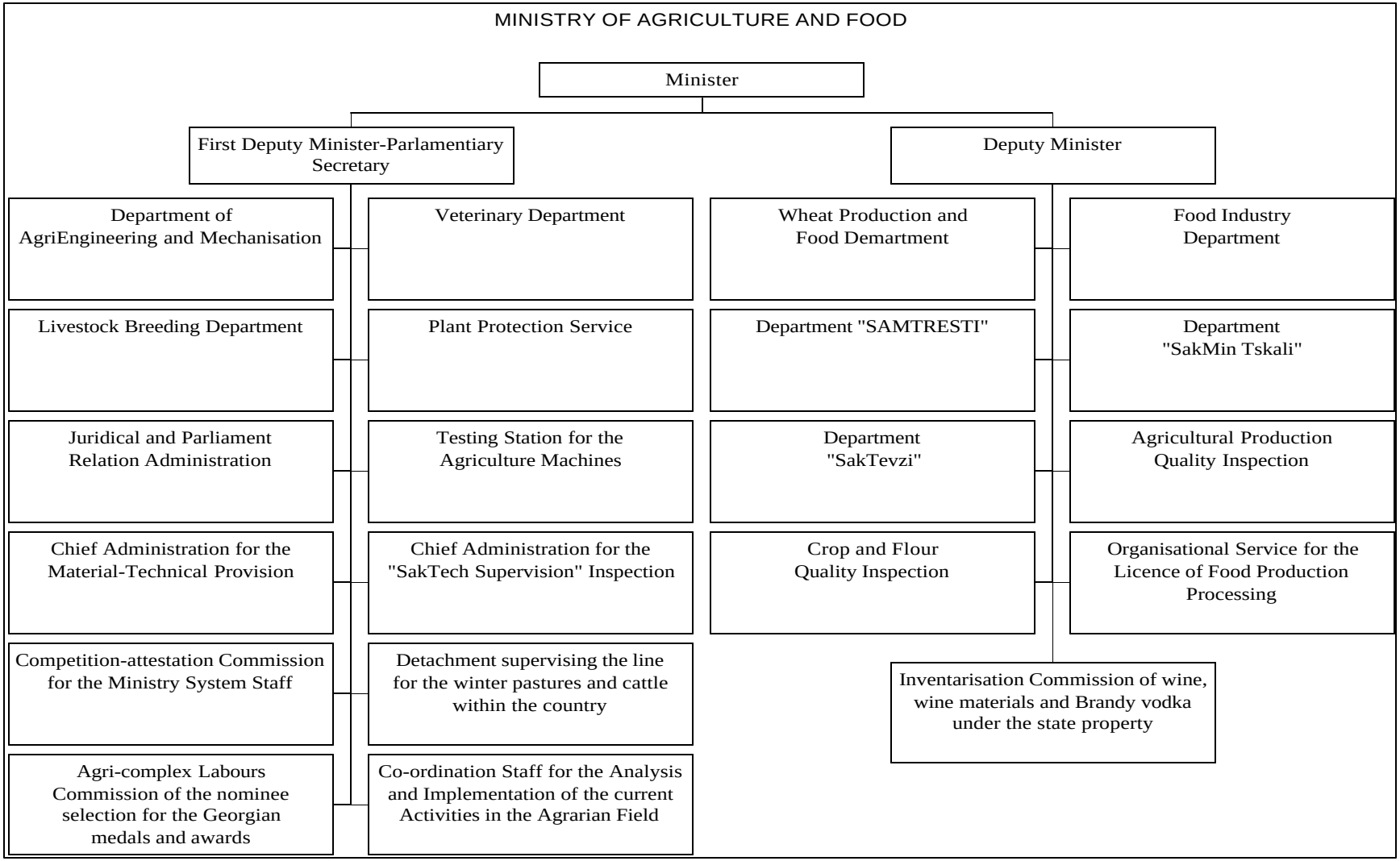
1. Department of Amelioration and Water Economy
2. Veterinary Department
3. Department of fish industry "Saktevzi"
4. Department of state regulation of the viticulture and wine industry "Samtresti"
5. Department of state regulation of mineral and fresh waters
6. Department of cattle breeding
7. State inspection of agricultural products quality
8. State inspection of bread and grain products quality
9. State inspection of corn and seed plants quality
10. Inspection of melioration
11. Main Administration of the "Georgian Technical Supervisory" inspection

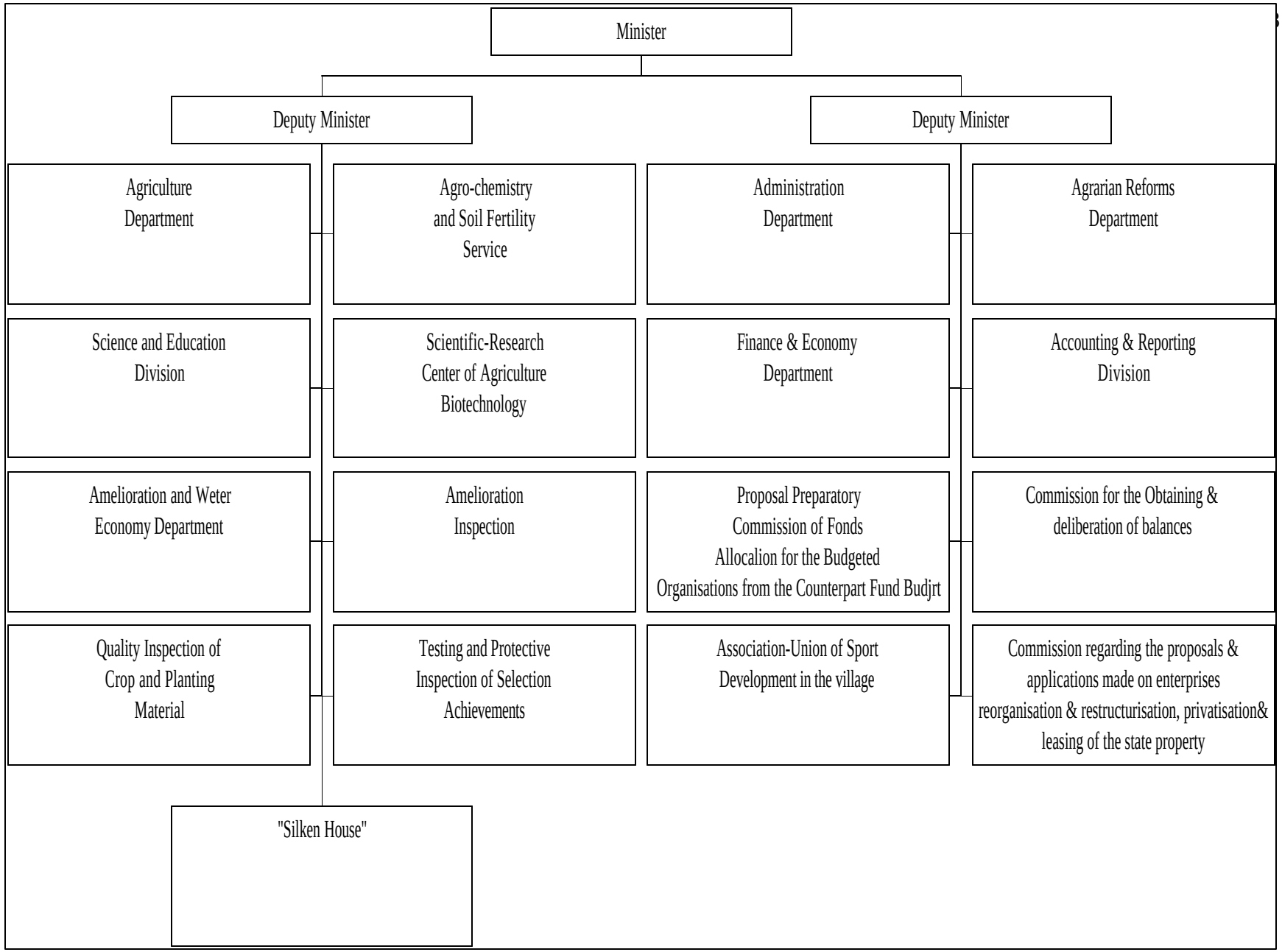
12. Food Product Licensing Service
13. Foodstuff licensing services in Tbilisi, Kutaisi, Rustavi and Poti
14. Commission on examination and protection of the selection achievements
15. Crop protection service, including:
    - State phytosanitary inspection
    - Republic plant-protection station
16. Agrochemical and soil fertility service, including:
    - Republic center of soil fertility
    - West Georgian center of soil fertility
17. Scientific center of the technical-ecological research of Georgia
18. Scientific-research center of agricultural biotechnology
19. Team for winter pastures and cattle driving routes within the country
20. Administration of pastures in Adjara
21. Testing center of agricultural machinery
22. State Agro-business Institute
23. Main Administration of Input Supply
24. Treasury enterprise of Khizlari winter pastures

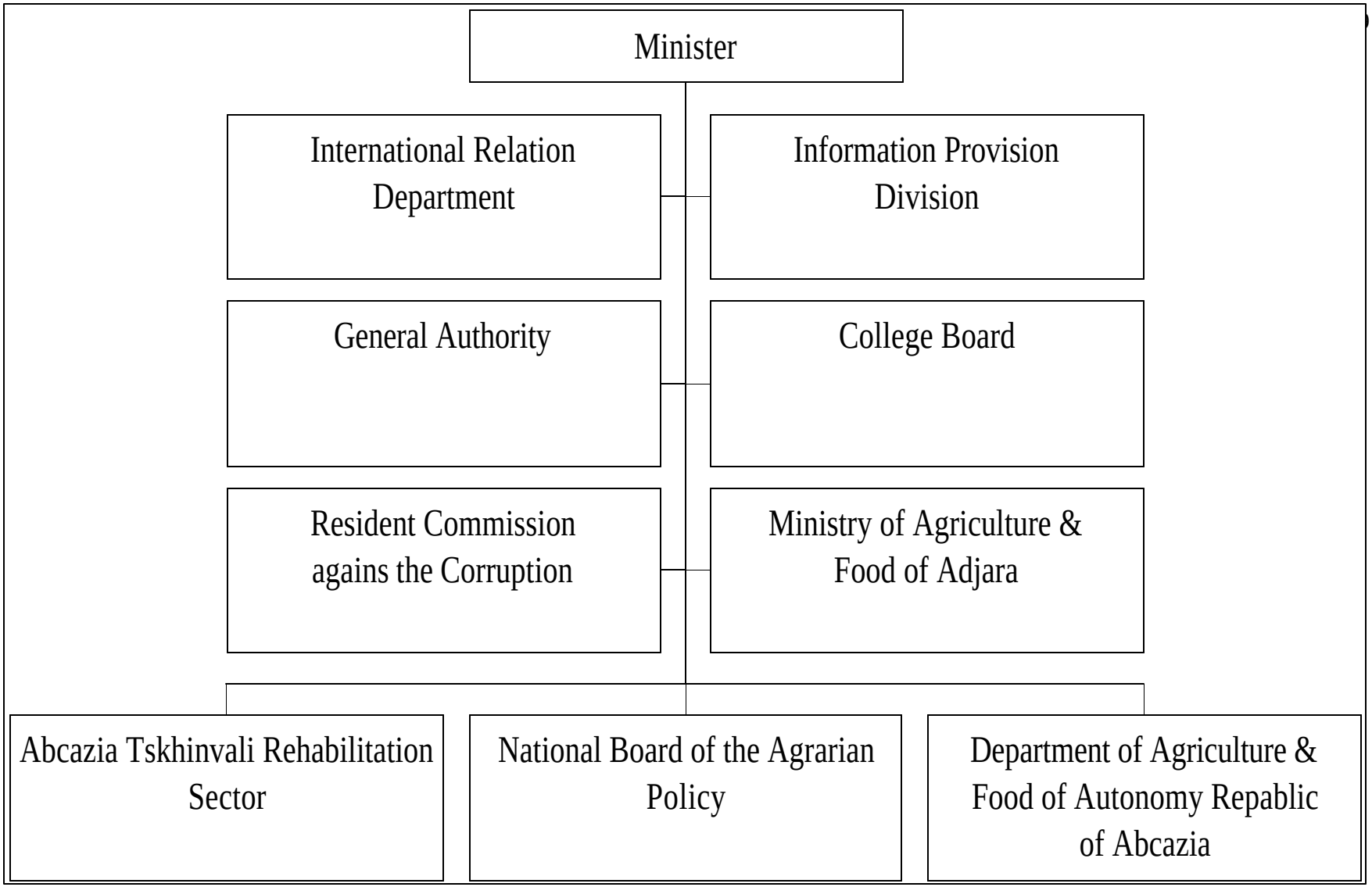
XII. Concluding Provisions

1. The charter of the Ministry shall be approved by the President of Georgia.
2. Reorganization and liquidation of the Ministry shall be performed in accordance with the legislation in force.

Annex 4. Organization chart of the Ministry of Agriculture and Food of Georgia




Minister
Deputy Minister
Deputy Minister
Agriculture Department
Agro-chemistry and Soil Fertility Service
Administration Department
Agrarian Reforms Department
Science and Education Division
Scientific-Research Center of Agriculture Biotechnology
Finance & Economy Department
Accounting & Reporting Division
Amelioration and Weter Economy Department
Amelioration Inspection
Proposal Preparatory Commission of Fonds Allocalion for the Budgeted Organisations from the Counterpart Fund Budjrt
Commission for the Obtaining & deliberation of balances
Quality Inspection of Crop and Planting Material
Testing and Protective Inspection of Selection Achievements
Association-Union of Sport Development in the village
Commission regarding the proposals & applications made on enterprises reorganisation & restructurisation, privatisation& leasing of the state property
"Silken House"


Minister
International Relation Department
Information Provision Division
General Authority
College Board
Resident Commission agains the Corruption
Ministry of Agriculture & Food of Adjara
Abcazia Tskhinvali Rehabilitation Sector
National Board of the Agrarian Policy
Department of Agriculture & Food of Autonomy Repablic of Abcazia

Annex 5. Territorial agencies of the Ministry of Agriculture and Food of Georgia

1. MAF of Adjara Autonomous Republic

2. Kakheti Region
AAF of Telavi
AAF of Gurjaani
AAF of Kvareli
AAF of Lagodekhi
AAF of Dedoplistskaro
AAF of Sagarejo

3. Kartli Region
AAF of Gardabani
AAF of Marneuli
AAF of Bolnisi
AAF of Tetritskaro
AAF of Dmanisi
AAF of Tsalka

4. Shida Kartli Region
AAF of Gori
AAF of Khashuri
AAF of Kareli
AAF of Kaspi

5. Mtskheta Mtianeti Region
AAF of Mtskheta
AAF of Dusheti
AAF of Akhalgori
AAF of Tianeti
AAF of Kazbegi

6. Samtskhe-Javakheti Region
AAF of Akhaltsikhe
AAF of Akhalkalaki
AAF of Borjomi
AAF of Adigeni
AAF of Aspindza
AAF of Ninotsminda

7. Imereti Region
AAF of Chiatura
AAF of Tkhibuli
AAF of Sachkhere
AAF of Kharagauli
AAF of Tskaltubo
AAF of Terjola
AAF of Samtredia
AAF of Bagdadi
AAF of Zestaponi
AAF of Vani
AAF of Khoni

8. Samegrelo-Zemo Svaneti Region
AAF of Zugdidi
AAF of Tsalenjikha
AAF of Senaki
AAF of Martvili
AAF of Abasha
AAF of Khobi
AAF of Chkhorotsku
AAF of Mestia

9. Guria Region
AAF of Ozurgeti
AAF of Lanchkhuti
AAF of Chokhatauri

10. Racha-Lechkhumi Region
AAF of Lentekhi
AAF of Tsageri
AAF of Oni
AAF of Ambrolauri

MAF: Ministry of Agriculture and Food
AAF: Administration of Agriculture and Food

Annex 6. Administration of Agriculture and Food of Gori Region: Charter (April, 1999)

Approved by	Agreed by
The Minister of Agriculture and Food	The Chairman of the Gamgeoba
by Order No2-220, 1998	of Gori Region
[Signature of the Minister]	[Signature of the Chairman]
26.IV.1999	08.IV.1999

Administration of Agriculture and Food of Gori Region

Charter

I. General Statements

1. The Agriculture and Food Administration of Gori Region (hereinafter called the "Administration") is founded by the Ministry of Agriculture and Food Ministry of Georgia on August 13, 1996 on the basis of the Order No2-212 KL.
   The juridical address is: 16 Stalin Avenue.
2. The Administration represents a territorial body of the Ministry of Agriculture and Food of Georgia in agrarian-industrial and food complex and subordinated to it. The Administration is accountable to the Ministry of Agriculture and Food of Georgia and local government.
3. The Administration has a charter, an independent balance, a bank account, a special account in the treasury, a seal with the state emblem of Georgia and an estimated budget.
   The Administration is funded by the local budget in compliance with the accounting of Gamgeoba of Gori region. Administration reserves rights to accept donations, welfare and other income and is responsible for their expedient use.
4. Staff list of the Administration shall be approved by Gamgeoba of Gori region in agreement with the Ministry of Agriculture and Food. The charter of the Administration shall be approved by the Ministry of Agriculture and Food in agreement with Gamgeoba.
5. The Head and Deputy Heads of the Administration shall be appointed or dismissed by the Minister of Agriculture and Food of Georgia.
6. The Administration conducts its activities under the constitution of Georgia, in compliance with the decrees and orders by the President of Georgia, and pursuant to the "Law on Structure and Activity Regulations of the Executive Power" and the "Law on Public Service" and other legislation. Also in accordance with the decrees and instructions by the Ministry of Agriculture and Food, regional governmental bodies, and other normative acts and the present Regulations.

II. Objectives, Spheres, Functions and Tasks of the Administration's Activities

1. To ensure the improvement of living conditions of the population and level of production during the process of transformation period of agricultural production and food product complexes by maximal saving of natural resources based on material-technical basis and ways of rational use of human resources as oriented by agrarian policy concept.

2. To implement agrarian reforms based on national traditions and experience, forming strong strata of private entrepreneurs in the field of agriculture taking into account the local conditions; solving complex problems concerning the development of village as a socio-economical unit; promoting integration and cooperation between science, agriculture and industry.
3. To promote the process of privatization of state enterprises and completion of small enterprises and property privatization, conduct a process of reorganization and restructuring the enterprises, liquidation of unpromising enterprises and supporting and promoting the enterprises established after the privatization in working out and providing their activities.
4. To provide an integrated solution to the social, cultural and domestic communal problems, social reorganization of villages in the region, formation of the public economy conditions aiming to improve the level of living conditions of the population.
5. To arrange the collection and dissemination of information on scientific research, scientific and technical progress, modern technologies, methods of regulation of enterprises and supporting the entrepreneurs in their implementation.
6. To intensely participate in elaborating the programs to improve the financial-economic conditions; Supporting the effective producers in competitive production by cost-effective use of production potential, also supporting the Georgian market with domestic production and obtaining strong repute in the international markets, promoting the export oriented production.
7. To determine the situation of the inner regional food market with the help of the management and support of the appropriate services of the Ministry, to develop production and consumption balances of the products, to implement activities to solve the problems of overproduction and to search for resources to make up shortages (inter regionally).
8. To carry out state licensing of the food production in the region, to arrange control of the quality of agricultural and food products, to give every support to improve the material-technical basis for the appropriate services.
9. To provide constant support in increasing the local incomes and to solve the problem of employment of the local population by cooperating in developing private enterprise.
10. Along with [other] concerned agencies, to participate in forming a secure system of land tenure, to implement activities for land protection, to efficiently utilize the land, to produce ecologically proved agricultural and other food products, and [to ensure the] food security of the population.
11. To elaborate and implement the entire strategy and policy to improve the complex development in accordance with the directions and parameters as foreseen by agrarian policy concept; developing and implementing the indicative plans, synopsis and perspective development programs.
12. To coordinate the activities of the different services of the complex located in the territory of the region; participating in the development of the village infrastructure.
13. To implement land reforms and privatization of the enterprises in the sector to comply with the requirements of the second phase of the economic reforms, improvement of the on-farm relationships, complying with civil code and other legislative requirements.
14. To implement the activities to modify the errors and mistakes revealed during the process of land reform along with the state executive and regional governmental bodies.

15. To promote the process of developing a service, trade, financial-credit and bank organizations in complex, creating the farmers and credit unions and associations in the villages, supporting a cooperation of agriculture and industry and speeding up an integration process.
16. To promote the improvement of soil fertility, activities of agro-chemical and bio-chemical services, quarantine, sanitary, ecological; plant and animal protection, breeding, seed farming, species examination and preservation, agricultural crops, planting, agricultural machinery and exploitation; to implement activities in accordance with the requirements of the state supervision on work protection, security equipment and fire-fighting means. To provide a sound support to the Ministry subordinated services, coordinating their activities, developing melioration, agronomical engineer-technical service, protecting plant and animal genetic fund.
    To support the organized, efficient utilization of reclaimed areas, increasing the efficiency of irrigated arable farming.
    To support the activities of forest regulation project planning for forest protection, restriction of voluntary timber cutting, healing raw staff utilization and forest industry improvement in the farm (former collective farm) forests.
17. To provide the proved requirement for the investments (including foreign investments), efficient use of attracted investments, coordination of the activities provided by foreign representations in the present region, providing an efficient use of the technical, financial and material support provided by foreign representations informing the Ministry periodically on mentioned issues.
18. To support the statistical service in receiving the information on the current procedures carried out in the complex in the determined way, providing analysis of the actual results and impediments based on the mentioned information; elaborating particular action programs and their implementation; informing the Ministry periodically on the local conditions based on deep analysis and synopsis of the situation.
19. To give priority to the complex branch development in the region, promoting the regulation of budgetary and accounting-reporting perfection.
20. To promote the economic, organizational and technological relations between the entrepreneurs in the region.
21. To organize analysis and qualification improving activities and scientific-consultancy for the personnel employed; supporting the educational units located in the region; providing every support to youth employment, culture, education, health protection development, improving physical culture and sport activities.
22. To support the creation and functioning of the non-governmental structures (unions, associations and other public organizations) in the complex; promoting the creation and expansion of the farmers associations, co-operations, joint ventures involving foreign and local partners, wholesome markets, exchange, intermediary, insurance and pension organizations; improving their funding.
23. To receive of citizens in compliance with the legislation, reviewing applications and complaints and providing replies within the competence of the Administration.

III. Authority

1. The Administration is authorized:
    a) To participate in determining and discussing the construction issues of the units of the local infrastructure and enterprises, in complex solving of the problems of socio-economical development of the village;

b) Within the legislation framework, to participate in protection of environment minerals and efficient use of natural resources, solving problems with reproduction.
c) To protect farming-economical and organizational interests of the enterprises and organizations under its government. Within the legislation frames, to participate in ceasing the wrongful acts carried out against these organizations and in solving the issue of reimbursement of the damages or losses caused there from.
d) To require and obtain necessary legal information from local governmental bodies, appropriate services of the Ministry and legal and physical persons within the competence.
e) To terminate interference of governmental bodies, public organizations, legal or physical persons; to apply corresponding proposal to regional bodies of the Ministry of Agriculture and Food.

2. The administration is not authorized to transfer its rights and responsibilities within the Administration's competence to other state or non-state enterprises unless otherwise stipulated in legislation of Georgia.

IV. The Administration is required

1. To report periodically to the Ministry of Agriculture and Food and Gamgeoba of the region on fulfillment of authority; to provide the Ministry with timely information required.
2. To support the economical-financial activities of the independent manufacturers assigning them a complete independence; implementation of the antimonopoly policy, development of the market economy.
3. To be responsible for own decisions.
4. To provide control and supervision over the state property utilization and protection transmitted to the Ministry and to the system of enterprises located in the region for regulation; to coordinate the activities of the members of supervisory boards and enterprise directors appointed by the state in the newly formed joint-stock companies.

V. Organization of the Administration's Activities

1. Within the frames of the rights given by legislation of Georgia and foreseen by the present Regulations, Administration shall implement organizational-methodical management of enterprises and organizations included in the complex.
2. Administration has its Head, which shall:
   a) Manage the regulation apparatus activities and be personally responsible for implementation of the objectives, tasks, functions, authority and responsibilities laid upon Administration by the present Regulations;
   b) Be authorized to represent Administration in relationship with legal or physical persons in the state bodies without any warrants;
   c) Distribute functions between Administration personnel and provide control over their implementation;
   d) Appoint and dismiss Administration personnel in compliance with legislation; participate in selection, appointment and dismissal of the heads of the state owned enterprises and organizations within the complex;
   e) Keep discipline of work and state performance and work regulation standards.
   f) Issue orders, methodological instructions and recommendations on matters of Administration competence;
3. Administration is entitled to establish a consultative council in order to discuss issues in respect to agricultural, food and refinery industry development and elaborating

appropriate recommendations; it shall include senior managers and qualified specialists of the leading enterprises and organizations (despite of their ownership and economical shape and subordination) of the complex in the region.

4. Number of consultative council members and composition shall be proved by Gamgeoba of the region in accordance with the proposal of the Head of Administration.
5. A consultative council shall discuss farming, economic and social development related issues, which require a collective decision in accordance with the present Regulations.
6. Consultative council meetings shall be held if necessary but not less then once quarterly; Apparatus of Administration shall regulate preparation and holding of the meeting.
7. Decision of the council shall carry a recommendation character and shall be made by open vote, by simple majority of votes.

VI. Reorganization or Liquidation of the Administration

1. Reorganization or liquidation of the Administration shall be performed by the Ministry of Agriculture and Food, in compliance with legislation of Georgia.

Translated by Lika Margania

Annex 7. Ministry of State Property-MAF order on privatization of state enterprises

Ministry of State Property Management of Georgia
N. 1-3/94
February 16,2001

Ministry of Agriculture and Food of Georgia
February 16,2001

ORDER Number 2-21
On management rights and speeding up the process of privatization of enterprises in which the state owns a share in the agricultural sector

In order to implement Decree number 51 of February 17, 2000 of the President of Georgia "On additional measures on state interest protection at the enterprises with state shares while net profit sharing and improving system of extracting dividends for the benefit of the budget,"

WE ORDER

1. To approve the list of enterprises (Annexes 1 and 2) whose management rights are granted to the Ministry of Agriculture and Food by Decree number 51 of February 17, 2000 of the President of Georgia.

2. The territorial agencies of the Ministry of State Property Management of Georgia and regional Administrations of Agriculture and Food shall:

- carry out an on-site study of reorganization issues and legitimacy of property management and take measures to bring their status into accordance with "Entrepreneurial Law of Georgia " and if necessary change managers of enterprises without deviation of the acting legislation due to the fact that organizational-legal status of several enterprises of agricultural system is not bought into accordance with the "Entrepreneurial Law of Georgia " and others are established as limited companies locally but without complete document package on establishment;
- submit proposals for privatization of state owned enterprises;
- speed up the process of privatization of state owned property named in the list of property to be privatized, encountering the fact that privatization process of property listed during previous years should be completed by November 30,2001;
- submit the joint information on the work done to the Ministry of State Property Management and the Ministry of Agriculture and Food by July 1 and December 10, 2001.

3. The Ministry of State Property Management and the Ministry of Agriculture and Food should ensure the speeding up of privatization process of the given enterprises in accordance with the acting legislation.

4. The Ministry of Agriculture and Food should insure the submission of documents on establishment by the Ministry of State Property Management of those enterprises established by itself.

Minister of State Property Management
M. UKLEBA
Feb. 16, 2001

Minister of Agriculture and Food
D. KIRVALIDZE
Feb. 16, 2001

Appendix 1
Order 2-21
16.02.2001

1 .Ltd. “Georgia”
2. Ltd. “Food Technology”
3. Ltd. “Subtropic of Georgia”
4. Ltd. “International Training Centre of Management and Agrobusiness"
5 .Ltd. “Agromshenservice”
6. Ltd. “industrial Service”
7. Ltd. “State Regulatory Board”
8. Ltd. “Japanese Grant (program 2KR) Management Centre”
9. Ltd. “Martsvali”
10. Ltd. “Ophurchkheti Tea Plant”
11 . Ltd. “Albuminous Food”
12. Ltd. “Project Technology Bureau”
13. Ltd. “Mshenebeli 21”
14. Ltd. "Gerani"
15. Ltd. “Eniseli”
16. Ltd. “KeIktseuli”
17. Ltd. “Sanerge”
18. Ltd. "Nazalo Seed Farm”
19. Ltd. “Donor”
20. Ltd. “Kevri”
21. Ltd. “Terjola Poultry Factory”
22. Ltd. “Poti-2000”
23. Ltd. "Leri”
24. Ltd. “Wine Plant of Varketili”
25. Ltd. “Livestock Breeding Reproduction Enterprise of Gldani”
26. Ltd. “Kumisi”
27. Ltd. “Sharmi”
28. Ltd. “Doesi”
29. Ltd. “Tevzmsheni”
30. Ltd. “Arili-2000”
31. Ltd. “Shindisi”
32. Ltd. “Nacharmagevi”
33. Ltd. “Saltvisi-2”
34. Ltd. “Fanner”
35. Ltd. “Chapala -2000”
36. Ltd. “Gamartva"
37. Ltd. “Ujarmis Sanerge”
38. Ltd. "Flevi Seed Farm"
39. Ltd. "Bostanteli"
40. Ltd. "Bebnisis Sanerge”
41. Ltd. „Mshenebeli-80"
42. Ltd. „Nergi-21"
43. Ltd. "Rioni“
44. Ltd. “Kolkheti"
45. Ltd. “Algetrdze"
46. Ltd. "Ivlagazine Kvali”

47. Ltd. "Garejvari”
48. Ltd. "Mikheil Koblianidze"
49. Ltd. “Iakob"
50. Ltd. “Dzevera"
5l. Ltd. "Geguti"
52. Ltd. "Abibo Nekreseli"
53. Ltd. „Kaklleti-2000“
54. Ltd. „Nergi"
55. Ltd. "Tulari Corn Cultures Seed Farm"
56. Ltd. “Hen Reproduction Factory of Kaspi"
57. Ltd. “Chemistry” “Kimia"
58. Ltd. "Taghi"
59. Ltd. "Mirani Poultry-Broiler Combine”
60. Ltd. "Navtlughi Bread Products Combine"
61 . Ltd. “Quality”
62. Ltd. “Gazatsia”

Appendix 2
Order 2-21
16.02.2001

1. Joint-stock Company "Businesscentre Agromontaje"
2. Joint-stock Company "AcharPuri"
3. Joint-stock Company "Kachreti Bread Products Combine"
4. Joint-stock Company "Khe1vachauri Citrus Reproduction"
5. Joint-stock Company "Sakabreshumi"
6. Joint-stock Company "Saksofltechnika"
7. Joint-stock Company "Abasha Ether oil and Treating Plants"
8. Joint-stock Company "Khorshi Estrous oil"
9. Joint-stock Company "Broiler"
10. Joint-stock Company "Sakagrobiomretsvi"
11. Joint-stock Company "Batumi Meat Combine"
12. Joint-stock Company "Iveriamsheni"
13. Joint-stock Company "Lesichina Tea Farm"
14. Joint-stock Company "Saktskalmsheni"

Annex 8. Limited Liability Society "Economic Service Ltd." Charter

Registered in accordance with
the Decree issued on 09.08.1999 by
the Court of Mtatsminda District,
Tbilisi, Georgia
[Signature of the Judge]
Registration No 06/4 - 79

Approved by
the Ministry of Property Management
[Signature of the Deputy Minister]
02.VIII.1999
Order No 1 - 3/436

Limited Liability Society

ECONOMIC SERVICE LTD

CHARTER

TBILISI, GEORGIA

1999

I. General Statements

1.1. Economic Service Ltd (hereinafter named as Society) has been created in accordance with the "Law on Entrepreneurs" of Georgia by the Ministry of Property Regulation of Georgia.
1.2. The present Society has been created without defined time limits.
1.3. The present Society is located at 41 Merab Kostava Street, Tbilisi, Georgia.

II. Organizational-Legal position

2.1. The organizational-legal form of the present Society is "A Society of Limited Liability".
2.2. In accordance with the Georgian legislation the present Society represents a juridical person.
2.3. The present Society as a juridical person is empowered immediately after it is registered in the Court.
2.4. The full title of the present Society is as follows: "The Economic Service Ltd" at the Georgian Agriculture & Food Ministry.
2.5. The present Society owns its independent balance, stamp, trademarks, registered in a proper way, it has opened its bank accounts both in national and foreign currency.
2.6. The juridical address of the present Society is as follows:
Phone No: (995 32) 999 444,
41 Merab Kostava Street, Tbilisi, Georgia.

III. Main Activities

3.1. In accordance with the Charter's goals the present Society acts as follows:
3.2. Development of the normal (proper) working and life conditions for the activities of the Ministry's central apparatus. Providing different kinds of services and material-technical supply on a contractual basis set with the Ministry and its organizations.
3.3. A current major renovation of the premises, buildings and equipment to support the normal functioning of the Ministry's apparatus on a contractual basis.
3.4. Production and realization of the industrial and agricultural products.
3.5. Commercial and intermediary activities.
3.6. Arrangement of the catering.
3.7. Performing different works and providing different types of services for the enterprises and the population.

IV. The Charter Capital, Property of the Society

4.1. The property of the Society may be sourced out of:

- the Charter Capital;
- profit;
- attracted funds;
- additional purposed payments made by the partners;
- other legal sources of the economic capacities.

4.1.1. With the purpose to attract additional financial resources, in accordance with the legislation, the present Society is authorized, to issue the loan securities, to arrange the lottery, auctions, to make purposeful borrowings, to attract free funds, both from juridical and/or physical persons.
4.2. The Charter Capital of the present Society amounts to GEL 439 579 and it is 100% State owned.
4.3. In case of the increase of the Charter Capital the payments shall be made in any currency, or in face of the property or non-property objects.
4.4. The changes to the Charter Capital shall be made by the decision of the Partners' Meeting.

4.5. The Charter Capital shall be increased only after each Partner makes a full payment of their share to the Charter Capital.
4.6. A decision on amendments to the Charter Capital is in force after it is registered by the Entrepreneurs' Register.
4.7. The cost in currency of the property and non-property objects paid to the Charter Capital shall be defined by an independent expert (audit).
4.8. The cost in currency, property and non-property objects paid to the Charter Capital shall be accounted in the Society's Accounting Books in national currency.
4.9. The Charter Capital shall be placed immediately after the Charter with 100% owned property is signed.

V. Founding partners, their rights and responsibilities

5.1. The founding partner of the present Society is the State property Regulation Ministry.
5.1.1. Any juridical or physical person from any other country may become a partner of the present Society in the next phase of the Society development by the decision of the Partners' Meeting.
5.1.2. The rights of the new partner shall be vested after the appropriate amendments are registered by the State Register.
5.2. The partners shall have equal rights.
5.3. The partner is authorized:
5.3.1.To take part in the public economy activities and regulation as defined in the Charter;
5.3.2. To get its share in the Charter Capital;
5.3.3. To raise the issues to be discussed at the Partners' Meeting;
5.3.4. To require the documentation related to the economy activities of the Society, get acknowledged to them personally or through the independent expert, make copies of the documents;
5.3.5. To transfer its rights to another partner at the Partners' Meeting, or appoint and call back its representative at the Partners' Meeting without indicating a reason with the 5 days written notice given to the Director of the Society before the Meeting's date. The letter shall necessarily include the rights of the representative and the time period those rights are supposed to be valid;
5.3.6. To transfer to others, to withdraw or give in heritage its share in the property of the Society completely or partly.
5.3.7. In case of transferring the share, a partner shall offer its share to another partner first.
5.3.8. To transfer the part of the share, it is necessary to have a notarized decision of the Partners' Meeting.
5.3.9. In case of transferring a share or its withdrawal, equivalent in currency is estimated by an independent expert taking into account the market prices, assets and liabilities.
5.4. A partner is responsible:
5.4.1.To be in compliance with the Charter of the Society, perform decisions of the Partners' Meeting.
5.4.2.To make in-time payments to the Charter Fund and to provide other payments stated by the Partners' Meeting.
5.4.3. Not to act purposefully causing damage or creating a danger to the interests of the Society or other partners.
5.4.4.To keep commercial confidentiality of the Society.

VI. Management of the Society

6.1. The highest authority of the Society management represents the Partners' Meeting; Voting rights of the partner are defined proportionally to their share in the Charter Capital.
6.2. The Partners' Meeting shall be held at least once per annum.

6.3. The right to hold immediate meetings belongs to:

a) the Director of the Society, in case if there appears a danger of loosing 50% of the Society's assets.
b) the partners owning 5% or more of the Charter Capital.

6.4. The meeting shall be headed by the Chairman (President), elected by the attending partners or their authorized representatives.
6.5. The Meeting is authorized to perform its work in case if the partners having a majority of votes attend it. If the Meeting is not authorized to make decisions, it may be held for a second time with the same agenda. The postponed meeting is authorized to make decisions even if it would not be attended by a majority of the partners.
6.6. All decisions shall be made by a majority of votes of the meeting participants, despite of those cases, when the issue concerns the founder personally.
6.7. In case if all the partners agree in written form to the issue to be discussed at the meeting, a meeting may not be held.
6.8. All decisions made by the Meeting shall be put into the minutes signed by the founders.
6.9. A Meeting shall be organized by a Director.
6.10. A Director shall give a 15 days written notice by an insured letter to all the partners on the next Meeting's date and agenda.
6.11. The Partners Meeting is authorized to solve problems like:
6.11.1.Inserting amendments to the Charter.
6.11.2. Defining amounts of the additional payments and periods of time for due payment.
6.11.3. Appointment and retirement of the Director of the Society.
6.11.4. To invite an independent audit.
6.11.5. To take part in establishing the subsidiaries, representations and other juridical persons and their abolishment.
6.11.6. Creation of the Society funds, defining their evaluation and the ways of its usage.
6.11.7. Accepting and expelling a new member of the Society.
6.11.8. Start and cease economic activities and different types of business, issue securities and arrange a lottery.
6.11.9. Purchase of the real estate, its transfer to other persons and ways of exploitation in agreement with the founder.
6.11.10. To solve the investments issue, the cost of which would exceed 10% of the last year balance sum partly or completely within the one economic year.
6.11.11. To accept loans and credits, amount of which partly or completely would exceed the amount defined by the Partners' Meeting.
6.11.12. To define the principles for the management and staff of the Society to take part in total profit income and in distributing the pensions.
6.11.13. To approve the manual documentation within the Society frames.
6.11.14. To issue and cancel the prokuri?
6.11.15. To approve the annual results and ways to manage it.
6.11.16. Requirement on due payments.
6.11.17. Liquidation of the Society.
6.12. The Director of the Society shall be appointed by the Partners' Meeting to provide the operational management.
6.13. The Director performs the management of the Society solely in agreement with the Partners' Meeting and is personally responsible for the economic results; the Director shall represent a Society; is authorized to manage the assets of the Society without any warrants (in accordance with the decisions made by the Partners' Meeting); shall develop contracts both with juridical and physical persons in the country and out its borders; shall open the bank accounts; shall accept loans; shall employ and retire the personnel; shall make decisions on

the promotional and discipline liability issues; shall define a management structure of the Society and a personnel schedule and change it; shall keep in compliance with the legislation standards and norms in all fields of the activities.
6.13.1. The Partners' Meeting shall appoint or retire the Director of the Society, set up a contract with him/her and define the rights and spheres of the activities.

VII. Economic Activities of the Society

7.1. The Society performs its economic activities on its own behalf.
7.2. The Society shall independently define the annual and project plans of the economy and social development and provide prompt planning.
7.3. The Society is liable to follow the existing standards and norms during the operation process; shall provide proper sanitary conditions, production, storing, transportation and realization.
7.4. In accordance with the legislation the Society is authorized:
7.4.1. To establish the subsidiaries, representations and concerns; to join voluntary commercial and non-commercial associations; to take part in establishing a new juridical person both in the country and out of its borders in agreement with the Ministry.
7.4.2. To develop contracts with other physical and juridical persons; to provide a purchase and rent.
7.4.3. To open the bank accounts, provide the cash and account operations both in cash or by transfer in national and foreign currency or in any other payment unlimitedly within the country and out of its borders.

VIII. The Director

8.1. The Directors are authorized to manage and represent the Society.
8.2. The Directors shall perform their duties and responsibilities with confidence and loyalty.

IX. The Annual Output

9.1. The annual output shall be indicated in a balance and accounting reports, which shall be applied to the Partners' Meeting for confirmation in accordance with the results of the financial year.
9.2. The Society distributes the profit sum once per annum or on a quarterly basis in accordance with the results of the financial year.
9.3. The founder shall define the ways of utilization of the profit funded after due budget and bank payments are done.

X. Books and reports

10.1.The Society shall perform an accounting and statistical bookkeeping in accordance with the capacity and duration as foreseen by the legislation.
10.2. The annual balance and report shall be examined by an independent audit.
10.3. An economic year covers the period of time from January 1 – till December 31 including.

XI. Control over the activities of the Society

11.1. The Partners' Meeting shall provide a control over the activities of the Society.
11.2. If required, the Partners' Meeting shall appoint a supervisor (inner audit) to control the activity performance according the statements defined and stated by the Partners' Meeting.
11.3. To control the financial activities of the Society, it shall invite an independent audit, at least once per annum.
11.4. A control over the activities of the Society shall be performed by the State in accordance with the legislation.

XII. Announcement and confidentiality

12.1. The State shall define the information considered to be non-confidential.
12.2. The information or the list of the documentation considered confidential shall be defined by the Partners' Meeting based on the Director's offer.
12.3. A Director is authorized to refuse to announce any information, or to pass it to other partner if this information may be used by the third party against the Society. Such decision shall need the approval of the Partners' Meeting.
12.4.Confidential information shall be applied to the law-enforcement organizations in accordance with the legislation.

XIII. Liabilities and settlement

13.1. The Society is liable for its duties in face of its property.
13.2. The partners of the Society are liable in accordance with their share in the Society's property.
13.3. The Society is liable for the duties (responsibilities) of its partners.
13.4. The Society is not liable in front of the State and the State is not liable in front of the Society.
13.5. A partner is not authorized to lay upon the liabilities on behalf of the Society.
13.6. All disagreements raised between the partners shall be negotiated, but in case if they cannot be solved this way, the Society and the partners shall approach arbitration or a Court.
13.7. In case of the delay with the payments, or if the partner's acts cause damage (moral or material) or loss to the Society, a guilty partner shall cover the loss in accordance with the legislation.
13.8.Any dispute raised between the Society and its personnel shall be solved in accordance with the legislation on employment and a civil code.
13.9. Liabilities of the Director and the administrative personnel of the Society shall be defined by the Law on Entrepreneurs of Georgia, on a contractual basis and according the civil code norms.

XIV. Liquidation of the Society

14.1. Liquidation of the Society may be performed in two ways:

a) through reorganization (merger, amalgamation, division),
b) through liquidation.

14.2. Liquidation of the Society is inadmissible by any one partner.
14.3. A decision on the liquidation of the Society shall be made by the Partners' Meeting, or Court in accordance with the legislation.
14.4. In case if the Society becomes insolvent, the Director is liable without any guilty delay, within a three weeks period after such occurrence, to claim about the bankruptcy in agreement with founders.
14.5. A Director is liable to reimburse expenses the Society has carried after it has become insolvent, unless the Director has been performing his/her duties with due confidence and loyalty of the real businessman.
14.6.In case of the merger of the present Society with other Society(s) or its division, the legal inheritance (assets, rights, and liabilities) of the Society shall be transmitted to the newly formed juridical person.
14.7.In case of merger with other juridical person Society's legal inheritance (assets, rights, liabilities) shall be transmitted to the latter.
14.8.The assets, rights and liabilities shall be transmitted after signing a balance on transmission.
14.9. The Partners' Meeting shall define the liquidation procedures after it makes a decision on liquidation.

14.10.In case if the liquidation of the Society is performed by a Court, a liquidation commission is appointed by Court.
14.11.Commission is entitled to manage the Society within the liquidation period.
14.12.Commission shall announce about the liquidation publicly. A commission shall announce it two more times in case of a failure with the liability. (?)
14.13.Commission shall develop a liquidation balance and apply it to the Partners' Meeting, or if appropriate, to the Court.
14.14.Commission shall define the ways of realization of the Society's assets.
14.15. A sum left after settling the proved claims of the creditors shall be distributed among the partners in accordance with their share in the Charter Capital.
14.16. Court is authorized and the liquidation commission is liable to deposit the uncovered credit and other debts, which are supposed to cover in the future.
14.17. In case of the controversy between the partners within the process of liquidation, commission shall suspend its work till it is finally solved.
14.18.The Society shall be counted liquidated immediately after it is registered accordingly in the entrepreneurs' register.

XV. Additional clauses

15.1. A partner (founder) looses a special right of possession on property or non-property objects, included in the Charter Capital, if the Charter in other way does not foresee it.
15.2. In case if any partner adds any sum or property to the Charter Capital in any other way of payment, which exceeds his/her proportional share in the Charter Capital, such payment shall not increase partner's profit share and shall be foreseen as partner's loan to the Society.
15.3. The further changes of the cost of the currency and property shall not be a basis to changes in partner's share amount in the Charter Capital or profits.
15.4. Partners of the Society are not authorized to act on behalf of the Society or on behalf of other partners.
15.5. The Society is not authorized to act on behalf of the partners.
15.6. In case if any one or more clauses of the Charter become invalid, it shall not mean that the Charter is invalid in general.
15.7. To insert any amendments or additions to the Charter is admissible in case of the unanimous, notarized, written decision. The amendments made to the Charter are in force after the appropriate changes are made to the entrepreneurs' register.
15.8. All registered amendments and additions automatically become an integral part of the Charter.
15.9. The Charter is in force immediately after it is signed.
15.10. All preliminary written or oral agreements between the partners shall be counted invalid after the Charter is signed.
15.11. The Charter shall not include any oral or confidential agreements. It represents an only agreement between the partners on establishment of the Society.
15.12. The numeration (indexing) of the articles and clauses of the Charter is conditional and shall not indicate any priority to any one article or any one clause.
15.13. Changes of the obligatory facts in the entrepreneurs' register applied to register the Society, shall also require registering. Any changes shall be in force after they are registered.
15.14. The Charter is done in five original copies each having equal force.

Translated by Lika Margania

Annex 9. Staff List of Ministry of Agriculture and Food
January 2001

I. Management	Name of unit head, number of staff
Minister	D.Kirvalidze
Apparatus of Minister	9
Division of Information	
First Deputy Minister - Parliamentary Secretary	N. Mamaladze
Deputy Minister	G. Tkeshelashvili
Deputy Minister	N. Duchidze
Deputy Minister	D. Shervashidze
Main Administration of Science and Education	6
Legal and Parliamentary-Relations Administration	6
Division of Accounting	4
II. Administration Department	2
Chief of Department	T. Loladze
Chancellery	6
Division of Organization	1
Protocol -Organizational Division	3
Division of Control	4
Division of Staff and Military Mobilization	4
III. Agrarian Reform Department	2
Chief of Department	K. Khucaidze
Administration of Privatization	5
Administration of Relations with Regional Bodies	1
Division of Relations with Regional Bodies	3
Sector for Rehabilitation of the Abkhazian and Ckhinvali Regions	2
Management of Investment and Project	6
IV. International Relations Department	3
Chief of Department	R. Kakulia
Administration of International and Coordination	5
International Cooperation Administration	5
Sanitary and Phytosanitary Enquiry Point	3
V. Financial-Economic Department	
Chief of Department	T. Kunchulia
Planning and Forecast Administration	5
Financial Administration	7
VI. Agriculture Department	2
Chief of Department .	S. Uzunashvili
Crop and Amelioration Division	6
Soil Fertility and Amelioration Sector	2
Livestock Administration	5
Environmental Administration	3
VII. Agroengineering Service and Mechanization Department	8
Chief of Department	N. Khokhashvili
Water Management Administration	4
VIII. Food Industry Department	2
Chief of Department	D. Grigolia
Industry Rehabilitation and Development Administration	6
Product Licensing and Consumers' Rights Protection Administration	4
Marketing Administration	5
IX. Bread Product and Food Department	9
Chief of Department	G. Chuchulashvili

Food and Market Regulation Administration	2
Food Balance Division	2
Market Regulation Division	4
X. Department of Amelioration and Water Economy	54- apparatus; 2098- Total
Chief of Department	T. Chikvaidze
XI. Veterinary Department	20- apparatus; 513- Total
Chief of Department	V. Gvarjaladze
XII. "Saktevzi" Department	8 –Total
Chief of Department	O. Abdushelishvili
XIII. "Samtresti" Department	16- Total
Chief of Department	V. Mamaiashvili
XIV. "Sakmintsklebi" Department	16 -Total
Chief of Department	Z. Chanchibadze
XV. Livestock Husbandry Department	37-apparatus; 120-- Total
Chief of Department	Sh. Devnozashvili
XVI. Quality Inspection of Agricultural Product	48- Total
Chief of Inspection	0. Narimanidze
XVII. Quality Inspection of Crop and Flour	52- Total
Chief of Inspection	G. Getsadze
XVIII. Quality Inspection of Seed and Seed materials	29-apparatus; 193- Total
Chief of Inspection .	K. Beridze
XIX. Amelioration Inspection	7- Total
Chief of Inspection	J. Kajaia
XX. Examination and Protection Inspection of Selection Achievements	67-apparatus; 67-Total
Chief of inspection.	P. Naskidashvili
XXI. Plant Protection Service	14-apparatus; 297-Total
Chief.	Z. Lipartia
XXI. Agrochemical and Soil Fertility Service	8- apparatus; 138- Total
Chief.	I. Comaia
XXII. Phytosanitary Quarantine State Inspection	9- Total
Chief of Inspection	R. Gurchiani
XXIII. Main Administration of Logistics	17- Total
Chief of Administration	I. Tkebuchava
XXIV. Coordination Center of Silkworm Breeding "Abreshumisakhli"	13- Total
Chief	Z. Asatiani
XXV. Plant Protection Republic Station	29- Total
Chief	R. Kiviladze