



**RESTRUCTURING ASSISTANCE AND POLICY ADVICE FOR THE
MINISTRY OF AGRICULTURE AND FOOD OF GEORGIA**

Contract No. LAG-I-00-98-00026-00, Task Order 804
BASIS IQC

**PHASE II
FOURTH REPORT
JULY 1, 2002-SEPTEMBER 30, 2002**

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October 31, 2002

Mission

To assist the transformation of the Ministry of Agriculture and Food of Georgia into an effective, honest agency that more effectively facilitates increasing the welfare of the country's agri-food producers and consumers.

Major Achievements during the Reporting Period

In July-September, 2002, the Restructuring Assistance and Policy Advice Project:

- Worked to develop plans for, and consensus about, a unified agricultural inspection
- Carried out extensive field examinations of the use of MAF resources
- Developed and negotiated agreement with the MAF on a technical proposal for further restructuring activities during a 16-month extension
- Worked closely with the European Commission Food Security Program in developing MAF budget and examining its funding requests
- Worked closely with the World Bank ADP Risk Assessment Exercise in completing its task of auditing Ministry assets
- Provided continuing policy advice to the Minister and his deputies on a wide variety of issues
- Provided legal drafting and legal analysis assistance to the Ministry
- Continued development of the Ministry's public information activities, including a daily survey of the local press on agricultural-related issues and periodic surveys of new agricultural-related legislation
- Provided information, translation assistance, advice and "good offices" for the Ministry in dealing with many international donors and programs

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Project Background

The present Ministry of Agriculture and Food of Georgia (MAF), chartered by a Presidential decree of November 17, 1997, 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. The Ministry is organized hierarchically with smaller versions of its major departments located in each district of the country. 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” local units.

The USAID-supported “Restructuring Assistance and Policy Advice for the Ministry of Agriculture and Food of Georgia Project” (RAPA) responds to Georgian Minister of Agriculture and Food David Kirvalidze’s October 2000 letter requesting donor support for a “temporary agricultural policy analysis group.”

The Ministry of Agriculture and Food also requested assistance from donors, including USAID and the World Bank, in carrying out an inventory and audit of its assets, many of which had been partially privatized or otherwise distanced from its control in the 1990s. In response to a letter from Minister of Agriculture and Food David Kirvalidze to Mr. Iain Shuker of the Bank of January 10, 2001, and subsequent discussions at a working level between the RAPA and World Bank personnel, the Bank has provided a group, to be funded from its Agricultural Development Project loan, to carry out a “Risk Assessment Exercise” (RAE) over an eight-month period. During the present reporting period this World Bank activity came to a successful end.

The RAPA project, organized as a task order under the USAID BASIS indefinite quantity contract, began in December 2000, when the USAID mission arranged an initial two-week visit to Georgia for Dr. Van Atta and began full operations February 3, 2001, when Dr. Van Atta returned to Georgia for the duration of phase I. The contract modification for Phase II of the activity extending through August 28, 2002, was completed by USAID on August 27, 2001.

On April 25, 2002, Minister of Agriculture and Food Kirvalidze, in a letter to the USAID Caucasus Mission Director, requested that USAID extend support for the project for a further two years. As a result, the Mission began preparation of a new Statement of Work for an extended Phase II of the activity. This Statement of Work was released in July, 2002. DAI responded with a technical proposal covering the period up to December 31, 2003. This proposal was accepted, subject to the completion of a set of benchmarks, and a contract modification extending through the end of 2003 was issued by USAID on August 26, 2002. The extension is conditional on USAID acceptance of a set of benchmarks for Ministry restructuring by October 31, 2002.

The Role of an Agricultural Policy Unit

The Minister’s original request to donors asked for help in establishing an agricultural policy unit of a sort that have been funded by various donors in many of the transition economies of Central Europe and the former Soviet Union. The most successful APU and the model for others is the Agricultural Policy Analysis Unit of the Foundation for Assistance Programs to Agriculture (SAEPR) in Poland which is supported by the World Bank, the European Union PHARE program and the Polish government. Agricultural policy units are also functioning

in Ukraine, Latvia and Bulgaria. Attempts to establish them were made, unsuccessfully, in the Russian Federation by the EBRD and in Uzbekistan by EU Tacis, and efforts to establish one are reportedly underway now in Romania. One of the three principal recommendations for advancing agricultural sector reform in Georgia made by the Polish analysts led by Leczek Balcerowicz in the spring of 2001 was for the establishment of such a unit in the Georgian MAF.

Agricultural Policy Units:

- help develop and implement market-oriented agricultural policy;
- train their staff in Western analytic techniques and approaches;
- serve as points of contact between donors and recipients; and
- act as catalysts in transforming the structure and functions of government agencies concerned with agricultural policy.

Successful agricultural policy units such as the Polish SAEPR drive overall agricultural reform in their country. Like all public policy activities, they blend quality research, data collection and analysis with policy advice and advocacy that flows organically from their attempts to carefully and critically understand the real situation and issues in the sector, to develop policy alternatives to address those issues, and to dispassionately present the costs and benefits of those alternatives to policy-makers. Although initiated and supported by donors, APUs are locally-run and managed, and do not work if they do not eventually acquire value and importance in the eyes of the country's agricultural policy-makers. The SAEPR was eventually institutionalized in the form of a foundation incorporated in Poland supported by funds from a variety of domestic and international sources. Its work, and the people it trained, have played a key role in moving Poland toward the European Union.

In the case of Georgia, however, policy advice must be complemented with institutional change. As it has become clear that the transformation of former Soviet-type economies is neither so quick nor so easy as seemed to be in the euphoric period of the "end of history" of the early 1990s, grand policy prescriptions have come to be more and more distrusted among donors and recipients in the region. No longer does anyone expect that a simple "stroke of the pen" can transform economies and institutional arrangements that developed over several generations.¹ Not only must "government" cease trying to manage everything and allow civil society to develop (an ability the Georgian government in fact lost, of course, as soon as it ceased having free access to the resources of the rest of the Soviet Union), but it must develop quite new capacities in order to function in an open international system. New governmental functions require fundamental structural change. The particular structural changes that can and will be made depend on the policy outcome sought, the combination of political interests at the time, and the historical path of earlier institutional development. On the other hand, If there is considerable disagreement among OECD country analysts on the precise institutional structure they prefer, there is equally great agreement on the basic functions government agencies should and do perform, including the general activities of Ministries of Agriculture.²

¹ See, for instance, the insert section "After the chaos: A survey of finance in Central Europe," *Economist* (September 14, 2002), insert pages 3-20.

² The first policy note prepared for the Minister in phase I of the RAPA outlined the usual functions of Ministries of Agriculture in OECD countries. A modified version of this note was incorporated into the Phase II

Attempts simply to translate Western market institutions and laws into post-Soviet states have too often failed or led to serious unintended consequences. Reasonably enough, consultants and policy-makers have tended to push for the institutional framework with which they are most familiar and know work—arrangements like those in their own home countries. Because many often incompatible, specific institutional arrangements exist in the various donor countries, however, different donors have emphasized various, often equally incompatible, institutional solutions to a transitional problem and occasionally have even come into conflict with one another over the “right” institutional and policy framework. This conflict of models is particularly severe in agriculture. Because both the European Union and the United States have extraordinarily productive agriculture and food systems in which well-organized but highly competitive producers often turn to government regulation as a way to mitigate competitive pressures and absorb excess production, and because experts from either side of the Atlantic tend to take their own institutional framework for granted—and reflexively defend it when challenged—there have been especially many attempts to translate what turned out to be questionably applicable institutional frameworks for agriculture to the independent states of the former Soviet Union, including Georgia.³

In any case, a model of policy reform that presumes that “if we just tell them how they should do it, the job is done” tends to assume away the problem it is trying to fix. Recommendations that Georgia adopt institutional models that work somewhere else assume that the current political structures in Georgia are strong enough to adopt those changes and actually implement them. Getting real change on the ground by government action is difficult enough

Extension Technical Proposal recently accepted by USAID Caucasus. See also the survey of experience of other nations’ agriculture ministries prepared earlier in this project.

³ The Georgian grain-handling sector is an example of such, in retrospect, poorly thought-through institutional translation. At the time the Soviet Union collapsed, Georgia is reported to have had almost a half million tons’ of grain storage. Total capacity estimates for its flour mills and large-scale bakeries are unavailable, but they seem to have been similarly oversized for the needs of Georgia. This enormous capacity was built in order both to handle the needs of the entire South Caucasus and in order to handle large flows of foreign imported grain on which Soviet agriculture in its later years depended. However, the Abkhaz, South Ossetian and later Chechen conflicts cut most land transportation links with the Russian Federation; Russia developed first alternate supply routes and, most recently, its grain areas (the most productive of which, the Kuban, is just to the north of the Caucasus mountains have become more productive as a result of the slow percolation of reforms in other sectors into Russian agriculture. As a result, this capacity was left unneeded. In order to demonopolize the Georgian grain system, the donors insisted that the grain system be sold off to private investors. This was done, but the measures doing so also required that the government maintain a 60-day reserve (“at least 80,000 tons”) of bread grain and flour (Presidential decree 252, April 3, 1996, clause 5). This left the government a major role in the grain sector. That role was reinforced by Georgian dependence on foreign donors’ aid programs. In order to handle donated grain from the EU and the US, the Ministry of Agriculture established an autonomous entity, the “State Regulatory Board,” to handle such transactions almost immediately as the grain sector privatization was being done (Minister of Agriculture and Food order of October 1, 1996). The documents creating this entity state that it was established on the advice of EU TACIS consultants, and indeed a person identified as a TACIS consultant is listed as a director on its founding documents. Established first as a “treasury enterprise” and then as a “limited-liability company,” the SRB quickly became the tail wagging the dog. Organized as a for-profit entity in circumstances when incentives to put national interests above individual managerial ones were almost entirely absent, the SRB quickly became an independent player largely useful for the interests of its managers and investors. Although its management was cleaned up by the MAF in 2001, the SRB’s autonomous organization and its proximity to a large amount of money continues to make it a tempting prize in Georgian governmental battles and difficult for the MAF to control in order to ensure that it serves the ends of providing a smooth mechanism for realizing donated agricultural commodities. See further the discussion of the current 416(b) program, below.

in the most developed Western systems⁴; it is especially hard in a country like Georgia, whose institutions developed not for “policy-making”⁵ but as transmission belts for decisions made elsewhere. The Georgian system continues to be based on the assumption—precisely parallel to the donor assumption about “stroke of a pen” change noted above—that giving an order at the top is equivalent to having a change made in everyday life. This false assumption was central to the collapse of the Soviet Union, and it is no more correct in a much less capable post-Soviet state. The leaders of the institutions, both those identified as progressive and receptive and those often considered incorrigible, know very well that their system is not working as it should. But they neither have clear ideas about how to change their institutions to more effectively accomplish their ends, nor the resources with which to do so.⁶

The Georgian government—and, to some extent, Georgian society—continue to assume that the government must do everything, and, given the inevitable and increasing shortfall of resource, it is therefore capable of actually doing less and less. Yet the government has very limited capacity to do anything. Project experience in the Ministry of Agriculture and Food, where the current Ministry management spends much of its time trying to manage the unmanageable, indicates that the MAF is unable to properly define and enforce priorities, internally, track resources, or speak with a single voice on behalf of agriculture.⁷ Add to these inherited difficulties the usual pressures of working in any government, where day-to-day work can be all-consuming and some higher official is always demanding something yesterday, and one has a recipe for a failed state. It should be added that this failure is not, by and large, the fault of the individuals now in power in Georgia. However, they are the ones who must try to do something about it.

Making the particular institution of the Ministry of Agriculture and Food of Georgia function as a policy-making and policy-implementing agency that assists economic actors in the agri-food sector to prosper is the RAPA project’s purpose. An organization is a set of structures and functions. Functions are defined by policy goals. Therefore, the RAPA project must work simultaneously to assist the Ministry to define clear policy goals and to develop and put

⁴ The classic commentary on this problem is Jeffrey L. Pressman and Aaron Wildavsky, Implementation: Or why great ideas in Washington often fail miserably in Oakland (Berkeley and Los Angeles: University of California Press, 1984).

⁵ Following the public policy literature, this argument assumes that “policy-making” includes the following steps: 1) defining a problem facing society; 2) formulating possible courses of action to ameliorate the problem; 3) judging, on some set of explicit criteria, the costs and benefits of each possible course of action; 4) adopting a decision on which course of action to pursue; 5) implementing that course of action; 6) monitoring results; and 7) adjusting policy (beginning the cycle over again) based on the results. In functioning democracies, most policy issues become issues because groups in civil society bring them to the attention of policy-makers.

⁶ An example of this destructive process is the draft Law on Food Products licensing discussed below and translated in Annex 10. The law was drawn up by the MAF because a law and an assignment from the State Chancellery required that it be done. However, it is clear that the MAF does not have the resources to carry out the tasks the drafters, believing that the government’s job is to regulate everything, assigns it. Clearly the draft law, if enacted, will become nothing more than a legal cover for government agents to selectively enforce an overly-broad mandate, using their enforcement powers to extract bribes from those they regulate in place of official penalties. Should these powers be delegated to a unit of the MAF—or Sakstandarti, or the Ministry of Health, or any other government agency—which is legally autonomous as a “Public law legal-entity” this attempt to strengthen government control of food safety and quality will lead only to a further fragmentation of government and weakening of public safety. No government has the capacity to regulate all the things that law wishes to regulate as it suggests it should be done. The Georgian government should not even be trying to do so.

⁷ The institutional weaknesses of the Georgian MAF were examined at length in the “Assessment of the Ministry’s Structure, Staffing and Functions” submitted to USAID Caucasus during phase I of the RAPA activity.

into place structures capable of supporting those policies. Policy reform within the Ministry cannot work without pressure from outside, from the Ministry's various constituencies, for change. However, pressure from society will become mere lobbying of special interests unless the Ministry is systematically reformed to become an institution strong enough to carry out policy which is more than the sum of lobbyists' immediate concerns. Nor can reform in one Ministry work unless it is supported at critical points in the government and the donor community. Thus the RAPA project should be thought of as part of a broader effort to reform both the economic sector of agriculture and food and Georgian public administration.

The Situation of the Agricultural Sector in Georgia in 2002

The collective farm system may have been somewhat weaker in Georgia than in other parts of the USSR, but it still shaped the current situation. Large farms, using plantation-style labor gangs, produced most basic crops for consumption and industry (grains, oilseeds, tea, and, to a larger extent in Georgia than elsewhere, fruits and vegetables). Small household plots, meanwhile, produced much of the livestock products as well as much of family subsistence and some surplus for sale in the cities. Inputs and marketing for the large farms were done by central command, while many of the inputs, and much of the immediate market, for the household plot production came from the large farm either officially or through theft. The Georgian land reform was in part a forced response to the collapse of this system, as it sought to provide "pensions in kind" and a means of subsistence to rural residents who could no longer depend on the large farms for a livelihood. In Georgia, unlike in the Russian Federation or Ukraine, efforts at land titling largely followed popular action to take specific land parcels rather than aiming at breaking up still-coherent, if economically unviable, large farm units.

However, Georgian farms have largely reverted to subsistence.⁸ If in 1988 households produced a statistically negligible amount of wheat, by 2001 they produced 91 percent of total domestic wheat output. Although they had produced almost 50 percent of corn and beans (staple foodstuffs, perhaps especially in areas where the large farms specialized in orchards, vegetables or tea) in 1988, so that Georgian household plots produced a higher share of the country's total agricultural output in that year than in any other Soviet republic, by 2001 they produced 99 percent of all corn and 94 percent of beans. In an indication of the extent to which all Georgian agriculture has shifted back to family-based units and away from the plantation model of the collective farm, in 1988 7 percent of tea was produced by households, while in 2001 93 percent (of a much smaller total output) was household production.⁹

The return to subsistence production has brought with it an increase in the share of the population working in agriculture. In 1990, just over a quarter of all employment was in agriculture. Official statistics for 2001 claim that just under 57 percent of all employment is in the sector. This "employment" is likely to be largely fictitious, since it is highly unlikely that so much labor is employed on a full-time basis.¹⁰ That this is underemployment is also

⁸ Data from the State Department for Statistics' household survey shows that autoconsumption accounts for about two-thirds of the total value of food consumed by rural households. See Annex 4.

⁹ State Department for Statistics of Georgia, *Georgian Agriculture 2001: Statistical Abstract* (Tbilisi: 2002), p. 55.

¹⁰ *Georgian Agriculture 2001*, p. 10. On the other hand, the 1990 number probably counted only persons employed on collective and state farms, thus undercounting by ignoring household plot work.

suggested by the fall in agriculture's share in GDP from 30 percent in 1990 to 21 percent in 2001.¹¹

The return to subsistence and the collapse of the old input-supply and procurement systems (as well as the physical destruction of much of the irrigation and drainage infrastructure) have made the countryside much more dependent on the weather and chance than it was in the late Soviet era. For most of the last decade, even Georgian farmers have been highly dependent on foreign humanitarian relief efforts. In 2001-2002, UNDP and UN FAO led relief efforts which distributed 5 kilos of corn seed and 75 kilos of nitrogen fertilizer to small farmers judged to be particularly at risk. This assistance, distributed by various international and national NGOs, seems to have provided much of the available inputs for the small farmers. Apparently at donor suggestion, some of this seed and fertilizer was provided to remaining larger farm operations, usually working on rented state land, in return for a promise to return seed the following year. As might have been expected even under ideal circumstances, farms that received this "returnable" aid have tended not to return it or to give back poor-quality output. (Annex 5 and Annex 6 give the main text of reports by the MAF Internal Control Unit examining the issue of seed repayment.) Reliable data on commercial seed supplies are not available, but the attempt to use some of the humanitarian seed to provide commercial-scale seed inputs suggests that commercial supplies of seed are not readily available at affordable prices. This is, of course, a vicious circle, since subsidized input supplies will prevent a commercial input supply sector from developing.

Most agricultural equipment, as well, now comes from foreign donations. FAO suggested as part of its drought relief effort earlier this year that equipment, or at least spare parts, be distributed in affected areas. Donors such as Counterpart International have supplied a few agricultural machines. Most equipment available since 1997, however, has come from the Japanese Government's 2KR program. This is an intergovernmental program, for which the Georgian government is recipient. The MAF then organizes tenders to distribute the equipment. The equipment is supposed be paid for over five years by recipients, but this has often not in fact been done. The 2KR program provided equipment valued at 5,712,536 GEL in 2001 and 5,407,885 lari in 2002.

As the table shows, although there are very substantial differences from year to year, presumably attributable to weather effects that are likely to be felt more by subsistence farmers with very limited access to capital and inputs, the trend in food crops has been to maintain production. On the other hand, the trend in marketed crops, grapes and tea, is unequivocally declining. This trend surely reflects changes in land-tenure patterns and especially the loss of guaranteed export markets. Given that tea-producing regions have been areas of monoculture, the social effects of the decline in tea production are likely to have particularly harsh for the affected populations.

¹¹ *Georgian Agriculture 2001*, p. 11.

Production of selected crops, 1985-2001 (tons)

	1985	1990	1995	1998	1999	2000	2001
Wheat	174,200	257,700	76,500	144,600	226,100	89,400	306,500
Barley	96,700	117,800	33600	20200	50800	30200	98900
Rye	1,600	1,600	200	100	300	300	0
Oats	12,100	11,700	4600	3500	3300	2000	9500
Total wheat, barley, rye and oats	284,600	388,800	114,900	168,400	280,500	121,900	414,900
Maize	321,500	270,200	386,500	420,200	490,500	295,900	288,600
Potatoes	393,800	293,800	353,300	349,800	443,300	302,000	422,200
Grapes	914,900	691,000	422,400	238,500	220,000	210,000	150,000
Tea Leaves	581,200	501,700	38,500	47,200	60,000	24,000	23,000

Source: SDSG, *Georgian Agriculture 2001*, pp. 52, 59, 60.

Complete results for 2002 are not yet available. However, the MAF reports that as of September 12, 2002, a total of 248,498 tons total of wheat, barley, oats, and rye had been harvested.¹² Since almost all small grain in Georgia are winter varieties, this total is likely to fairly close to the final outcome for the year. Given the weather problems in 2002, production of that order would not be too bad a drop over the good results in 2001.

Preliminary results for the grape and tea harvests would also indicate production levels rather worse than those for last year. As of mid-October, 130,000 tons of grapes had been harvested, and 11,000 tons crushed for wine, while 20,339 tons of green tea leaves had been picked. Those numbers indicate no recovery of output levels, and, in the case of grape production, are far below the 260,000 tons foreseen in Georgia's indicative national economic plan for the year.

Georgia has provided state subsidies of various kinds for tea production since the collapse of the USSR, at first to generate tea to be bartered to Turkmenistan for natural gas, and more recently in an attempt to prevent the complete collapse of tea production. The "Presidential Program for the Growth of Tea Exports" in 2002 awarded three million lari in subsidies to 23 tea processors. However, due to budget difficulties, none of the funds had actually been paid to tea producers by mid-October.

Newspaper articles suggest that producers are concerned about low prices being paid by mills and processors for locally-produced wheat, nuts, and grapes. The grape harvest is still apparently partly state-financed, but it is unclear from the available information whether or not state funds are being used to purchase part of the grape crop.

World grain prices this year are relatively low, and production of a good crop by the Russian Federation which has allowed it to aggressively enter the export market has undoubtedly put additional pressure on Georgian producers. Russian grain, and particularly flour, has already

¹² As of the date this report is completed, the MAF production department says it does not have a more recent production figure.

tended to dominate the Georgian market. In a year when Russia has a substantial surplus to export, that dominance will likely become greater.¹³

Georgia had significant difficulties this year as a result of pests and epizootic diseases as well as weather. Rabies, anthrax, and hoof-and-mouth disease were all reported in the press and discussed by the Veterinary Department of the Ministry of Agriculture and Food. An infestation of grasshoppers caused difficulties in Kakheti. The Veterinary Department and Plant Protection Services of the Ministry of Agriculture and Food explain that they were unable to take appropriate measures because most of their budget comes from the European Commission Food Security Program, and as a result of delays in the program and, later, European concern over the mid-June 2002 kidnapping of Agrobusiness Bank of Georgia Managing Director Peter Shaw, the funding was not provided on time. Although there is considerable truth in this argument, the record of the Veterinary Department, at least, in fighting animal-borne diseases has not been much better in previous recent years when the EC did pay.

Strategy for Ministry Reform

Because the MAF 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 alteration can affect the operations of a functional agency such as the Ministry of Tax Revenues or the Customs Service. While it might be easier simply to eliminate the present Ministry entirely and start from scratch, the MAF is what it is because a web of laws, institutional histories and political requirements make it so. For good or ill, as with all the Georgian government, institutional strengthening and capacity building must begin with the organizations that exist. Moreover, there are some things that the MAF is supposed to do, such as dealing with disease and pests, that are everywhere taken to be largely government functions. Those functions are not, despite the existence of MAF units that are supposed to carry them out, being done very effectively in Georgia at present. However, if the MAF is not reformed to have the capacity to carry out those activities, some other part of the Georgian government will have to take them on. Since there is no evidence that the MAF is less competent than other parts of the government, and there is expressed willingness by the MAF management to reform and build capacity, it is sensible to work with it.

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.

1. The Ministry has been a Soviet-style organization operating in a Soviet-type government. That is, missions, procedures and mindsets have remained those of the Soviet command economy. Moreover, employees have continued to behave in Soviet ways, hoarding information, failing to report fully and truthfully to their superiors,

¹³ The usual Georgian explanation of the dominance of Russian grain and flour is that the Russian product is not taxed, while Georgian production is, and so the Russian product preferred by bakers to increase their profits. This is probably so, but it is also very likely that Georgian farmers are higher-cost producers than their Russian colleagues. The issue needs a careful reanalysis before the smuggling argument is accepted too easily.

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 have not been reasonably well fulfilled.

2. The Ministry has had no effective internal control or management procedures, both because the Ministry has continued 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 yet evolved.
3. The Ministry has been almost entirely irrelevant to the political, administrative, and governmental needs of a successful market economy. Most of the work the MAF has done 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, has not been done at all by the present MAF.
4. Despite its origins in the command economy, the MAF possesses little systematic information about its sector. In this regard, it is probably worse off than any other post-Soviet Ministry of Agriculture. Nor does it possess a culture which values systematic, consistent and careful data or the research skills needed to generate such data and draw policy conclusions. As a result, it is very poorly equipped to serve its clients, whether agricultural producers or consumers in ways that they would be likely to see as valuable.
5. 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.
6. As a result of these conditions, until recently the present Ministry leadership has been almost entirely occupied in trying to understand the dimensions of the mess they had inherited, and so unable to concentrate on thinking about what they should be doing, redesigning the Ministry’s institutions, or providing better service to their clients.

The assistance provided seeks to help the Minister define what the MAF should do and how it fits into government and the society as a whole, how the MAF should look as an institution at the end of the process of reform and how to achieve that institutional transformation. As manifold donor studies, and the review of comparative experience commission for this project, make clear, there are many ways of organizing and structuring a Ministry to get the basic tasks done reasonably well. Institutional details are usually the results of particular history. The transformation of the MAF is equally path-dependent, and therefore there is no reason to think that what emerges will look just like any particular OECD-country model.

The restructuring is being done in a way that maintains Georgian “ownership” of the activities and their results. This requires careful coalition-building within the Ministry, as

well as close attention to the complex and shifting political and economic situation in which it operates. Successfully defining new structures also requires that new functions be formulated and understood by the Georgian side. Thus Ministry restructuring, to be effective, must be accompanied by policy analysis and advice.

The project's strategy is to rely principally on local employees to do the restructuring work. No outside consultant, no matter how skilled, can match intelligent, motivated Georgian citizens' knowledge of, and ability to work with, the MAF. Transforming and strengthening the MAF institution requires day-to-day work with and within it. The alternative to such day-to-day work is simply to create another pile of reports explaining how things ought to be done. There are very many, often very good, such documents already and the project collection of them continues to grow. But none of those reports can answer the inevitable objection from even the most thoughtful and committed Georgian policy-makers: "Yes, I know it would be better to do things as you recommend, but how can I become capable of doing things that way?" The RAPA project seeks to help the MAF answer that question. In doing so, it builds the capacity both of the institution and of its own local staff.

Because of the institutional incoherence and weakness of the MAF, much of the RAPA's activity during phase I and the original phase II involved either dealing with immediate concerns of the Ministry management that had to be contained in order to move forward with more serious change or tackling "targets of opportunity" to simplify the Ministry's structure while building both MAF and RAPA capacity to undertake more systematic transformation. (Annex 3 shows the national-level MAF organization as of September 30, 2002.) As of August 28, 2002, when the original Phase II ended, RAPA had assisted the MAF in dealing with its worst inherited liabilities and problems, helped to rid the Ministry of its 80-odd parastatal corporations, helped eliminate two of the MAF's most powerful autonomous centers of corruption in the State Regulatory Board Limited and the Phyto-sanitary Quarantine Inspection, and made a substantial contribution to the development of positive policy for the development of the sector by the MAF rather than fruitless efforts to manage endless crises. However, the limits of this model of assistance had also been reached. Therefore, the Technical Proposal for the phase II extension submitted during the reporting period concentrates on a systematic renovation of key elements of the MAF as an institution in order to simplify its organization and lines of reporting, centralize its management and reduce its bloated staffing.

Activities during the Reporting Period

The Statement of Work for the Phase II extension forbids the project from hiring additional staff above the number employed at the end of the original phase II, and in any case the very tight budget constraint for that extension is likely to make it impossible. However, it should be noted that during the reporting period Ms. Sophie Kemkhadze, formerly in charge of developing the MAF management information system, left to pursue an M.A. in Economics at Warwick University in England. A webmaster and database designer was added to the staff as had been planned much earlier in phase II, and Mr. Rati Shavgulidze, one of the very few Georgians to have pursued Agricultural Economics during a Muskie Fellowship in the United States, returned to project employment. (Annex 1 lists project staff as of September 30, 2002.)

The following sections of this report describe principal activities during the reporting period in more detail. The order of presentation follows the organization of the phase II work plan for the period through August 28, 2002. (Annex 2 summarizes the status of the work plan as

of September 30, 2002). Because of the variety of activities and materials related to them, most of this report is made up of annexes which are intended to present documentation for the points made in the text rather than to be consecutively read.

During this reporting period, although a wide variety of activities proceeded, the main focus of the project was on developing the comprehensive restructuring plan needed for the next phase of the activity and arriving at the mutual understanding with senior Ministry management needed to put it into effect during the period of the project's phase II extension through December 31, 2003.

Resolve “legacy” problems of the Ministry

As noted above, one major reason that Minister Kirvalidze asked the donors for assistance was to deal with the mess of legal and accounting problems he found when he was appointed. This work was needed in order to gain maneuvering room, and credibility to do more fundamental restructuring. Aside from translation work and following current legal developments related to the cases stemming from the Counterpart Fund (see Annex 8), the project is now doing relatively little to handle old Ministry liabilities. This part of the work plan is essentially completed.

Analysis of liabilities from “Counterpart Fund”

As explained in the last quarterly report, this principally involved work to understand the tangled misuse of funds from the TACIS RARP-I and RARP-2 projects that had been deposited in the Ministry of Finance “special account” for the “Counterpart Fund” controlled by the MAF. This work was completed last quarter. The lengthy analysis of the Counterpart Fund produced by Mamuka Matiashvili, Eka Otashvili and Otash Chigladze is still being translated and edited.

Conclusion of the World Bank “Risk Assessment Exercise”

From December, 2001 through July 31, 2002, the World Bank funded a group of consultants as the “Risk Assessment Exercise” unit. They performed an analysis of Ministry founding documents to ensure that they correspond to law, developed recommendations to bring MAF “special funds” (fee-for-service) revenues into accord with current law, and did a complete analysis of MAF assets and liabilities based on records available at the MAF. Regrettably, they made only limited field visits rather than the extensive field audit of MAF assets originally envisioned in their terms of reference, but the work performed provides a solid basis for further organizational strengthening. Their lengthy final report, available in an English translation, is a comprehensive assessment of the matters they examined. Since the work of the RAE was designed to support that of the RAPA project, it seems appropriate to summarize some of their findings here.

The RAE staff noted that MAF has no complete register of contracts concluded even by the Central Apparatus of the Ministry, much less those let by the semi-autonomous state-subordinated departments and the autonomous “public-law legal entities.” As a consequence, the MAF bookkeeping office's records of payables and receivables are incomplete. MAF staff, in cooperation with Mr. Otash Chigladze of the RAPA, are continuing work to assemble complete records of the Ministry's liabilities and accounts receivables.

The RAE final report notes that MAF contracts have been poorly drawn up as well as poorly tracked:

The examination of the agreements obtained by the Group discovered a multitude of pitfalls in them. Quite a few of the agreements fail to expressly specify the volume of intended work or the mode of payment. Neither they provide for a specific form of acceptance of such works. For instance, under the agreements signed by MAF, Kvali Ltd and Ltd. “Agroinformi” a certain number of magazines and newspapers were to have been published, with a specific quantity of issue. However, neither a penalty for a reduction in the quantity of issues nor a mode for its payment was prescribed. Besides, the agreements were silent on how the publications must have been distributed – whether they must have been distributed free, to a certain contingent, only to MAF or sold. Furthermore, the agreements did not provide for the rule against which the sales proceeds could be divided between the client and the executor, what document they must have presented to show the fulfillment of work, or how MAF could control the fulfillment. The absence of such conditions despairingly thwarts any attempt to study the degree of fulfillment of the agreements or to determine the actual amount of liabilities.¹⁴

The same applies to contracts concluded by MAF subunits. In most cases, these subunits are operating with funds provided through the EC Food Security Program. These agreements are drawn up, concluded and monitored by the subunits without oversight from the Central Ministry:

In examining the agreements signed by the subdepartmental institutions, the Team came across the shortcomings, which are typical for most of the institutions. For instance, none of the agreement signed by the Agency for Agrochemical Affairs and Soil Fertility envisages any penalties for the executor’s non-fulfillment or undue fulfillment of their obligations. Apart from that, the agreements signed by the Agency for Agrochemical Affairs and Soil Fertility includes a paragraph according to which the executor and the client have the right to change the terms of the original agreement that may just as well result in the violation of the terms and conditions of the tender.

There are many cases where the agreements fail to bear the number or the execution date, a practice which signals the absence of the procedure for registration of agreements. Some agreements fail to provide for the procedure for acceptance of work. As a consequence, the deeds of acceptance drawn up upon completion of agreements have no ultimate form.¹⁵

The RAE team findings in reviewing the MAF’s accounting office, unfortunately, parallel those of the RAPA.

The Team studied the procedure against which MAF’s Central Accounting Office recognizes and records financial obligation and submits relevant information to the Ministry of Finance. It can be said that the Accounting Office has substantial shortcomings in this regard. ... The Accounting Office should have thoroughly recorded the amounts transferred to the other parties, the works performed by them and timely sign the relevant documents in accordance with each and every agreement. However, the Accounting Office

¹⁴ “Final Report of the RAE Team [to the World Bank ADPCC],” p. 20.

¹⁵ RAE Final Report, p. 31.

has not done this. It has either not recorded creditors or recorded them without the documents that would evidence the fulfillment of work. Nor has the Accounting Office recorded debtors (for instance, advance payments and loans). In subsequent years the Accounting Office downsized payables in the balance sheet without any documentary evidence or financial postings.

MAF's Central Staff Accounting Office records only the business transactions which are related to the activity of the Central Staff, and draws up a consolidated balance sheet which is but a mere total of the items of the balance sheets provided by MAF's subdepartmental institutions, not the documents reflecting MAF's financial standing. [This is standard bookkeeping practice in all government agencies in all FSU countries.] The Accounting Office fails to prepare and submit to the MAF administration on the assets and liabilities of the MAF System. To address the problem, the Team believes that MAF needs to create an integral information system. The Accounting Office must be able to collect information on the agreements signed within the MAF System, on their progress and fulfillment, on the condition of assets held by MAF, on MAF's financial obligations, including due and especially important financial obligations. The Team's recommendations also envisage improvements in the reporting provided by subdepartmental institutions that would enable MAF to timely receive information on financial and property obligations and minimize risks related to such obligations. In order for MAF to exercise effective control over the current liabilities, we think it expedient that subdepartmental institutions should furnish MAF with information on payables and receivables together with a quarterly balance sheet.¹⁶

The RAE also systematically determined which MAF components receive fees for services or sell products, although they did not do a full audit of those revenues. As a result of the continuing budgetary stringency in the MAF and the considerable autonomy of its units and their managers, many MAF agencies do so, including, according to the RAE final report, at least the Irrigation Systems Management Department, the Inspection for Testing and Protection of Selection Achievements, the Department for Livestock Breeding, the State Agricultural Machines Testing Center, the Central Administration of Input Supplies, the Winter Pasturelands and Cattle Trails Unit and the "Samtresti" Department for State Regulation of Viticulture and Winemaking. (The several Ministry inspections, the Fisheries Department "Saktevzi" and the Mineral Waters Regulation Department "Sakmintskhali" should be added to this list, RAPA staff would suggest.) These receipts are all, according to the RAE's findings, and those of a parallel study made by the Anti-Corruption Commission of Georgia, without any legal basis. They are therefore at best alegal, if not flatly illegal. The RAE staff made suggestions on their legalization, essentially involving the preparation and adoption of laws to justify them. Their draft legal changes had been submitted by the MAF to the Ministry of Finance as the first step in their eventual passage.

As part of their study of fees charged by MAF units, the RAE report also concludes that several inspections and Samtresti assert in their individual agency founding statutes regulatory powers which are much broader than those granted them in any Law of Georgia. This finding is consistent with earlier commentaries by RAPA staff that noted considerable

¹⁶ RAE Final Report, p. 21.

duplication of asserted powers and functions, as well as much sloppy drafting perhaps intended to avoid accountability, in the various agencies' statutes.¹⁷

The RAE, in cooperation with RAPA staff, also collected financial information about all 89 and visited a few of the MAF's parastatal enterprises ("limited-liability companies").¹⁸ The team turned up considerable irregularities in land leasing by those enterprises. (As noted in the last RAPA report, management of all those companies has now been returned to the Ministry of State Property).

the Team found that state-owned agricultural lands had been leased to 23 of the MAF-subordinated companies. Over 2/3 of the land used by 15 of the 23 companies was later sub-leased without the due permit or seized by other persons. None of the companies had ever reacted to that. As a consequence, these companies fail to fulfill the charter-declared functions or obligations, their property is being ruined or have been illegally leased out while they continue to accrue taxes as prescribed by law. To prevent these gaps, MAF was given specific recommendations that by request of MAF the relevant land management authorities identify plots of land that are not duly used by the companies. As a result, they can invalidate the lease agreements between the state and these companies and their assets will be brought up for privatization.¹⁹

The group also noted that holding enterprises on the list of state property to be privatized for long periods of time without actually disposing it had unfortunate consequences.

Besides, the protraction of the enterprises, which the Ministry of State property Management included in the list of to-be-privatized companies years earlier (the list included 6 limited liability and 7 joint-stock companies), encouraged widespread irresponsibility of corporate directors toward protection of the assets and management of the companies. This brought the companies down to a complete standstill. Their assets are either seized or ruined. For example, Martsvali Ltd and Nosiri-2 Ltd have been on the list of to-be-privatized companies ever since 1998. For now the companies have plunged way deep in debts before the budget. Their assets, though, which have come close to complete destruction, are hardly enough to pay off the debts.²⁰

When the RAE ended its contracted life on July 30, 2002, having substantially completed its work, there was some confusion about just how much of a final report was needed, and straightening that out took some weeks. It then developed that, because the RAE had not done the amount of in-country travel originally anticipated, a substantial portion of its budget had not been spent. With the assistance of the RAPA staff—the RAE staff had already dispersed at the end of their initial contracts—a terms of reference for a follow-on activity were produced. This projected follow-up activity would have acted to deal with some of the problems the RAE identified (see Annex 7), in particular assembling a comprehensive

¹⁷ Building on work done earlier by the EC Food Security Program advisor's office, Ms. Nino Beradze of the RAPA project has translated and partially edited all the MAF sub-agency statutes.

¹⁸ The full list of these parastatals and the disposition of them suggested by the MAF was included in the last quarterly report.

¹⁹ RAE Final Report, p. 40.

²⁰ RAE Final Report, p. 41.

registry of contracts and creating a single tender management department, auditing and assembling MAF personnel records in a unified personnel office, and helping to organize the Ministry's account and develop the new computerized management information system. Unfortunately, however, this proposal was ultimately not submitted to the World Bank. All sides were slow in developing it, and the Deputy Minister of Agriculture in charge of financial matters, under a press of other business related to annual budget preparation and negotiations with the European Commission Food Security Program, was unable to give a firm approval in order to submit the proposal before the resignation of the World Bank Agricultural Development Project's Coordination Center head became effective. Without the help of the ADPCC, it was clear to all that the extension could not be obtained from the Ministry of Finance and the World Bank, and so the World Bank ADP Risk Assessment Exercise is now officially ended.

Policy Advice and Analysis

Policy advice and analysis involves two activities: the development of systematic knowledge about public policy issues, and the provision of advice, often on an urgent basis, on particular matters. While the advice function is very difficult to plan in advance, it is essential for the credibility of any effort to assist public officials and build institutional capacity, since it responds to the recipients' immediate needs. A sense of this ad hoc advice can be gotten by an examination of the papers and translations produced by the project during the quarter (Annex 21 and Annex 22).

Development of Ministry Strategy/PREGP

If policy is understood as a reasoned choice between alternative courses of action, the MAF has not had any real policy. During the Soviet era, its job was to fulfill instructions from the center. Since the USSR collapsed, it has defined its purpose as continuing to find and deliver as many resources to agri-food sector producers as possible. It has not had any capacity to assess the costs and benefits of its actions nor to present reasoned alternatives. Given this self-definition, it is not surprising that "policy," when it has been developed, has largely been the province of the Ministry's Foreign Relations Department. The logic has been, roughly, that "the donors insist we have a policy before they will give us resources. Therefore, we will have a policy." As might be expected, most of the policy documents drafted have been lists of problems and requests for funding to deal with them, not statements of priorities and planned actions. Under Minister Kirvalidze and with the help of the RAPA project this situation has begun to change.

The RAPA project has worked both to help the Ministry develop overall policy and to change the concept of what a policy is among the Ministry's senior management. As noted in previous reports, the staff revised the "Main Orientations of the Georgian National Food Security Program," originally prepared in 1999 as a condition for EC Food Security Program funding and have been working with the Minister to develop the basic outlines of the MAF's contribution to the World Bank/IMF Poverty Reduction and Economic Growth Program.

During the quarter, Jemal Mchedlishvili of the RAPA staff completed corrections to the English version of the Food Security document. Bidzina Korakhashvili and Sandro Didebulidze worked on revisions of the Ministry's contribution to the PGREP in coordination with representatives of the Ministry's Department of Strategy and Policy and Foreign Relations Department. Didebulidze also continued work on a longer-term strategy document for the agri-food sector requested by the Minister in response both to his felt need for such a document and a government request that such a strategy for 2002-2005 be presented by the

MAF by the end of 2002. In July, 2002, the MAF also confirmed a program for rehabilitating the food processing sector in 2002-2006.

Georgia's agricultural-related WTO obligations

Georgia has been a member of the World Trade Organization since 1999. However, it has become increasingly clear that its agricultural sector did not know or consider very hard the implications of WTO membership for the sector. In particular, it appears that Georgia accepted agricultural obligations that amounted, at best, to the status quo in the sector.

Georgia was required to establish a Sanitary and Phyto-sanitary Inquiry Point as a condition for accession. This Point is supposed both to supply information to the government and private citizens on the requirements of the WTO Sanitary and Phyto-sanitary agreement and to notify the WTO of matters related to Georgia's observance of the SPS agreement.

According to a report of a TACIS-sponsored seminar on WTO accession held in Belarus in December 1990 at which Georgia was discussed as a case study of accession procedures:

The SPS Inquiry Point was formally established by the Ministry of Agriculture and Food of Georgia in July 1998 with the direct financial support of the USA International Development Agency (USAID). Financial support from USAID was used to equip the Point with computers and other office equipment. In addition, the American Government paid for electronic communication (including e-mail and internet) and other office operating costs. Furthermore, USAID paid for the training of two Georgian specialists in USA and Geneva.²¹

This unit was apparently originally attached to the Phyto-sanitary Quarantine Inspection. At some point after July 1998, however, the functions of the Inquiry Point were shifted to the Administration for Cooperation with the WTO of the Ministry's Foreign Relations Department, which now has a staff member assigned to carry out its functions. RAPA staff are now cooperating with this MAF staff member to revitalize this activity.

The protocol of accession to the WTO signed by Georgia on October 6, 1999 incorporated the protocols of the WTO Working Party on the Accession of Georgia. The latter document includes Georgia's specific WTO commitments or references to other documents where they can be found. In addition to creating SPS and Technical Barriers to Trade (TBT) inquiry points, Georgia assumed a number of other obligations. One of the most important concerned the redefinition of national product standards and a severe reduction in their number. The working party protocol states:

99. The representative of Georgia confirmed that from the date of accession, all existing Soviet-era "GOST" and other regional standards would be voluntary with respect to products imported from WTO member countries or from other non-CIS countries. GOST and other regional standards would continue to apply mandatorily only to products produced in Georgia or imported from non-WTO member CIS states. These standards would be replaced with international standards, or technical regulations based on international standards, in accordance with the timetable outlined in

²¹ EU TACIS project FDNIS 9801, "Support to Improving Agricultural and Food Trade among the NIS (SIAFT) Project," "CIS Seminar on SPS Notification Measures: 14 December 2000-12-08, Minsk Belarus," "Case Study: Georgia" (http://www.aris.ru/Win_E/TACIS/SPS_R/h_5.html).

WT/ACC/GEO/28, and be fully replaced by May 2002. With respect to the items for which certification remained mandatory in Georgia (Table 5(a)), he further confirmed that imported products meeting either international, European, or GOST standards would be accepted. Georgia would accept conformance assessment certificates issued by internationally recognized authorities of the exporting countries, or approvals provided by recognized independent conformity assessment bodies or agencies recognized by "Sakstandarti", with respect to these standards. Georgia would also reduce further the number of categories of imported products subject to mandatory certification prior to the end of 1999, notifying the revised list to the WTO by 1 January 2000, and would complete the process of conversion to voluntary certification in accordance with the timetable outlined in WT/ACC/GEO/28. Upon request of WTO members, Georgia would meet to discuss these measures and their impact on trade with a view to resolving problems. The Working Party took note of these commitments.²²

The timetable for moving to voluntary product certification and other accession measures from WT/ACC/GEO/28 is given in Annex 9. Georgia promised to make 10 percent of standards and certifications for the agrifood sector voluntary by the end of 2001 and 90 percent of them voluntary by the end of 2002. In part because of inquiries and assistance from the RAPA staff, the MAF has become more aware of this requirement in recent months, and a commission on meeting WTO obligations was established in January 2002. However, the MAF will need considerable assistance to meet the deadlines agreed to at the time of accession.

Georgia further promised to adopt all WTO Sanitary and Phyto-sanitary obligations immediately on accession:

107. The representative of Georgia confirmed that Georgia would comply with all obligations under the WTO Agreement on the Application of Sanitary and Phyto-sanitary Measures from the date of accession without recourse to any transition period. The Working Party took note of this commitment.

It is not entirely clear that this obligation was understood or met by the Veterinary or Phyto-sanitary Quarantine Inspection staff in the field at the time of accession. An important element of the ongoing discussions among the MAF, the EC Food Security Program and the RAPA is ensuring that the redesigned unified inspection (Food Safety Service) be designed to comply with WTO requirements.

A related issue is notification of measures. The Inquiry points are, essentially, supposed to notify WTO of all regulations relating to trade matters (see paragraph 171 of the Working Party report). Yet, because of the autonomy of the units, many regulations relating to Veterinary and Phyto-sanitary control are issued by the Veterinary and Plant Protection Service department heads and recorded in their own document registries. It does not appear that these materials are systematically collected by the Central MAF (copies are not deposited in the Central MAF's own document registry) and it is therefore unlikely that they are properly reported to the WTO.

²² "Report of the Working Party on the Accession of Georgia to the World Trade Organization," WT/ACC/GEO/31 (31 August 1999). Subsequent quotations in this section are also from this document.

Finally, Georgia promised not to permit any export subsidies, and limited itself to few kinds of support for the agrifood sector in general:

120. The representative of Georgia said that imports of agricultural products were subject only to tariffs (zero, 5 or 12 per cent) and sanitary and phytosanitary measures. There was no special export regime applicable to agricultural goods, no export credits other than those available from commercial banks, and no system of export credit guarantees or insurance cover arranged by the Government.

121. Concerning internal policies, he said that his Government was cooperating with multilateral and bilateral organizations to transform the collective agricultural system to a market-based system. Programs included land reform, privatization of farms and agro-industry, the establishment of competitive markets in distribution services, and the development of research, education and extension services. With the assistance of European Communities counterpart funds (CPF), the Government provided - through the commercial banking system - short term working capital to traditional suppliers of inputs of fertilizers, seeds, and energy products, as well as to grain producers and traders. The Government did not engage in agricultural subsidies through price support, direct payments to farmers or in subsidized credit arrangements, other than to grape and tea producers. No budgetary resources were available to assist the residual State farms sector. The Government did not provide any export subsidies.

122. The representative of Georgia confirmed that Georgia would bind its agricultural export subsidies at zero.

Any program of state support to increase exports would therefore seem to be forbidden under Georgia's WTO commitments.

These requirements do not yet appear to be well known or generally understood in the MAF. The project continues its attempts to improve awareness of the impact of Georgia's WTO commitments on the agrifood sector. However, it is clear that there are some matters, such as the transition to voluntary certification, which still need urgent attention.

Codex Alimentarius

In addition to making more of its standards and certifications voluntary, Georgia is seeking to move to internationally accepted food standards under the FAO/WHO Codex Alimentarius Commission, which Georgia joined in January 1998. However, the Codex is a very large document. RAPA has been asked to provide a Georgian translation, and has done so in small part. However, providing the entire corpus of the Codex in a reliable Georgian translation is an activity which should probably be undertaken as a specialized effort. RAPA project staff are now exploring possible sources of support for a full translation, as well as the possible availability of a Russian-language version.

EU harmonization

In parallel with its WTO membership, Georgia has undertaken initial steps towards harmonization of its agri-food sector grades, standards and regulations with those of the European Union, with a long-term intention of joining the EU. The Georgian-European Policy and Legal Advice Center (GEPLAC) is conducting a project to harmonize Georgian standards with European Union ones. During the reporting period Mr. Giorgi Dangadze of

the RAPA staff became actively involved in this effort as part of his work on rationalizing the MAF's agricultural inspections.

MAF-drafted laws on licensing and issuance of permits

During the reporting period, the MAF completed and sent to other ministries for comment a new draft law "On licensing Food and Tobacco." This law appears to most outside reviewers, including RAPA staff, to be far too broad, impossible to execute, and containing many provisions which would increase the volume and arbitrariness of government regulation. Annex 10 gives the text of the law and Annex 11 describes its drafting history.

This law turns out to be one of seven the MAF was required to prepare by article 2 of the Law of Georgia "On the Licensing of Entrepreneurial Activity and Bases for Issuance of Permits." The others are:

- "On the licensing of pesticide production and trade and the issue of permits for import and transit of plant products that are subject to control"
- "On the licensing of laboratory activities in agrochemical production, trade, agrochemical and soil protection as well as the identification of agrochemicals' quality and issue of permits for the export and import of agrochemicals"
- "On the licensing and issuance of permits for the production of agricultural plants and seeds"
- "On the licensing of cattle breeding activities"
- "On the licensing and issuance of permits for veterinary activities"
- "On amendments to the law "On Pesticides and Agricultural Chemicals"

It is highly unlikely that WTO or European Union requirements and standards were taken into account in the drafting of these laws. All of the drafts were submitted to the Ministry of Justice for review on September 24. Regrettably, the RAPA project was not asked to comment on them. Copies will be obtained and examined as soon as possible.

A related issue is the legality of the collection of fees for services by MAF subunits. Under the Law of Georgia "On the Basis of the Fee System," fees for service must be approved by a Law passed by Parliament, not just a Presidential Decree or Ministerial Order. One issue focused on by the World Bank RAE was the need to bring the collection of fees by MAF. The RAE drafted a package of measures to remedy this situation, including laws:

- "On Making Addenda to the Law of Georgia On the Basis of Fee System"
- "On Making Amendments to the Law of Georgia On Veterinary Medicine"
- "On Making Amendments to the Law of Georgia On Agricultural Quarantine"
- "On Fees for Quarantine Service"

These drafts appear to do little more than regularize existing fee for service that appear on their face to be legitimate charges to those who benefit from the services. However, they are probably notifiable under WTO procedures.

Monitoring of 416(b) grain sales

Since at least 1995, the United States has been providing surplus agricultural commodities to Georgia under various assistance programs, including disaster relief, school lunch provision, and for sale at Georgian market prices in order to provide funding for various stipulated purposes. Greece, Italy, Ukraine, and the European Union have periodically provided similar programs. The "Counterpart Fund" which the project has investigated at MAF request, for

instance, was set up with the proceeds from European Union monetized commodities. At the request of USAID Caucasus, the project has been monitoring the sales.

The most recent US-Georgian agreement for the provision of surplus grain under the 416(b) program was signed in Washington on October 8, 2001. The agreement provided that 35,000 metric tons of grain were to be donated to Georgia. As usual in such agreements, the 2001 agreement named Ltd. "State Regulatory Board," a one hundred percent state-owned for-profit corporation, as the agent for receipt in Georgia, handling and sale of the grain.²³ At the time the agreement was signed, the Ministry of Agriculture and Food managed the SRB on behalf of the Georgian government, although the Ministry of State Property Management has since assumed direct control of the SRB as of all other government-owned parastatal corporations. The agreement also specified that the grain was to be sold at current Georgian market prices. This in practice meant sales through the country's major commodity exchange, the Tbilisi Grain and Oil-Products Exchange. After deducting handling costs, half of the proceeds were to go to the Ministry of Finance to cover pensions and other social costs. Although not broken out as a separate line item, the RAPA project's budget analysts report that an amount apparently calculated on the sale price anticipated in the agreement is included in the "other grants" section of the 2001 national budget. The remaining half of the proceeds were to go to finance the "national rural credit system," that is, the ACDI/VOCA agricultural credit project.

On April 10, 2002, President Shevardnadze assigned the Ministry of Finance and the Ministry of Agriculture and Food to make arrangements to receive the grain shipment.²⁴

The ship with the grain arrived in Poti on April 13, 2002.

On April 18 and 19, 2002, Minister of Agriculture and Food Kirvalidze and Minister of Finance Nogaideli signed a joint order of the two Ministries on measures to handle the grain.²⁵ One requirement of that order was that a detailed procedure for setting prices and distributing the funds realized be drawn up. For some reason, perhaps connected to the replacement of Nogaideli by Mirian Gogiashvili on May 2, 2002, this procedure was not approved by the Minister of Agriculture and Food until May 23, and by the Minister of Finance on May 25.²⁶ The sales procedure stipulated, as required in the 416(b) agreement with the US, that no Value-added Tax was to be charged when the grain was sold at the exchange.

The sales procedure established a three-person committee to meet weekly to set the starting price for grain sales on the exchange. The procedure provided that the committee could meet

²³ Despite the rather breathless self-praise on its new website (www.srb.ge), the State Regulatory Board had a poor reputation among donors until its management was changed by the MAF with project assistance in 2001. See previous project reports.

²⁴ Decree of the president of Georgia number 409, April 10, 2002, "On measures for receipt of the 35,000 tons of food grain donated by the US government to Georgia under the 416(b) program."

²⁵ Joint Ministry of Finance of Georgia order number 94 (April 18, 2002) and Ministry of Agriculture and Food of Georgia order number 2-61 (April 19, 2002), "On Fulfillment of Provisions of Presidential Decree number 409 of April 10, 2002 'On measures to Ensure the Reception of 35,000 tons of Food Grain donated by the US Government to Georgia under the (416-b) Program.'"

²⁶ "Procedure for sale of US wheat received in 2002 as humanitarian aid under the 416(b) program, determination of the minimum sale price on the exchange, distribution of the amounts generated after sale and deposit of these amounts to the appropriate accounts."

more than once weekly if needed to adjust the price. The committee members specified in the procedure are:

- Elguja Ekseulidze, Head of the Non-tax Revenues Administration of the Department of Financial Management of State Property and Non-tax Revenues of the Ministry of Finance of Georgia;
- Omar Kacharava, Deputy Head of the Bread products and Food Department of the Ministry of Agriculture and Food of Georgia; and
- Giorgi Khanishvili, Director of Ltd. "State Regulatory Board"

The first meeting of the price-setting committee, on May 27, 2002, confirmed that the price should be the GEL equivalent of US\$150.00 per metric ton.²⁷ This was the starting price anticipated in the US-Georgian 416(b) agreement and stipulated in the April 18/19 Ministry of Agriculture and Food/Ministry of Finance resolution, citing the intergovernmental agreement.²⁸

According to the Tbilisi Grain and Oil-Products Exchange, the first sale of 10 tons of grain from the 2001 416(b) consignment occurred on June 27, 2002 at a price of 332.25 GEL per ton (US\$150 in current GEL equivalent). However, no further sales occurred for the next several weeks. (Annex 12 shows all sales reported by the Exchange through mid-October.) On July 5, the State Regulatory Board's weekly report to the State Chancellery noted:

The slow sales of US wheat are caused by the domination of wheat produced in Russia with the same quality parameters. Moreover, the price of the Russian wheat is GEL 300-330 (including VAT). An abundance of smuggled (unregistered) wheat and flour is also an important factor. The US wheat is unable to compete with these products.²⁹

This and subsequent SRB reports claimed that the US grain's price was too high to be competitive and noted that the price committee had asked the Ministry of Finance to approve a price cut. This request was made to Ministry of Finance by MAF first deputy minister Mamaladze on July 9.³⁰ Minister of Finance Gogiashvili agreed, although he did not specify whether that new price was exclusive or inclusive of VAT.³¹ On July 15, the special committee to determine the sale price dropped the price from the GEL equivalent of US\$ 150.00 per ton to 300 GEL per ton, not including VAT.³²

On September 20, the price setting committee decided to further reduce the price to 300 GEL including VAT. The MAF had proposed a reduction in the sales price to 250 GEL per ton. The Ministry of Finance representative agreed, but, according to the SRB report, emphasized that VAT must be collected on all 416(b) sales at the point of first sale at the Exchange in

²⁷ Letter 1-1/203 from Konstantin Osipov, Acting Director of Ltd. "State Regulatory Board" to the State Chancellery (July 5, 2002).

²⁸ Joint MinFin/MAF order of April 18/19, 2002, Paragraph 4.

²⁹ Osipov letter 1-1/203 (July 5, 2002).

³⁰ Letter 2-1/1686 from First Deputy Minister of Agriculture Nugzar Mamaladze to the Ministry of Finance of Georgia (July 9, 2002).

³¹ Letter 08/01-08-275/4023 from Minister of Finance Gogiashvili to the SRB and MAF (July 12, 2002).

³² Letter 1-1/216 from G. Khanishvili, Director of Ltd. "State Regulatory Board," to the State Chancellery (July 26, 2002).

order to help the budget. As a result, the total sales price became 300 GEL.³³ Since this price change would not alter anything otherwise, it appears that VAT has been charged at the exchange on all sales of 416(b) grain, but this is the first time where the SRB reports make the VAT charge explicit. Charging VAT on the sales of grain is a clear violation of the US-Georgian agreement, which states “[s]pecifically, the Government of Georgia confirms that all such commodities will be imported into Georgia free of all customs, duties and taxes, including value-added tax, on the first sale of wheat donated under this agreement.”³⁴ The point of first sale is the Tbilisi Grain and Oil-Products Exchange.

As of the most recent reported agreement to sell, on October 7, agreements to sell 1041 tons of the 416(b) grain had been made, potentially realizing a total of 312,622.50 lari. The most recent available SRB report, from October 11, showed 514.37 tons paid for and 109,708.64 GEL available for distribution to government accounts, including 9,577 GEL in VAT.³⁵

The purpose of the US commodity donation was to raise funds for specified purposes agreed with Georgia. The slow sales of the 416(b) grain this year, as in previous years, will make it more difficult for Georgia to request further such aid.

The Ministry of Agriculture and Food places the blame for the slow sales on the Ministry of Finance, asserting that the Ministry of Finance, which is above all concerned to increase budget revenue, has ignored changes in the market and refused to cut the price as world and Georgian prices have fallen since the 416(b) agreement was signed. It is reasonable to assume that this is largely true, as the Ministry’s desperate insistence on charging VAT, in violation of the plain terms of the agreement, seems to confirm. The VAT charge obviously adds enough to the cost of the grain to the purchaser that it is unlikely to be competitive with smuggled grain on which no VAT must be paid. However, it is worth noting that the first meeting of the price-setting committee in May 2002 simply accepted the price estimated in the October 2001 agreement. Aside from the VAT issue, at best the committee seems not to have been following the market, at worst it may not have cared to.

A second possible reason for slow sales is the use of storage charges for the grain as a subsidy for some of the country’s grain elevators. According to the SRB, the grain was placed in storage at a number of elevators around the country as follows (the amounts are the actual amounts available for sale after waste and spoilage):

³³ Attachment to letter 1-1/249 from K. Osipov, Director of Ltd. “State Regulatory Board” (September 20, 2002).

³⁴ “Agreement between the Government of United States of America and the Government of Georgia for the donation of agricultural commodities under section 416(b),” OGSM: G-114-2002/960-00, signed by Franklin D. Lee for the CCC on October 3, 2001 and by Minister of Finance of Georgia Zurab Nogaideli on October 8, 2001, p. A-5.

³⁵ Letter 1-1/265 from K. Osipov, Director of Ltd. “State Regulatory Board” (October 11, 2002).

Mzekabani Ltd (Tbilisi)	5952 tons
Poti Flourmill JSC (Poti)	7007 tons
Forte Ltd (Gori)	9886.01 tons
Didube Flourmill JSC (Tbilisi)	5880.65 tons
JSC "Kutaisi Grain Receiving Station" (Kutaisi)	2921.11 tons
Progress Ltd (Rustavi)	2969.03 tons
Total	34615.80 tons

Source: Letter 1-1/201 from K. Osipov, Acting Director of Ltd. "State Regulatory Board," to the State Chancellery (June 27, 2002).

Given that the country has a great deal of storage capacity built to handle grain imports during the Soviet era and that mills are working at low capacity because of the related problems of smuggled grain and bread production by small bakeries, the large mills and elevators are likely to be in very poor financial shape. The storage charges for the 416(b) grain are an obvious source of cash income for them. Despite a number of attempts to obtain the information through a variety of channels, the RAPA project has been unable to determine definitely what the storage charges are. It is possible they vary by elevator. One SRB report also notes that because the grain has now been in storage for an extended period, it needs to be fumigated. Presumably purchase of the fumigant was also charged to the proceeds. The utility of the storage charges (and costs for things like fumigant) as an implicit subsidy suggest that there is an incentive for the Georgian side both to have distributed the shipment as it did and to retain it in storage for as long as possible.

A related reason for slow sales may be that there are simply few customers for the 416(b) grain. The SRB is surely correct that a great deal of the flour baked into bread in Georgia now comes from Russia, and that much of it is contraband. Under CIS trading rules, VAT is due in the CIS country of sale, so by smuggling their flour across the Georgian border Russian farmers can avoid paying VAT at all, increasing their profits while dominating the market. On the other hand, it is unlikely that there are many potential buyers of large lots of milling-quality grain in Georgia, and there are even fewer who are likely to want to buy a large lot publicly with a full tax hit. So the mills where the 416(b) grain is now stored are likely to be, sooner or later, major purchasers of it. Indeed, the Deputy Minister of Agriculture, when he requested the second lowering of the sale price, also is reported to have presented purchase proposals from the six elevators where the grain is now stored. They have every reason to hold off buying it in order to maximize their income from storage charges and to wait for the price to be further reduced as US pressure to get the grain sold so that the proceeds can be used and market forces from a good 2002 harvest in Russia combine to make further price drops likely.

Although the SRB is a for-profit parastatal, and the Ministry of State Property Management is certainly interested in deriving income from its operations, there is no obvious incentive for the SRB to delay sale of the grain since the April joint Ministry of Agriculture and Food/Ministry of Finance decree provided it not with a percentage of the receipts, but with a fixed amount per ton sold:

In line with sub-clause "e" of clause 6 of annex A of 416 (b) Agreement between the Government of the United States and the Government of Georgia Concerning Free Delivery of Agricultural Products dated October 8, 2001,

“State Regulatory Board” Limited is to receive USD 31.50 per ton of sold wheat to cover expenses related to transportation, storage, selling, etc.³⁶

This payment mechanism means that the SRB has every incentive to get the grain sold and to minimize storage charges.

A final reason for slow sales may be the very quality of the US grain. According to RAPA project staff, the Tbilisi Grain and Oil-Products Exchange rates the 416(b) wheat as number 3, the lowest milling-quality grade in the Soviet six-step grading system.³⁷ Because the Soviet system measures somewhat different characteristics than US standards do, it is likely that the grain’s quality is understated when measured by those standards. Given the insistence on maintaining the price in the original agreement and in the national budget, this would tend to make the 416(b) grain less attractive to Georgian buyers than equivalent Russian grain.

On the other hand, if the price at grade 3 is competitive with Russian wheat on offer, the US grain should, for the same reason, be more attractive to buyers who must buy it legally with all taxes paid.

The underlying difficulty, therefore, is the fact that the large elevators and associated mills and bakeries were designed and built for a quite different economic environment than what now exists in independent Georgia. With a milling and baking capacity designed for the whole South Caucasus and handling capacity designed to take much of the grain imports for the whole USSR, they cannot compete in supplying bread and grain products to the domestic market with smaller, lower-cost bakers—who can also hide from the tax collector more easily.

Ministry Restructuring

The Georgian government has a whole clearly has more employees than it needs or can pay for. This inheritance from the Soviet past, worsened because many government jobs remain sources of rents for their holders, has been a source of continuing concern to the international community, which has repeatedly urged that the government reduce the size and complexity of its agencies. Most recently president Shevardnadze issued a decree on June 18, 2002, requiring all executive branch agencies to prepare reform and reduction plans (Annex 13). This decree provides useful impetus for the work of the RAPA, although some of its provisions, such as a complete forecast of the effects of any reduction in work force or agencies before undertaking the reductions are likely to be so time- and labor-intensive as to block any real reform if thoroughly carried out. On the basis of this decree and other orders, the Anti-Corruption Commission of Georgia, an advisory body attached to the executive branch of the government, has been working on overall government reorganization plans. MAF and RAPA staff have been cooperating with the Anti-Corruption Commission in restructuring the MAF.

As part of their preparatory work, the Anti-Corruption Commission’s lawyers carried out an analysis of the laws which mandate the existence and functioning of all Ministries and State Departments and their subordinate units. Like a similar memo prepared in the RAPA project

³⁶ Joint MinFin/MAF order of April 18/19, 2002, Paragraph 2.

³⁷ Extra and numbers 1-5, with number 5 being the worst. Number 4 and number 5 grain in the Soviet grading system are considered fit only for animal feed.

(Annex 14), this study indicates that a good deal of legal work, including work with Parliament to modify existing laws, must be done to restructure the MAF--or any other part of the government.

Development of Phase II.b. Technical Proposal

During the reporting period, much of the effort of project staff was devoted to preparing a technical proposal for the extension of Phase II of the project. This technical proposal marked a change in the project's strategy. The initial strategy of the RAPA project concentrated on controlling the most immediate problems faced by the MAF and sought "targets of opportunity," tasks that could be done relatively quickly as the project was gaining experience and knowledge. As a result, the project has now achieved several solid results, including the Counterpart Fund and related issues, rooting out entrenched leaders with highly questionable ethics in the State Regulatory Board and the PSQI, resolving the status of most MAF parastatals and providing an impetus to the discussion of policy issues and the development of effective policy.

However, now that some immediate problems are under controlled, further progress in restructuring the Ministry requires systemic change in the whole organization. The MAF organization is still fundamentally weak. It can be strengthened only by undertaking real organization-building, including designing and implementing new structures and eliminating old ones. Therefore, the project developed an "ideal" new structure of the MAF for purposes of debate with the MAF management, and also began intensive work with the senior MAF management in a Reform Steering Committee established by Ministerial order on August 22, 2002 (Annex 15).

The principal aims of the extended phase II as stated in the Technical Proposal are to:

- Clarify lines of authority and responsibility
- Centralize policy-making and management authority in the Minister and his deputies
- Standardize and make more transparent personnel management and purchasing
- Clarify the MAF budget and eliminate duplicative accounts, bookkeeping, and funding
- Clarify lines of authority
- Improve document and information circulation
- Centralized bookkeeping, personnel and other service functions

Such institution-wide changes will be the focus of the RAPA project's activities for some time to come. Even though most of what the MAF's activities should be can be specified fairly simply, designing and implementing organizational changes to allow it to do them will involve severe organizational and political conflicts as many entrenched interests in and around the Ministry are challenged.

Budget, Accounting and Financial Management

While designing a more fundamental reform, project staff continued to work on particular key issues. The most important single activity is to create a budget and accounting system that actually gives MAF management an accurate, up-to-date picture of the Ministry's financial position. This work builds on and continues work begun by the EC Food Security Program in the MAF.

During the quarter a Georgian software package, based on Microsoft Access, was purchased for the MAF by the project and installed in the Accounting Department. As of the end of the

quarter, a substantial portion of the MAF Central Apparatus' accounting was on the system, including payroll and travel records.

At present, each major MAF unit has its own bookkeeping operation which reports only summary information to the MAF Central Apparatus. Work to design budget forms and capture this information in more appropriate detail and in a more accurate and timely manner continues, although its successful conclusion depends on structural change to unify the disparate accounting departments. Doing that should also allow a substantial shift of staff positions from accounting to line functions.

Cooperation with EC FSP in monitoring of "target programs"

The total MAF budget for 2002 was fixed in the national budget at 16,699,100 GEL. Of that total, 1,799,100 was to come from user fees and profits from business activities, so-called "special revenues" (Annex 16). Of the total 2002 budget, 9,100,000 GEL were to be provided by the European Commission Food Security Program.

The Food Security Program is a reimbursable budget-support program. Georgia and the European Commission agree, through a Memorandum of Understanding, that the EC will "secure" certain budget lines. The Ministry of Finance provides money for these purposes to the MAF, which spends and accounts for the funds. The Ministry of Finance is then periodically reimbursed by the European Commission for the secured expenditures.

On the Georgian side, such revenues are considered "special program" income. The various MAF agencies develop programs and budgets indicating their desired activities. The FSP then negotiates with the MAF about what programs, and in what amounts, it will support. The special programs are then approved by the Ministry of Economy and the Ministry of Finance before being included in the overall national budget which is, of course, ultimately passed by the Parliament. As a result, the FSP funds are linked to specific programs and specific departments. This linkage could pose an obstacle to administrative reform, since a department to be reorganized might claim that if it is changed the funding will disappear. The Food Security Program representative has assured the RAPA staff, however, that so long as the title and general purpose of the program is retained, money can be shifted to a new organizational unit with a similar purpose.

Regrettably, this neat scheme failed to work this year. The Ministry of Finance has historically tended to release funds only at the last moment before an expected FSP reimbursement, making planning of expenditures particularly difficult. Because of changes in the program's organization in Georgia, controversy surrounding the privatization of the Agrobusiness Bank of Georgia in which the privatization became an explicit FSP conditionality, and finally because of the kidnapping of EU Tacis advisor to the ABG Peter Shaw in mid-June, no money has been paid by the European Commission on the Food Security Program for the Ministry of Agriculture and Food so far this year. The Ministry of Finance has released approximately 200,000 GEL to date, and fee and production incomes have been collected. The Minister remains hopeful that 2,000,000 GEL will be paid by the FSP before the end of the year.

The FSP and the MAF are now negotiating the 2003 program. Both sides say that they assume the funds will be forthcoming, despite the Shaw kidnapping. On that basis, the RAPA project has been assisting the FSP representative (who now is present in Georgia about 40 percent time) in negotiating next year's funding. Project staff have also been urging the MAF to consider what to do should the FSP money dry up entirely. Unfortunately,

Article 37, Clause 4 of the Georgian law “On civil service” explicitly states that a reduction in budgetary allocations to the agency in which he or she works is not a reason to reduce the salary, premia or other compensation of a civil servant. The Law elsewhere gives a complete list of the grounds for terminating civil servants. The list does not include lack of funds to pay them. (Salary funds are also “protected” in the national budget, which in theory means that the funds for them must be provided.) It is unlikely that the RAPA project will be able to change these legal provisions through its efforts alone, but they certainly should be addressed.

A brief summary of all the MAF special programs that were to have been funded by the FSP in 2002 is given in Annex 17. It is clear that many of the “special programs” are little more than requests to keep doing what the department to be funded has been doing, whether or not the activity has much intrinsic value or should be a priority. This problem is perhaps inevitable in a budget support program like FSP, where the funds are decided in advance and not closely tied to technical assistance. The RAPA project can make a real contribution in aiding the FSP to use its money to buy change towards a market-oriented ministry.

Changes in Plant Protection Service

Pending the full reorganization of the Plant Protection Service (now incorporating the Phytosanitary Quarantine Inspection) to become part of a unified Food Safety Service, only preparatory work for personnel review, such as an audit of personnel records has been done. The audit showed that a number of employees were not qualified for the positions they hold, and other irregularities. The Plant Protection Service has also eliminated its local accounting offices, freeing 28 staff positions.

Although former PSQI head Robert Gurchiani brought a second suit to regain his position, as well as supporting a related suit against a Georgian wire service that had monitored the first case, it appears that his case is now well and truly lost. Similarly, his first deputy, who had been reinstated in his position by the court of first instance, lost on appeal. Further mischief from this quarter is certain, but the basic issue appears now to have been settled.

Veterinary Department Reform

Prodded by the European Commission Food Security Program, the Veterinary Department of the Ministry of Agriculture and Food has been ponderously moving toward privatizing its local services and reducing its staff. This effort began in 1999, when the British Know-how Fund (now DFID) commissioned a report on veterinary reform. On April 29, 2002 the Ministry established a commission to work out the reform. RAPA project chief of party Don Van Atta and senior analyst Bidzina Korakhashvili were included in the commission at the Minister’s express request, but the balance of the members of the working group found their presence unnecessary and neither RAPA staff member was aware of, or participated in, most meetings of the commission.

As with most other Ministry units, Food Security Program funding is essentially all that is available to the Veterinary Department other than fees for services or production activity. So, following a condition reiterated in the EC FSP memorandum signed June 7, 2002, the commission’s primary reform was the decision that local veterinarians could no longer be state employees.

Annex 20, an explanatory note written early in the Veterinary Department’s design of its own reforms by the Department’s deputy head Levan Ramishvili, describes the department’s existing structure and the planned privatization. The organization charts in that annex, also

prepared by the Veterinary Department's reform commission, show the present and proposed changes of the Department's national-level apparatus. The proposed scheme is somewhat cleaner, although it is interesting to note that the reformed system would have only five full-time positions less than there are now. The reformed scheme, however, would presumably have no local-level positions. This would be a boon for local budgets. It would also be possible, of course, for local governments that saw fit to do so to leave the existing locally-funded positions in place, in which case there would be no real change in staffing levels at all.

This reform was, therefore, essentially designed by the Veterinary Department itself. Aside from eliminating the local staff as Department employees, it appears to change very little. However, as became clear at Ramishvili's presentation of the reform design to the Chairman of the Parliament's Agrarian Committee, the rector of the Georgian Veterinary Academy, and others in early September, there is very substantial resistance in influential quarters to even that limited change. The resistance expressed at the discussion of the reform design worked out by the Veterinary seemed mostly to be based on fear of loss of jobs and positions for new graduates, although it was, of course, couched in terms of fears for the country's health.

As part of the effort to reform the Ministry's agricultural inspections, including the Veterinary Department, the RAPA project provided office space and support to the retired head of the Netherlands Ministry of Agriculture's Veterinary Service, Dr. Cornelius Cysouw, for two weeks at the beginning of August. His final report proposed a much simpler structure for the Veterinary Department than the one worked out by its own staff, and, in conversation, he expressed his horror at the "medieval" conditions of Georgian animal health and veterinary work, including the endemic presence of diseases which Georgia is required to report under World Trade Organization/International Epizootic Organization procedures (OIE). One early response to Dr. Cysouw's presence and comments was the issuance by the Minister of Agriculture of an order that clarifies procedures for acceptance of other countries' veterinary certificates that are compliant with OIE standards and the conditions under which cargoes subject to veterinary control from countries that have reported the presence of diseases harmful to animals and humans may be imported (Annex 19).

Unification of Inspections

The Veterinary Department's insistence on working out its own reform plan is one sign of the tendency within the MAF for departments to work extremely independently from one another. However, if the discussion of the Veterinary Department plan helps to build a consensus in favor of privatization of basic veterinary services the plan will have served well. Privatizing primary veterinary services has already attracted some opposition from members of parliament, who are apparently concerned in part with the possible loss of patronage jobs, as well as the Veterinary Academy of Georgia, which worries about loss of demand for its graduates' services.

As the Veterinary Department was developing its plan for reforming itself, the RAPA project staff, at the request of the Minister and with his continuing support, have been refining a more ambitious effort to unify all the Ministry's major inspection and regulatory bodies. This unified inspection, tentatively christened the "Food Safety Service," would unite the inspection and regulatory portions of most or all MAF agencies with regulatory authority. The RAPA project has further suggested that all MAF subagencies concerned with regulation report to the same Deputy Minister in order to provide them with a certain degree of autonomy from the rest of the Ministry and a high-level advocate in the Ministry as well as to insure coherence in their operations. Creating a single inspection would also centralize the

collection and accounting of fees for services, eliminating duplication of administrative personnel and improving the transparency of handling of these funds.

MAF management and RAPA staff have held a number of meetings with the Anti-Corruption Commission of Georgia in recent months on the inspection issue. The Anti-Corruption Commission formally supported the idea of creating a single inspection in a letter to Deputy Minister Shervashidze issued on July 26 of this year (Annex 20). While intended to be supportive of the reform proposal, the letter does include the comment that “ Production control should be imposed only with the aim to ensure safety inspection and not to check compliance of quality with standards.” Staff members of the Anti-Corruption Commission have verbally explained that they mean that the MAF should not be engaged in random tests of merchandise available for sale against GOST-type absolute standards. However, it is not entirely clear how to untangle the issue of product safety from product standards, at least in the sense of whether or not the product is in fact what it claims to be (to take a relatively benign example, if a 30 percent sugar content is claimed on the label, but the product contains only 20 percent sugar, is that not a violation of a voluntary-adopted standard?). It is possible that this oracular comment reflects concern for the role of the Georgian State Standards Committee, which also claims the right not only to set standards but also to enforce them.

The Chamber of Control of Georgia has also endorsed the idea of unification of the MAF’s several inspections. In a report issued in late September, the Chamber noted that:

In order to prevent poor-quality and adulterated products from entering the market, the issue of merging the services within the Ministry system involved in controlling agricultural products quality into a single strong structural unit and expansion of its rights and obligations in accordance with the present legislation should be discussed[.]³⁸

RAPA project and MAF staff are currently examining specific issues of just how the unified inspection should be designed and staffed. Although progress in inspection unification may be difficult because of the need to untangle the laws buttressing each existing agency, the MAF has clearly made the decision in principle to simplify and rationalize its inspection units.

Local MAF assets

As described in the Ministry “diagnosis” document prepared during phase I and elsewhere, the MAF is formally pyramidal, a national agency with regional subunits. In fact, however, the MAF has very limited control over even the local agricultural administrations. The local governor appoints the local agricultural administration head with the agreement of the Minister, and the local administration head then selects his own staff. All are paid from local budgets. Moreover, the major independent departments of the MAF have subunits at the local level. Their local heads are appointed by the central agency head, and then staff and budget is handled as for the agricultural administration proper. As with the national MAF, which looks centralized but is in fact an assembly of independent barons, the regional agricultural units are far from coherent. It has been clear from the beginning of the project that sooner or later this local administration would need to be rationalized and severely downsized, but given support for the project by the Minister it seemed more reasonable to begin by trying to reform the central authorities, assuming that once that job was in hand the local agencies could be made to follow. This strategy also has the advantage that it might

³⁸ Chamber of Control Instruction 6-01-3/1797(September 25, 2002).

prevent local officials from mobilizing against a reform which might save them money (by putting local officials on the central budget) but would certainly cost them power.

However, the Chamber of Control suggests that local government reform is rather more urgent:

Based on consultation with the self-government and government units, the possibility of developing a large regional structural unit – Local Department of Agriculture and Food – to coordinate the management of the present Veterinary, Plant Protection, Amelioration and Water Economy and other agricultural Services, which the existing Agriculture and Food Administrations are unable to manage effectively because of the services' organizational and legal status, should be discussed.³⁹

Since creating a unified inspection service requires rethinking the local units of the inspections as well as the central ones, the Chamber may well be correct that this issue needs more immediate consideration.

Internal Control Unit

As noted previously, the RAPA project supports the work of the MAF Internal Control Unit. Aside from its specific work, this Unit has proven particularly effective simply in showing local officials within and without the MAF apparatus that the Ministry continues to function and is capable of periodically examining the work of its employees.

The Ministry's Internal Control Unit now has two full-time Ministry employees, including the Department head, Mr. Gia Kobakhidze. At the end of the reporting period, five project staff members (Irakli Inashvili, Giorgi Misheladze, Levan Khundadze, Vasili Chigladze, and Irakli Donjashvili) were working with the Department on various projects. When RAPA project staff work with the Internal Control Unit they are assigned to a task by an Order of the Ministry of Agriculture and Food, are accompanied by line employees of the MAF, and are considered to be MAF representatives.

During the quarter, in order to monitor the fulfillment of Georgian Presidential Decree 1138 of October 20, 2000 "On partial compensation of damage to land-users in 2000" and Presidential Decree 345 of April 26, 2001 "On partial compensation for damage caused by drought to land users and in order to liquidate the consequences of drought in 2001", ICU staff worked in Eastern Georgia (this work resulted in the report in Annex 5).

On the basis of Order number 2-84 of the Minister of Agriculture and Food of Georgia (June 12, 2002), work was done to inspect the use of special-program funds under the 2001 budget, as well as to monitor the appropriate use of funds, the level of implementation of activities and the use of tangible assets by the Amelioration Department, Plant Protection Service, Veterinary Department, Cattle-breeding Department, Agrochemical and Soil Fertility Service, Examination and Protection Inspection of Selection Achievements: As one result of this activity, a former deputy head of the Amelioration Department was demoted to cleaning canals in Kakheti.

During the quarter the ICU also examined the use of humanitarian aid supplied by European donors and stored by Ltd "Didgori."

³⁹ Chamber of Control Instruction 6-01-3/1797(September 25, 2002).

The MAF has requested funding through a Special Program from the FSP for next year for the Internal Control Unit. In the meantime, the joint work of MAF and RAPA staff has begun to allow the Ministry to track its use of resources, helping to prevent a recurrence of the misfeasance that consistently marred MAF use of donor resources in the past. Moreover, it has begun to build a reputation for honesty and integrity that is a small beginning on the larger matter of reducing government corruption.

Other activities

Ministry computer network

During the reporting period the RAPA project continued to develop a computer network in the Ministry's headquarters building, completing installation of equipment received from the Sibley GESP, training users, and beginning the process of converting and archiving data from older MAF-owned computers with incompatible Georgian fonts.

"Good offices" for the SAVE letter of commitment

At the request of USAID Caucasus, the project assisted in the negotiation of the letter of commitment for the SAVE project.

Cooperation with Other Donors

As the list in Annex 23 indicates, the project maintains contact with a wide variety of other projects and institutions. During the quarter RAPA staff worked particularly closely with the World Bank Agricultural Development Project Coordination Center and the EC Food Security Program. As noted above, the project also provided office space and incidental support for the retired head of the Veterinary Service of the Netherlands during a visit to work with the MAF Veterinary Department paid for by the Dutch government.

Information and Outreach

During the reporting period the project continued to support preparation by the MAF of a daily Georgian-language survey of press coverage of agriculture-related issues. This bulletin is distributed by the MAF to its own staff. The unedited English translation prepared by the RAPA project is intended both to help monitor one important source of information available to the Minister and the MAF staff and to serve as a useful source of information in its own right.

Project outreach coordinator Giga Kurdovanidze continues to work closely with the MAF press office in preparing materials on agriculture for President Shevardnadze's weekly radio interviews, regular press conferences by Ministry senior management, and other actions aimed at developing a dialogue about agricultural policy and informing the interested public about the Ministry's activities.

Outstanding issues

Cooperation with MAF

As the project moves to support a more fundamental restructuring of the MAF, there have been increasing signs of resistance to project initiatives by some mid-level MAF management and employees. This resistance is not surprising, since it both represents an understandable concern for one's current position and anxiety that changing things will make it more difficult to get immediate tasks accomplished. Although cooperation will remain a concern, the Minister has repeatedly made clear that he very fully supports the project, including the proposals for more systematic organizational change developed during the reporting period.

Cooperation with FSP

At present, cooperation with the EC Food Security Program is very good, allowing the RAPA project to work closely with the source of most MAF funding. However, this cooperation largely depends on the attitude of individual FSP consultants. Moreover, should the FSP not be resumed within a reasonable time, quite considerable difficulties will be created for both the MAF and RAPA.

Cooperation with the World Bank ADPCC

At the end of the reporting period, the head of the World Bank ADP Coordinating Center resigned to take other employment. Since the RAPA project had a close working relationship and no successor is likely to be named quickly, the loss is considerable.

Planned activities for next period

By the end of the year, the project of unifying the MAF's inspections should be substantially accomplished. A second focus of activity will be grades and standards and related WTO and EU harmonization issues. A third effort will center on the completion of the Ministry's strategy document both for its own sake and in order to help develop the Ministry's policy capacity. Finally, work to develop the Ministry budget (and cooperation with the FSP in order to get funding for it) will receive considerable attention.

Annex 1. Project Staff as of September 30, 2002

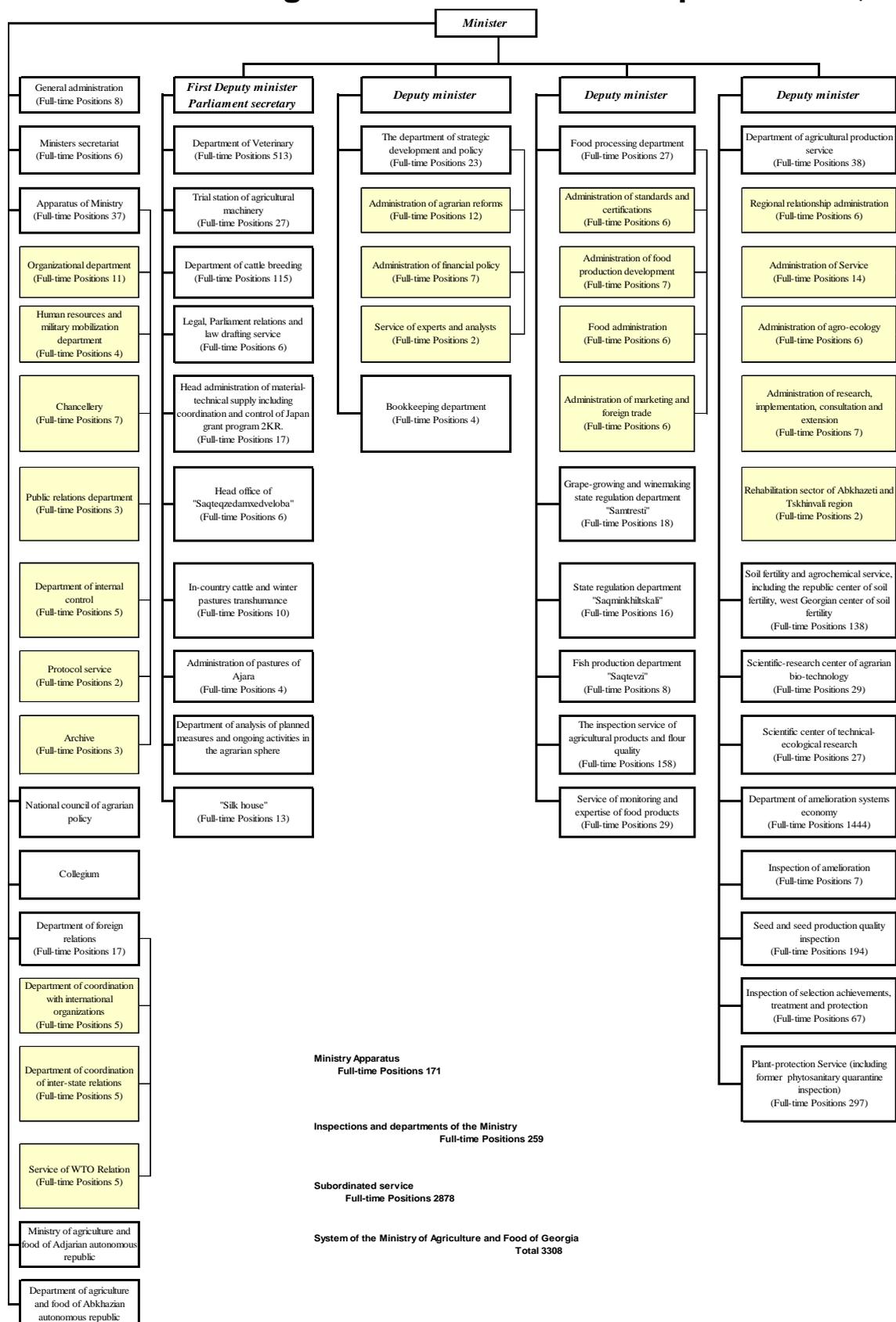
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David Tskhvaradze	Guard	
Don Van Atta	Chief of Party	don_van_atta@dai.com

Annex 2. Summary of Work Plan Status as of September 30, 2002

RESOLVE "LEGACY" ISSUES	
Liabilities from "Counterpart Fund"	Essentially completed, as Ministry is now dealing with these issues. Translation and editing of long legal opinion on Counterpart Fund continues.
Risk Assessment Exercise	Effort completed.
POLICY ADVICE AND ANALYSIS	
Comparative study of agricultural ministries	Completed
MAF [Food Security] strategy (condition of EC Food Security Program)	Completed
Ministry PGREP Strategy	Presented by Minister to donors
Ministry 3-year strategy	continuing
Regularly updated briefing paper on agriculture in Georgia	continuing
Baseline study	Under discussion with Ministry
Georgia's agricultural related WTO obligations	Several studies written. Ministry has established work group on issue, is now seriously concerned with them
Grain market	continuing
Land policy	Project continues to monitor MAF role in land issues
collection of previous studies	continuing
legal monitoring	continuing
Food quality, standards and safety	continuing
Staff analysis	Continuing
MINISTRY RESTRUCTURING	
Central apparatus	number of units reduced earlier
Ltd "State Regulatory Board	Completed
Other Ministry-managed Ltds	Completed, all referred to MSPM
State-subordinated Departments	Continuing; work to design unified state inspection advanced
Local MAF assets	Inventory completed by RAE
regional agricultural administrations	Not planned for phase II (but see text)
Legal drafting assistance	Continues
STATISTICS AND GIS	
Statistics	continuing
OTHER ACTIVITIES	
Activity coordination	continuing
MAF website	Being constructed
Registration of DAI in Georgia	completed
Ministry computer network	MAF user support/training underway, data archiving and font problems being addressed

This table follows the order of the Phase II work plan but item numbers have been deleted due to changes in the work plan since it was approved.

Annex 3. MAF organization chart as of September 30, 2002



Source: Compiled by Otar Chigladze from "balances" of MAF units.

Annex 4. Autoconsumption as percent of total household food budget

	1998		1999		2000		2001		2002
	QI	Year	QI	Year	QI	Year	QI	Year	QI
Region									
Ajara AR	17	23	25	24	19	27	24	30	23
Guria	61	62	63	59	72	60	66	62	67
Imereti and Racha-Lechkhumi	57	58	56	54	64	60	59	55	61
Kakheti	59	62	69	63	67	59	59	57	62
Kvemo Kartli	38	37	55	46	47	42	44	38	35
Mtskheta-Mtianeti and Shida Kartli	56	59	59	58	64	58	49	47	51
Samegrelo & Zemo Svaneti	50	52	67	65	62	62	69	65	59
Samtskhe-Javakheti	50	51	63	58	64	60	54	50	52
Tbilisi	7	7	9	7	8	10	15	10	11
Georgia	40	42	49	45	48	45	46	43	44
Household Place of Residence									
Big cities	10	9	12	9	10	12	16	12	12
Small towns	29	33	36	31	34	35	37	33	36
Rural	62	64	68	65	70	66	65	62	64
Georgia	40	42	49	45	48	45	46	43	44
Main Source of Household Income									
Wages	15	14	19	13	18	14	21	17	24
Self-employment outside agriculture	13	13	24	15	24	19	26	22	23
Income from agriculture	68	69	71	70	74	70	71	68	69
Transfers (state and private)	24	21	27	16	23	21	28	22	26
Assets disposal, borrowing or property income	30	33	45	33	37	29	31	29	32
Georgia	40	42	49	45	48	45	46	43	44

Self-consumed agricultural production is valued in 80% of the purchasers prices found in the household survey (20% is deducted to allow for profit margin in retail sales). Both quarterly and annual data are given as ratios of auto-consumed agricultural production to food expenditures by all households in the corresponding category during the corresponding period of time. (Note from source, edited.)

Source: State Department for Statistics of Georgia, *Georgia: Food Security Situation: Trends in Figures, Statistical Bulletin*, number 7 (September 2002), table A7. Data from SDS Household Survey.

Annex 5. Documents on repayment of humanitarian aid seed wheat in West Georgia

Ministry of Agriculture and Food of Georgia Order number 70-M

Tbilisi

June 11, 2002

On creating a group of observers and controllers to examine the conditions of receipt, distribution and on-time return of humanitarian assistance winter wheat distributed in West Georgia in 2000-2001 due in 2002

In order to implement Presidential Decree number 1138 (October 20, 2000) “On partial compensation of the losses of the landowners, who were victimized by the natural disaster in 2000” and Presidential Decree 345 (April 26, 2001) “On partial compensation of landowners’ losses caused by the drought in 2001 and to reduce the impact of the drought in 2001,”

I order:

1. The creation of a group of observers, who will study the conditions of receipt, distribution and on-time return of the humanitarian assistance winter wheat due to be repaid in 2002 that was distributed in West Georgia in 2000-2001 composed of the following persons:

Ednar Mikanadze Head of the Administration of Services of the Department of Agricultural Production Services

Revaz Katsia Chief Specialist of the Division of Internal Control of the Ministry of Agriculture and Food of Georgia

Vasil Chigladze Financial Analyst of the “Restructuring Assistance and Policy Advice for the Ministry of Agriculture and Food of Georgia” Project

Irakli Inashvili Financial Analyst of the “Restructuring Assistance and Policy Advice for the Ministry of Agriculture and Food of Georgia” project

2. These people are to make a field visit to West Georgia to collect further information about the conditions of receipt, distribution and on-time return of the humanitarian assistance autumn wheat that was distributed in West Georgia in 2000-2001 due in 2002.

3. The field visit is to extend from June 13 through July 3, 2002.

4. Head of the Division of Accounting and Payment of the Ministry of Agriculture and Food of Georgia Rezo Lomidze is to finance the expenses of the field visits of Ednar Mikadze and Revaz Katsia.

5. Deputy Minister David Shervashidze is to monitor the execution of this order.

First Deputy Minister of Agriculture and Food of Georgia

N. Mamaladze

To Minister of Agriculture and Food of Georgia
David Kirvalidze

Memorandum

Mr. Kirvalidze:

In accordance with the task assigned in protocol number 13 of the staff meeting of the Ministry of Agriculture and Food of Georgia on April 22 of this year, we present a report about the humanitarian assistance Spring and winter wheat that was delivered to the victims of drought during 2000 in West Georgia.

As you know, the landowners hurt by the drought living in districts of West Georgia have received 5,944 tons of high quality seed wheat as humanitarian aid. 2,874 tons of this total were delivered to the leaseholders for production purposes. Of that amount, 3,315 tons were to be returned by September 2001. According to the distribution principles of the United Nations Food and Agriculture Organization, *gamgeobebi* in all districts that principally received the assistance, were assigned to distribute and deliver the amount of grain generated in 2001 to those landowners who had not received it in 2000. However, the Coordinator of FAO proposed in the spring of 2001 that the grain returned should be sold for approximately Gel 0.40 per kilo. Once the grain had been sold, it was proposed to import elite and super elite seed. However, the *gamgebeli* rejected these suggestions because they thought there would be certain difficulties in selling the grain because of its high price, and that the lengthy time needed to sell it would hamper importing seed into the country by the time it would be needed. It was also noted that the material to be imported would cost Gel 1.0 per kilo so that districts would receive 2.5 times less seed grain than they had sold. The final agreement provided that the district *gamgeobebi* would distribute the seed repaid as they thought best. They could distribute it to persons who had not received seed in 2000 or leave it with those persons who had already received it. In either case the individual, who received assistance, is obliged to repay cash instead of the grain by August 20, 2002 (at market prices). The FAO Coordinator informed the district *gamgebelebi* and the Ministry of these conditions

At the very beginning of this year, Ministry specialists found that the situation is not at all favorable. In most cases the seed had been distributed and delivered without the appropriate agreement. As a result, it is quite doubtful that repayment will be made. The agreements concluded in 2001 did not even mention the possibility of repayment in cash instead of grain.

As you know, in 2001 the same program distributed 1,618 tons of humanitarian-assistance seed potatoes to the residents of Samtskhe-Javakheti. Of that amount, the leaseholders of Akhalkalaki and Ninotsminda districts should have repaid the equivalent of 132 and 68 kilograms of potatoes.

The Administrations of Agriculture and Food of Akhalkalaki and Ninotsminda districts report in this regard that the seed has already been produced and distributed for the 2002 season. New seed is expected to be produced by November 10 of this year. We believe,

however, that repayment in cash instead of kind of the amounts either of potatoes or of wheat distributed is almost impossible.

In April of this year, the Ministry of Agriculture of Georgia sent a letter to the Presidential Representatives in Samtskhe-Javakheti, Kakheti, Shida Kartli and Kvemo Kartli regions and the *gamgebelebi* in every district that had received humanitarian assistance asking them to strictly monitor the implementation of Presidential decrees number 1138 (October 20, 2000) and 345 (April 26, 2001) and the FAO directives and to regularly inform the Ministry about their activities in this regard.

Yours respectfully,

Head of the Department of Agricultural Production Services of the Ministry of
Agriculture and Food of Georgia
K. Khutsaidze

**Receipt, distribution and return of humanitarian assistance winter wheat
distributed in 2000-2001 due in 2002**

District	Received Wheat in 2000	Amount delivered to the lease holders	Amount to be returned in 2001	Actual amount returned	Delivered through agreements in 2001	Amount to be returned in 2002
Dedoplistskaro	1816	638,6	702,6	235,9	578,3	702,6
Signagi	1106	1106	1327	681	1327	1327
Gurjaani	541	200	200	197	197	200
Lagodekhi	140					
Telavi	200	10,85	16,2	16,2	1,5	16,2
Kvareli	176	8,46	8,46	-	8,46	8,46
Akhmeta	185	30	30			30
Sagarejo	666	100	200	9,7	72,2	200
Kakheti	4830	2093,91	2484,26	1139,8	2184,4	2484,26
Gardabani	310	310	310	11	244	244
Marneuli	260	260	260			260
Bolnisi	50	50	100	100	100	100
Tetri Tskaro	15	15	15			15
Kvemo Kartli	635	635	685	111	344	685
Dusheti	129	13	13		13	13
Tianeti	30	9	9	2,4	8,5	9
Mtskheta	20	20	20	20	20	20
Mtskheta-Mtianeti	179	42	42	22,4	41,5	42
Kaspi	320	104	104		30	104
Georgia	5944	2874,91	3315,26	1273,2	2599,9	3315,26

**Receipt, distribution and on-time return of humanitarian assistance seed potatoes
distributed in 2001 due in 2002**

District	amount of potatoes received in 2001	amount delivered to lease holders	Amount to be returned in 2001	Actual amount returned	Delivered through agreements in 2001	Amount to be returned in 2002
Akhaltzikhe	311.05					
Aspindza	113.15					
Adigeni	240					
Akhalkalaki	606.35	132	132	122	132	132
Borjomi	19.35					
Ninotsminda	328.1	68	68	68	68	68
Total	1618	200	200	190		200

*Translated by
Lisa Basishvili
13.06.2002*

Annex 6. Internal Control Unit report on investigation of use and repayment of humanitarian aid seed wheat in East Georgia

To the Minister of Agriculture and Food of Georgia
D. Kirvalidze
July 7, 2002

Report by the group to monitor implementation of distribution and return of winter-wheat seed humanitarian distributed in East Georgia

Dear Mr. Kirvalidze

Order number 70-m, issued on June 11, 2002, sent us to East Georgia to examine the conditions of distribution and whether or not the winter wheat seed humanitarian aid in East Georgia was repaid on time.

FAO has sent a written statement to the State Representatives of the President of Georgia in Kakheti, Kvemo Kartli, Shida Kartli and Mtskheta-Mtianeti regions and *gamgebelebi* of Sagarejo, Gurjaani, Signagi, Dedoplistskaro, Telavi, Akhmeta, Kvareli, Lagodekhi, Gardabani, Marneuli, Bolnisi, Mtskheta, Dusheti, Tianeti and Kaspi districts, in which the FAO makes the *gamgeobebe* of those districts and regions responsible for seed wheat to be distributed and returned. (See annexes 1 and 2.)

Dedoplistskaro district. Through the assistance of FAO, the district received 1,816 tons of high reproductive seed wheat in November and December of 2000. In accord with the recommendations agreed with FAO, 1177.4 tons of aid were delivered to the owner-operators of privatized land plots. 638.6 tons were given to 193 leaseholders (land users) on the condition that they return 110 percent (702.6 tons) of the amount distributed from crops to be harvested in 2001. It turned out, however, that in 2001 only 235 tons of seed wheat were returned. In most cases the same land users concluded extended agreements for seed.

A nine-person commission was set up to examine the delivery and distribution of seed wheat on the basis of decree number 99 of the district *gamgeoba*, issued on October 16, 2000, and decree 189 "On the creation of a commission to distribute seed wheat to farmers." Protocol decision number two of the commission, dated November 22, 2000, set compulsory conditions for delivery of the seed wheat to the leaseholders.

The conditions for delivery of the seed wheat ratified by the *gamgeoba* commission meetings in 2000-2001 were not agreed with FAO and apparently were locally developed. They were frequently violated during the process of delivery. More aid was distributed to certain leaseholders than had been envisaged. Instead of 7.5 tons 10-24 tons were delivered. For instance, on the basis of a contract 24.55 tons were issued for a military unit (Mr. Dimitri Batashvili) that in 2000 did not conclude a land leasing contract. Aslan Khikhadze received 13.5 tons. Givi Papiashvili and Kakhi Korakhashvili received 10.5 tons each. Tamriko Papishvili received 9.4 tons. There is no attachment to the list indicating how many hectares of arable each lease holder had rented. As it turned out,

through the violations of rules more than seven tons of aid were distributed to each of 24 leaseholders. According to the regional Tax Inspection 105.4 tones of seed wheat were distributed to 39 persons who were not registered in the Tax Inspection as landowners of any type (see annex 8).

At the instruction of the *gamgeoba*, the major condition of distribution of the wheat seed was payment of the land tax. The wheat was to be distributed to those lease holders who had paid the land tax due in 1999 and the first part of 2000. This condition was not agreed with the FAO. During the distribution this condition, too, was violated and 330 tons of wheat were distributed to 110 leaseholders. Out of a total of 638 tons, 553 tons (87 percent) were distributed in violation of the instructions of the *gamgeoba*.

There are further violations related to the repayment of the seed in 2001. For example O. Gigauri received 18.5 tons more than envisaged, and the agreement was not notarized. B. Maziashvili received 12 tons. A. Bagashvili got 17.5 tons. M. Mekhrishvili and Z. Aladashvili received 10 tons each. S. Iakobashvili has no documents that prove he had received 12 tons of seed wheat—he had received 8250 kilograms in 2000, which he had did not return in 2001. T. Lomashvili got 9 tons. N. Mchedlidze received 10 tons. According to the list the Ministry of Agriculture and Food obtained during monitoring of the distribution, 19,074.5 kilos of seed wheat were distributed to 32 lease holders in 2001, but the total figure in the contracts executed is 197,200 kilos, a difference of 6,455 kilos. However not all agreements are approved, and some are not available at all.

On the basis of agreements that were not notarized or are undated the figures were corrected. A total of 638.6 tons of seed wheat was distributed to 193 leaseholders. From the very beginning such agreements should not have been drawn up at all and none of the parties should have signed them, because there are fatal errors and inaccuracies, as well as a great variety of forms. One agreement says the following: “after harvesting not later than September 1 2001, the leaseholder must return 110 percent of the received amount of ‘Upkho-1’ winter wheat seed to the district warehouse, in clean condition and packed in sacks, so that the farmers who did not receive any seed this autumn will be able to sow them in the spring of 2001.” This agreement says nothing. The land users who signed it have been misled and have no idea what they have signed. No comment is needed. On the other hand it is not very surprising, since there was no agronomist among the members of the commission (see the sample agreements attached as annexes 3 and 4).

As we pointed out above, 638.6 tons of seed wheat were distributed to 193 leaseholders in 2000. 110 percent of this amount (702.6 tons) was to be returned by September 1, 2001. Two hundred sixteen tons were distributed on the basis of incorrectly drafted agreements and 509.6 tons were not returned. For 90 tons of wheat returned in 2001 no agreements were concluded, and 57 tons were distributed to inhabitants of another district (see the explanatory note of the Head of the Administration of Agriculture and Food, annex 5). Improper distribution created poor conditions for the return of the seed. This issue was examined by the Chamber of Control and Tax Inspection of Kakheti region (the reports are attached). This case has now been turned over to the district’s law enforcement agencies. The Administration’s letter number 58/16 to the district Office of the Public Prosecutor dated March 29, 2002, notes that 7.5 tons of seed wheat were issued as wages for building a church and 10 tons had been issued for the House of Charity (see annex 6). The local Chamber of Control in Kakheti and Kvemo Kartli regions comments that “the head of the grain elevator received 500 kilos of seed wheat in payment for participating in

the receipt and delivery of the wheat. An agreement records the distribution of 5,000 kilos of seed to that same person. But he has no land under lease, no written application and not even any of the wheat he had received” (see annex 7).

Signagi district. In November 2000, 1100 tons of winter seed wheat humanitarian aid was distributed to land users of that district who had been hurt by drought. Most of this aid was distributed to leaseholders on condition that they repay it. 1,327 tons of seed were to be repaid from the crops harvested in 2001. The amount actually returned was 677.7 tons, which, according to the agreements concluded between FAO and the district *gamgeoba*, were redistributed in 2001 on the basis of agreements. The total amount of seed subject to repayment was 1,327 tons by 2002.

The monitoring group examined the accuracy of the amounts of seed wheat distributed to each leaseholder in 2000. In accord with the instruction of the *gamgeoba* 250 kilos of seed wheat were to be issued per hectare. More was actually issued in certain cases. In particular, in Vakiri sakrebulo N. Fatikashvili has eight hectares of leased land, but he received four, not two, tons of seed. Tsunori town resident O. Pogosiani has a contract to lease fifteen hectares of land. He received 7.5 tons of seed rather than the proper 3.75 tons. Similarly, Tsunori town resident Z. Bagalishvili should have gotten five tons of seed for twenty hectares of leased land, but he actually received 7.5 tons. For twenty-five hectares, N. Jaliashvili should have received 6.25 tons but actually got 7.5. For twenty hectares, E. Mchedlishvili should have been given five tons but actually received 7.5. In the Dzveli Anagi village sakrebulo, according to the land leasing agreement he concluded in 2001, N. Chalabashvili has fifteen hectares of leased land for which he was entitled to 3.75 tons of seed wheat. However, he actually received five tons. The letter of the Administration of Land Management of Signagi district gives the list of land users who had leased the land by 2000 (annex 8).

We met the chairmen of certain sakrebulo. Anagi village sakrebulo chairman G. Sekhniashvili’s explanatory note to the Minister of Agriculture and Food of Georgia states that the district received 36 tons of humanitarian aid seed wheat in 2000. Of that amount, 43 tons were to be returned but only 27 tons of seed were actually returned to the warehouse. Nine tons were to be returned from the crops harvested in 2002, but 17 tons were returned from the amount redistributed in 2001 (see annex 10).

According to the verbal report of the Tabaani village sakrebulo chairman, the district received 131.55 tons of wheat in 2000. 153.84 tons were to be returned, but 70.67 tons were actually repaid. So 83.17 tons remain outstanding. 51.15 tons were redistributed in 2001 (a 1:1 ratio for return). So from the seed distributed in 2000-2001, 134.27 tons are to be returned. This repayment is supposed to be done from the crops to be harvested in 2002.

The Zemo Machkhaani village sakrebulo chairman stated orally that 77 tons of seed wheat will be returned in 2002.

We met the *gamgebeli* of Signagi district, Mr. G. Chuchulashvili, his first deputy and deputies, the chairmen of the commission and its members, as well as the chairmen of certain *sakrebulo*s. The *gamgeoba* will take all-possible measures to obtain 1327 tons of seed wheat from the crops to be harvested in 2002. The newly appointed *gamgebeli* is especially concerned with this matter. The commission set up in 2000 is still functioning.

Commission chairman V. Natroshvili (the district's former deputy *gamgebeli*) reports in his explanatory note to the *gamgebeli* that leaseholders who do not give their word to the commission to return the seed wheat will be prosecuted by the law enforcement agencies (see the explanatory note, annex 11).

Sagarejo district. Sagarejo district received 666 tons of seed wheat in December 2000. One hundred tons of that amount were distributed to leaseholders on the condition that two hundred tons be repaid from crops to be harvested in 2001. 9.7 tons have actually been returned, and this amount has been redistributed to the same leaseholders.

According to the verbal report of the head of the administration and specialists, they did not participate in the receipt and distribution of the seed wheat. That was done according to the agreements between the representative office of FAO and the *gamgeoba*, and the *gamgeoba* and the *sakrebulo* chairmen.

In agreement with the FAO, 9.7 tons of seed issued by the *gamgeoba* were returned in 2001 without interest.

The *gamgebeli's* interim report notes that the delivery of seed was delayed in 2000 and therefore distribution started only on December 6-7, 2000. The land was sown on December 7-20, 2000. The crops of eight leaseholders who received 27 tons of seed wheat with which they sowed 105 hectares of land were 100 percent destroyed by high winds in January-March 2001 (see the acts of the commission, annex 12). Two hundred ninety hectares of land planted with 73 tons of seed wheat were partially destroyed. In 2002, as agreed with FAO, there is no interest due on the 72 tons of seed that are supposed to be returned. According to their verbal explanations, the crops this year were destroyed by high winds. Assessment of each leaseholder's expected crop is now under way. Circular letters were delivered to all land users about returning 72 tons of seed wheat, but by preliminary data, as the administration's experts reported, they will not be able to repay it. (See the interim report of the *gamgebeli* about the destroyed crops, annex 13).

Gurjaani district. 541 tons of humanitarian aid seed wheat were distributed to Gurjaani district. Two hundred tons of that seed were given to leaseholders, who were to repay 200 tons of seed from the 2001 crop. The actual amount repaid was 197 tons. The seed returned was redistributed to the same persons. On the basis of the agreements the seed is to be returned by the end of August 2002. A commission has now been set up in the district chaired by the first deputy *Gamegebeli* of the district. Work is continuing and 197 tons of seed wheat will be returned by the leaseholders as soon as the crops are harvested. (See the explanatory note of the first deputy *gamgebeli* N. Kvatsashvili to the Minister of Agriculture and Food of Georgia, annex 14).

Telavi district. In 2000, out of 200 tons of humanitarian aid seed wheat received in the district, 10,850 kilos of seed were distributed to three leaseholders on condition that it be repaid. According to the agreements 16.2 kilos [sic] of seed were to be repaid in 2001. In 2002 there is every condition to return 16.2 kilos by the due date. The head of the Administration of Agriculture and Food is assigned to see that this is done. (See the explanatory note, annex 15).

Kvareli district. In 2000, Kvareli district received 176 tons of seed wheat. From that amount, 8,460 kilos of seed were distributed to leaseholders for seed production. They were to return the same amount from the crops to be harvested in 2001. That amount was actually returned and again distributed to the land users for seed production. According to the agreements concluded this amount should be repaid by August 20, 2002. (See the letter of the Head of Administration, annex 16).

Akhmeta district. Akhmeta district received 185 tons of humanitarian aid seed. Thirty tons of that total were distributed to leaseholders on the contractual condition that they repay it. The *gameoba* is taking all appropriate measures and this amount will be repaid in full by August 20, 2002 to the account of FAO. (See the letter of the first deputy *gamebeli* to the Minister of Agriculture and Food of Georgia, annex 17).

Lagodekhi district. Lagodekhi district received 150 tons of humanitarian aid seed wheat, which were distributed to two *sakrebulo*s: a) 94 tons to 1706 land users of Tsodnis Kari *sakrebulo* and b) 46 tons to 818 land users of Ulianovka *sakrebulo*. Each of them received 55 kilos of seed on December 14-15. The planting was done on January 4-10. Heavy hailstorms on May 5-6 and 8-11 completely destroyed the crops. The extent of destruction has been surveyed twice by FAO coordinator Peter Dicke, the member of parliament for the district, and the deputy *gamebeli*. As a result, the seed is not to be repaid. (See the explanatory note from the deputy *gamebeli*, annex 18)

Gardabani district. On November 6-8, 2000, Gardabani district received 260 tons of seed wheat through the support of the Turkish Government with the assistance of the United Nations Development Program and FAO. The Society of Technical Assistance of Germany brought 50 tons of seed into the district. So the district received a total of 310 tons of seed wheat. Official instructions about the procedure for seed production and utilization were sent to the district. Similar instructions were received from the Apparatus of the Presidential Representative in Kvemo Kartli.

In 2000, on the basis of those instructions contracts were concluded that included a 1:1 repayment ratio. Similar agreements were concluded in 2001 for the repayment of distributed seed.

The district *gamebeli* issued, on November 13, 2000, his order number 441 on the allocation and distribution of humanitarian aid. In accord with this order a commission was set up which then determined redistribution of the seed wheat on June 4, 2001, according to instruction number 300 "On the creation of a temporary staff."

Three hundred ten tons of seed were distributed. The same amount was to be repaid by the 2001 harvest. The actual amount given back was 11.1 tons, which were redistributed to leaseholders. Grain crops, including those planted with humanitarian aid seed, were destroyed and damaged by natural disasters in 2001-2002 in the district. The appropriate acts are being drafted by the district commission to take this situation into account. During the 2002 harvest 100 tons of seed wheat will be returned or the value of that amount of seed at market prices will be deposited in the appropriate bank account (see attached acts drafted by the local commission, annex 19).

Bolnisi district. Bolnisi district received 50 tons of seed wheat as humanitarian aid which were distributed to 37 leaseholders on a contractual basis. They were to return

twice that amount of seed (100 tons) from the crops harvested in 2001. This amount has been fully repaid and, according to a verbal agreement with the Representative office of GTZ, has been redistributed to the leaseholders (see the letters from the Head of Administration to the Minister of Agriculture and Food of Georgia, number 5, January 17, 2002, and number 43, May 16, 2002).

In 2001 the district commission examined areas planted with seed wheat received as humanitarian aid. On June 15 the commission wrote a report about its observations (Administration of Agriculture and Food, June 15, 2001). The representatives of GTZ and the Deputy Head of the Quality Inspection of Seed and Planting Materials were invited to participate in the commission's work. After joint examination, they concluded that the crops are mixed, planted with various type of wheat and barley. As a result, it does not make any sense to test the seed and they have not considered it advisable to use the seed produced. In agreement with GTZ they left 100 tons of seed for leaseholders to produce animal feed for free. The seed used to produce this feed will not be subject to repayment from the crops to be harvested in 2002 (see annex number 20).

Tetritskaro district. In 2000 Tetritskaro district did not receive any humanitarian aid. In agreement with FAO, GTZ had given seed wheat to one person, Mr. P. Antoniani, who received 15 tons of seed. Before harvest the crops were completely destroyed by a fire that started in Marneuli district and spread to his fields.

Kaspi district. In order to ensure the targeted use of the humanitarian aid winter seed wheat FAO brought into the district, instruction number 68 of the *gamgebeli* on November 8, 2000 set up a commission chaired by the district's deputy *gamgebeli*, T. Gugushvili. A commission meeting decided to distribute 104 tons of seed wheat to 15 lease holders so that they could reproduce the seed. Contracts to this end were written and notarized.

The district commission examined the crops planted with winter seed wheat received as humanitarian aid. On the basis of its examination, the commission decided that because the seed grain had partly germinated it was thin and useless for sowing purposes. The reports to this effect were signed by the district commission and bear the seals of the district *gamgeoba* and Administration of Agriculture and Food. As a result, the leaseholders used the small crop harvested in 2001 as food grain (see annex 21).

Dusheti district. The district received 129 tons of humanitarian aid seed wheat in 2001. Thirteen tons of this seed were distributed to leaseholders on the condition that they repay the same amount. In 2002 the crops were severely damaged by heavy winds, facts confirmed by reports of the district commission. As a result, 13 tons of seed wheat were not to be repaid (see annex 22).

Mtskheta district. The Crop Research Institute of Mtskheta district received 20 tons of seed wheat as humanitarian aid. It was planted at the seed-producing station in Shavshvebi village. GTZ delivered the seed to the district and, according to the verbal report of the representative of GTZ, 20 tons of seed wheat will be returned in time.

Marneuli district. In November-December 2000 the district received as humanitarian aid 260 tons of winter wheat seed. 240 tons of it were distributed to leaseholders on the condition that they return the entire amount. Twelve tons were actually returned in 2001.

On the basis of agreements between FAO and the *gamgeoba*, return of the remaining amount in 2001 was postponed on the condition 240 tons of wheat seed be returned by August 20, 2002. The *gamgeoba* has assigned the Administration to take all possible measures either to return the wheat seed in kind or to pay back the value of the seed at the market price as of its due date.

Tianeti district. In November 2000 the district received 30 tons of winter wheat seed as humanitarian aid; of which 9 tons were distributed to leaseholders on the condition they return the whole amount (9 tons). In fact, 2.4 tons were returned and redistributed to the land users.

Hail completely destroyed all crops in the district before the 2002 harvest. The appropriate acts have already been written about these events. So 8.5 tons of seed wheat are to be returned in August 2002 and the value of the wheat seed at current market prices will be transferred by FAO to the appropriate account (see annex 23).

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Annex 7. Complete list of recommendations from the final report of the World Bank-supported Risk Assessment Exercise

(Source: “Final Report of the RAE Team,” August 2002)

1. A new statute of MAF must be drafted in consideration of the notes and proposals (Annex N3).
2. MAF Minister’s Order N2-372 (dated August 20, 1998) on ‘Approval of the Typical Form of the Agreement on Leasing out of State-owned Farmland’ must be declared null and void and a new typical form of the agreement must be drawn up (Annex N4).
3. The Regulations of MAF’s Department for Internal Control must be revised against the respective proposals (Annex N5).
4. MAF must take into account the recommendations that the Team prepared in respect of legal disputes of MAF and its subdepartmental institutions (Annexes N7-12).
5. MAF desperately needs to boost its legal function as a certain number of MAF’s problems arose due to lack of due attention to such issues.
6. MAF Minister’s Order N2-220 (dated May 5, 1998) on the Typical Regulations of the Regional (City) Administration (Department, Unit) of the Ministry of Agriculture and Food must be revised according to the respective notes (Annex N22).
7. The procedures for execution and registration of and control over agreements must be improved according to the relevant recommendations manner. The procedure must apply to all the early, current and future agreements for which MAF must take stock of all the agreements signed by subdepartmental institutions and create a relevant database.
8. The relations between MAF and the Ministry of Finance of Georgia regarding the obligations which arose from the loan that MAF had given to JSC Georgian Tea have to be regulated. The recommendations in connection with this issue are given in Annex N15.
9. The accounting documents of SakChaiSubtropik kept in MAF’s Archive and Accounting Office are incomplete. Some of the documents are kept by Chief Accountant Gh. Lepsaia of SakChaiSubtropik. MAF must get these documents transferred to its Archive. It is particularly important to do so because the creditors of SakChaiSubtropik may just as well lay their claims at MAF’s door and the claims may be unreasonably inflated.
10. MAF must fix the amount of the claim arising from non-payment of tea products supplied to Turkmenistan and Uzbekistan through SakChaiSubtropik. Besides, it is expedient to study and fix the outstanding amount of tea supplied to other

countries by the state's initiative and guarantee and identify the entity liable for the payment.

11. MAF is a legal successor to a number of other ministries and organizations and was established on the basis of their merger. MAF has to determine the list of the organizations liquidated in these ministries and study the liquidation and reorganization of such organizations.
12. Annex N14 deals with the issues on the legitimacy in issuing the credit which was allocated for completion of works for rehabilitation of tea plantations. It also gives recommendations aimed at regulating the relevant relations with the Ministry of Finance.
13. The procedures for exercising monitoring over the progress of target-oriented programs have to be revised. The recommendations in connection with the question are given in Annex N14.
14. The Team identified some liabilities unknown MAF and fixed the exact amount of others already known. The Accounting Office must make relevant postings according to the recommendations set out in Annex N16.
15. The Accounting Office of MAF's Central Staff must be assigned to draw up accounting-related instructions and methodological guidelines for their development in the MAF System. In addition, the Accounting office must elaborate and submit to the Ministry of Finance draft legislative acts aimed at preventing accounting-related gaps in laws. In the Team's opinion, the Accounting Office must raise the question before the Ministry of Finance for drawing up an instruction for monetization of humanitarian cargoes and for registration of partnership funds.
16. MAF must set up a unified accounting database strong enough to cover the entire MAF System.
17. To fulfill the aforementioned objectives, MAF needs to boost the functions of the Accounting Office of MAF's Central Staff and increase the number of personnel in it.
18. In order for MAF to exercise effective control over its current liabilities, subdepartmental institutions must be assigned to furnish information on their receivables and payables to MAF along with their quarterly balance sheets.
19. It is recommended to bring the current accounting and reporting practices of MAF's subdepartmental institutions in line with the applicable laws. This will help budgetary organizations prevent production of double (budgetary and business) balance sheets.
20. Subdepartmental institutions cooperate with MAF's Central Accounting Office on designing a unified method of fixed assets recording.
21. The by-laws of MAF's subdepartmental institutions (the Department for Livestock Breeding, the SakTecZedamxedveloba State Inspection for Technical Supervision, the SakMinKhilTskali State Department for Production and Sale of

Mineral and Fresh Waters, the Agency for Agrochemical Affairs and Soil Fertility, the Samtresti Department for State Regulation of Viticulture and Winemaking, the Inspection for Agricultural Produce and Flour Quality, the Inspection for Testing and Protection of Selection Achievements) and those of the public law legal entity Veterinary Department against the notes given by the Team (Annex N17).

22. The analysis of the normative base regulating the activity of MAF's subdepartmental institutions showed that MAF needs structural and institutional changes in its system. MAF has to determine the question on the expediency of some of its institutions (the Saktevzi Department for Fishery, the Irrigation Inspection, the Machinery Testing Station, the Silk House Sericulture Coordination Center, the Scientific Center for Technical-Ecological Research, and the Nation's Servicing Squad for Winter Pasturelands and Livestock Driving Routes) – whether they should go on functioning so as they do now. It would be expedient to reorganize the Irrigation Systems Management Department into a legal entity of public law in order to encourage the development of the irrigation sector and bring it in line with the applicable legislation (Annex N17).
23. 22% of the 89 MAF-run companies have legal gaps in their foundation documents, in their registrations in the Entrepreneur's Register and in the registration of subsequent changes. Specific recommendations were made to prevent each of these gaps. The above issues must be brought in line with the applicable laws according to the relevant recommendations.
24. Only 4 joint-stock and 2 limited liability companies of the above-mentioned enterprises performed accounting and reporting pursuant to the Law of Georgia on Regulation of Accounting and Reporting. The Team recommended that the rest of the companies also bring their accounting and reporting issues in line with the applicable laws.
25. 23 of the companies studied by the Team held state-owned agricultural lands under lease arrangements. Over 2/3 of the land in the use of 15 of the companies was sub-leased without due permit or seized by other persons. Together with the relevant land management authorities MAF must fix the land areas which are misused by the companies and take measures to terminate the lease agreements.
26. 42% of the companies studied by the Team had not duly performed changes in the charter capital. The Team identified violations regarding the write-off, transfer, sale and otherwise disposal as well as re-evaluation of the fixed assets recorded on the balance sheets of the companies. To prevent such violations, the companies were recommended specifically. According to these recommendations, the structure as well as the actual value of the fixed assets held by the companies must be brought in line with their balance records.
27. Only 18% of the companies studied by the Team ended the 2001 business year with profit. However, the Team gave no positive evaluation to their activity because, as made clear, the financial results of the companies fail to match up with their actual potential. In response to the Team's recommendations, MAF raised the question on holding certain directors accountable for their inefficient management.

28. More emphasis must be placed on the efforts to prevent the violations and shortcomings identified by the Chamber of Control of Georgia and enforcement of the subsequent recommendations.
29. MAF is recommended to encourage cooperation with DAI Project over MAF's reorganization and strategy.
30. Maximum attention must be placed on recruitment and improvement of MAF's personnel's qualifications.

Annex 8. Legal matters involving the Ministry of Agriculture and Food as of September 30, 2002

Giorgi Managadze

Many of the outstanding legal matters involving the Ministry derive from the misadventures of the “Counterpart Fund,” a special account set up by the MAF to handle the proceeds from commodity monetization and other donor aid, particularly from the TACIS RARP I and RARP II assistance projects. At the request of the MAF, RAPA project lawyers Eka Otarashvili and Mamuka Matiashvili and project account Otar Chigladze prepared a thorough memorandum examining all the cases arising developing from the Counterpart Fund. That document has been accepted by the MAF and forwarded by the MAF to the Anti-Corruption Commission of Georgia. An English translation is being prepared. Resolution of most of these cases has been pursued by the MAF with legal assistance from the RAPA project.

Additions to the list or items in which new developments are reported are marked with an asterisk (“*”).

Ltd. “Georgian Railway”

On September 23, 2001 Ltd. “Georgian Railway” sued the MAF and asked the Tbilisi Krtsanisi-Mtatsminda District Court to require the Ministry to pay 26,359 lari for the transport of 1000 tons of diesel fuel that had been granted to the MAF by Azerbaijan as humanitarian aid.

Since the decree of the president of Georgia number 1234, issued on November 22, 2000, ordered the Ministry of Finance to pay the transport costs, the Ministry of Finance was a third party to the suit.

The court ruled on February 22, 2002, that the Ministry of Finance must pay the debt.

The Ministry of Finance has appealed in the Tbilisi Court of Appeals.

***Ltd “Gulani”**

On November 1, 1997, Ltd. “Gulani” signed a lease agreement on 300 square meters of ground-floor office space in the main building of the Ministry of Agriculture and Food at 41 Kostava Street in Tbilisi. The lease was to run for five years, until November 1, 2002. The Treasury Enterprise “Economic Services” (later reorganized into the Ltd. “Economic Services”), the MAF’s building-services parastatal executed the lease for the government.

Ltd. “Gulani” last paid the agreed rent in April, 1999 and ceased to actively use the space at that time. The MAF therefore considered that the lease was broken as of June 1, 1999 and unilaterally annulled it.

In the interim, the Ministry of State Property Management took over direct responsibility for managing all state property that is leased out for commercial purposes. In February 2002, the MSPM reclaimed its rights to directly manage all parastatal limited-liability companies, and direct responsibility for Ltd. “Economic Services” therefore passed to it as well.

Since the space formerly occupied by Ltd. “Gulani” was then considered vacant, MAF sent a written request to the MSPM to re-lease the space. MSPM duly issued an instruction to advertise the premises for rent and to invite potential tenants to apply to lease it.

Ltd. “Gulani” sued the MSPM to have the MSPM instruction on re-leasing the space annulled, claiming that its lease remains in force. The MAF is named as a third party in the suit.

The case was first discussed in the Vake-Saburtalo District Court, then, as decided by the judicial collegium, was submitted to the Collegia on administrative law and tax affairs of the Tbilisi Circuit Court and scheduled for hearing on August 8, 2002. Attorneys for the MAF, MPSM and the RAPA project met in advance of that scheduled hearing date to review the matter and coordinate their actions so the Ministry of State Property Management was informed in advance of the court date. However, no representative of the MPSM appeared at the time and place of the scheduled hearing.

The judges hearing the case, Amiran Pruidze, Tengiz Shervashidze and Irine Zarkua, are members of the Supreme Court of the Abkhazian Autonomous Republic. When the MPSM failed to appear, the three moved the hearing to the next day, granting such a short continuance because they were scheduled to take vacations and did not wish to continue it for another 45 days until they had all returned.

On the following day, when the RAPA project lawyer appeared about 20 minutes before the scheduled hearing, individuals from the Ltd. “Gulani” party asked him, crudely, to follow them back outside for a little talk beforehand. They then stated that they knew “all about” the RAPA project and its role in supporting the MAF staff in the case. They offered the project staff attorney, Mr. Mamuka Matiashvili, a job with a “better future.” According to Mr. Matiashvili, when he politely rejected that offer, they attempted to frighten him, threatened him with physical violence and tried to provoke a fight. Mr. Matiashvili did not respond.

Once the hearing started, representatives of the other side were repeatedly disorderly but the court made no comment and took no action about their behavior. The judges attempted to hold the hearing as quickly as possible, on the grounds that they had a very tight schedule.

The court found that the lease remains in force. MPSM does not plan to appeal since the lease will soon run out in any case. Apparently MAF has now asked the MPSM not to re-lease the space, as the MAF would like to use it for additional offices.

***Iasha Labuchidze and Roman Labuchidze v MAF, Ministry of Finance, Ministry of Industry, Economy and Trade and State Chancellery of Georgia**

The plaintiffs reside in the village of Itskisi, near Zestafoni. Near the village there is a sandpit. In the 1980s, improper operation of the sandpit caused a mudflow which destroyed the plaintiffs’ homes. On February 9, 1987, the Georgian Soviet Socialist Republic Council of Ministers issued decree number 42 allocating funds to build new houses for the persons who had been made homeless by the mudflow.

The houses were to have been built by the State Agroindustrial Committee of Georgia (*Sakagromretsvi*). At that time, this “superministry” united several previously independent ministries, including the Ministry of Agriculture and the Ministry of Rural Construction. The MAF was the principal legal successor of *Sakagromretsvi*, which was dissolved at the end of the 1980s. The main administrations of *Sakagromretsvi* that had been part of the Ministry of Rural Construction were then rolled into the Ministry of Construction, which later became part of the Ministry of Industry, Economy and Trade.

Based on these facts the plaintiffs filed suit in Tbilisi Vake-Saburtalo District Court in October 2002. They claim that they never received the compensation promised under the Council of Ministers resolution, and demand that the Ministry of Agriculture and Food and the Ministry of Industry, Economy and Trade pay \$111,400 to build them new houses and \$4,456 for attorney fees.

Joint-Stock Company “The Institute of Informatics and Telecommunications”

In 1998 the MAF contracted with JSC “The Institute of Informatics and Telecommunications,” for work to develop “AGRONET.” The contract estimated that the cost of the work would be 19,300 lari.

The JSC actually billed for 18,760 lari. 9,650 lari were transferred into the JSC’s account by the MAF. The balance, 9,110 lari, was never paid.

On December 21 2001, JSC “The Institute of Informatics and Telecommunications” brought suit against the MAF in Tbilisi Krtsanisi-Mtatsminda District Court demanding payment of the outstanding 9,110 lari. At the hearing the plaintiff presented the documents showing that the work had been done signed by Nugzar Duchidze, then Deputy Minister of Agriculture and Food. When called to testify at the hearing, Duchidze confirmed that the Ministry had promised to pay the amount in question.

The court ruled on January 25, 2002, that the MAF must pay 9,110 to the JSC. The Ministry of Finance has accepted that the sum should be included in the “executive fund” line in the 2003 budget, and, assuming that budget line is funded, the debt will be paid.

Joint-Stock Company “Spageti 94”

On June 18, 1998, the President of Georgia issued his instruction number 309, “On assisting the Population displaced from Gali district.” On the basis of that instruction, on June 18, 1998 the MAF contracted with JSC “Spageti 94” to supply twenty-five tons of macaroni products to internally displaced persons from Gali district. The JSC did so. The total value of the contract 20,000 lari. The MAF paid 7,500 lari to the JSC for the work.

Once the work was performed, the MAF was to pay the balance by a bank transfer of 12,500 lari to the account of “Spageti 94” through Tbilinterbank. This amount was debited from the MAF account but was not transferred to the account of “Spageti 94” because Tbilinterbank went bankrupt while the transfer was in progress. Tbilinterbank is still in liquidation and so the MAF has been unable to recover the funds.

JSC “Spageti-94” sued the MAF for payment in the Krtsanisi-Mtatsminda district court. The court found for the plaintiff, and the MAF appealed.

On April 22, 2002, the Tbilisi Court of Appeals ruled in favor of “Spageti 94” and required the MAF to pay the 12,500 lari. The Ministry of Finance has accepted that the sum should be included in the “executive fund” line in the 2003 budget, and, assuming that budget line is funded, the debt will be paid.

Nodar Tsurkava

In 2001 the MAF Grain and Flour Quality Control Inspection and State Inspection of Agricultural Product Quality were merged into a single Agricultural Products and Grain Quality Inspection.

Nodar Tsurkava had been employed by the Grain and Flour Quality Control Inspection as the deputy director of its Poti office. After the reorganization he was offered a position as a leading specialist in the Poti office of the successor agency, where he would retain his previous salary as required by law.

Tsurkava believed that his transfer was illegal because he had not been informed of the planned merger and possible staff reduction a month in advance as required by law. He filed suit in Tbilisi Krtsanisi-Mtatsminda District Court demanding that he be restored to his former position. The Tbilisi Krtsanisi-Mtatsminda District Court ruled against him.

He appealed the decision to the Tbilisi Court of Appeals, which ruled in his favor and ordered that he be restored to his old job. Since that job no longer exists, he should, under law, be offered a different equivalent post. Whether or not the head of the inspectorate has done so already is not known.

Joint-Stock Company “Kareli Machine-Tractor Park”

Since the mid-1990s, Japan has been assisting Georgia with agricultural equipment through its “2KR” grant program. In 1998, Ltd. “Imedi” acted as intermediary in arranging for equipment sales on time payments, and was to receive four percent of the value of the equipment sold for its services. JSC “Kareli MTP” purchased agricultural equipment supplied from the Japanese 2KR grant through Imedi. According to a contract signed by Imedi and JSC “Kareli MTP” in 1998, the joint-stock company was obliged to pay 12,300 lari for equipment to the account of the Counterpart Fund by November 1, 1998.

“Kareli MTP” failed to fulfill this obligation. On December 28, 2001, MAF filed suit for payment with the Kareli District Court. At the trial of the case on March 20, 2002, the JSC’s president testified that his firm did, indeed, owe the money. The court ruled in favor of the Ministry and ordered JSC “Kareli MTP” to pay the 12,300 lari. Collection was placed in the hands of the Legal Executive Service of the Ministry of Justice. JSC “Kareli MTP” has no apparent assets at this time.

***Ltd. “Sursati”**

On November 21, 1997, the MAF and Ltd. “Sursati” (Food) signed a contract by which the Counterpart Fund lent the company 75,000 lari at 9 percent annual interest. The firm was to purchase agricultural products produced by internally-displaced persons from Abkhazia (presumably farmers who continue to work land in the Gali district), as well as to purchase additional foodstuffs for sale to IDPs. Ltd. “Sursati” was obliged to repay the principal and interest by February 1, 1998.

The contract for the loan indicated that Ltd. “Sursati” had pledged certain real assets, a pair of refrigerated trucks, as collateral for the loan from the fund. However, it later turned out that the contract was improperly drawn and the assets were not in fact properly pledged. Apparently they actually belonged to a private person who worked for the firm, not the firm itself.

It is unclear that Ltd. “Sursati” ever procured any agricultural products from any source. The firm failed to make repayment to the MAF as required in its contract, and on December 28, 2001, the Ministry filed suit in Tbilisi Krtsanisi-Mtatsminda District Court demanding that Ltd. “Sursati” pay it 100,391 lari in principal and accumulated interest.

On June 12, 2002, the court ruled in favor of the Ministry and required Ltd. “Sursati” to pay the debt. Collection was placed in the hands of the Legal Executive Service of the Ministry of Justice. Ltd. “Sursati” has no apparent assets at this time and is reportedly in the process of liquidation. Therefore, possible recovery is in any case limited to the charter capital of the company, 2000 lari, and the company does not in fact have that at this time.

Ltd. “Detective”

In 1998 the Ministry lent Ltd. “Detective” 12,900 lari for the purchase of equipment provided under the 2KR grant. The debt was to be repaid to the Counterpart Fund by August 15, 1998. The company offered as collateral for the loan two refrigerated freight cars which it owned. The contract stipulated that if the Company failed to make repayment it would be in breach of contract and the collateral it had provided would be used to repay the debt. However, the collateral pledge was never properly notarized.

Ltd. “Detective” failed to fulfill its obligations, and, since the collateral pledge was not legally correct, on December 28, 2001, the MAF filed suit in the Tbilisi Krtsanisi-Mtatsminda District Court to force repayment. At the court hearing the defendant acknowledged that it had breached the contract and agreed that the amount should be repaid from the collateral it had posted. Collection was placed in the hands of the Legal Executive Service of the Ministry of Justice.

***Tsitsana Kankava**

In 1992 Ms. Kankava illegally entered and began to live in dacha number 3 at 41 Saakadze Street, Tskneti, which was then owned by the Ministry of Agriculture and Food. She continues to reside there. The dacha is now the property of Ltd. “Economic Services,” formerly the property and maintenance department of the Ministry of Agriculture and Food. This Limited-liability company remains 100 percent state-owned and was, until recently, managed by the Ministry of Agriculture and Food. In 2001 Kankava petitioned the Vake-Saburtalo District Court for recognition of her ownership of the dacha. On July 9, 2001, the court ruled in favor of the petitioner.

Ltd “Economic Services” appealed this decision to the Tbilisi Court of Appeals. A hearing was scheduled for October 11, 2002, but has been postponed. No new hearing date has yet been set.

The MAF is now acting as a third party in this case because management of Ltd. "Economic Services" has now been transferred to the Ministry of State Property Management as required by a Presidential decree earlier this year.

***JSC "Sakchai"**

There is no active legal case concerning the MAF and JSC "Sakchai." However, there is a large future liability possible as a result of this matter, and it is related to the ongoing litigation about JSC "Agroservis" described below.

Presidential decree 177 of April 10, 1997 allocated one million lari to rehabilitate the tea sector. MAF organized a tender to distribute this subsidy, and made a loan to the winner, JSC "Sakchai." An employee of the MAF is listed in a recent US Department of Commerce BisNIS bulletin as the president of JSC "Georgian Tea," but the Minister states that that information is incorrect and JSC "Sakchai" is no longer run by the MAF.

MAF guaranteed the 1997 loan contract, promising in writing that the funds would be repaid to the Ministry of Finance for the Presidential Fund of the state budget. The loan was not repaid, and the Ministry of Finance eventually assessed penalties of 79,000 lari against the MAF as guarantor for failure to repay.

On June 26, 1997, then Minister of Agriculture and Food Bakur Gulua issued instruction 2-182, giving additional "temporary financial aid" to JSC "Sakchai" of 485,000 lari. These funds came from sale of wheat given without charge by Greece to Georgia and were also subject to repayment to the state budget.

A subsequent presidential decree stretched out the period during which MAF must repay the loans through December 31, 2004. According to the RAE, MAF owes 1,664,000 lari to the budget on these debts. It appears that no action to collect from JSC "Sakchai" or its legal successors is currently being taken.

***JSC "Sakagroservis"**

"Sakchaisubtropiki" was a government organization involved in intergovernmental barter of tea for natural gas from Turkmenistan in the mid-1990s.

On July 8, 1997, President Shevardnadze issued instruction 267 about clearing arrears with Turkmenistan for natural gas. On the basis of that Presidential order, then Minister of Agriculture and Food Bakur Gulua issued Ministerial order 2-57 on January 30, 1998 liquidating "Sakchaisubtropiki". Paragraph five of Gulua's order transferred all outstanding assets and liabilities of "Sakchaisubtropiki" to the Joint-Stock Company "Sakagroservis." These obligations included receivables outstanding of 2,067,458 lari and debts owed of 2,044,113 lari. Of the total amount of Sakchaisubtropiki's accounts receivable, 1,055,000 was due from Sakagroservis. Other creditors of Sakchaisubtropiki include local Administrations of Agriculture and Food that are collectively owed about 710,000. This amount is presumably still owed to farms for tea delivered to Sakchaisubtropiki and bartered abroad for natural gas.

In 2000, JSC "Sakagroservis" filed suit to abrogate paragraph five of order 2-57 of 1998. The court of first instance found in favor of the plaintiff and the Ministry of Agriculture and Food appealed.

On April 15, 2002, the Tbilisi Court of Appeals found against JSC “Sakagroservis” and left paragraph five of the Minister’s Order number 2-57 of January 30, 1998, in force.

JSC “Sakagroservis” appealed this decision to the Supreme Court of Georgia and a hearing was held on October 9, 2002. Following a second hearing in mid-October, the Supreme Court ruled in favor of JSC “Sakagroservis.” The ruling means that former minister Gulua’s order has been finally annulled. JSC “Sakagroservis” is not responsible for the debts of “Sakchaisubtropiki” for tea bartered by the Georgian government to Turkmenistan. Presumably the Ministry of Agriculture and Food becomes responsible for them, but that is not yet clear.

Ltd. “Kevri”

In 1996 ACDI (now ACDI/VOCA) distributed seed aid in Georgia. One of their intermediaries was the private Ltd. “Chemi mamuli” (my homeland). Ltd. “Kevri” received some of this seed corn. Ltd. “Kevri” did not produce a crop. So Ltd. “Kevri” sued the Ministry of Agriculture and Food, Ltd. “Chemi Mamuli” and ACDI/VOCA for 160,000 lari in compensation for the claimed actual damage from what it asserts was defective seed corn. The court of first instance ruled against the plaintiff.

Ltd. “Kevri” has appealed to the Tbilisi Court of Appeals. A hearing scheduled for mid-October, 2002, was postponed with no new date as yet scheduled.

It is not clear why the MAF was named as a respondent in this suit. Apparently the plaintiff argues that the Ministry’s Seed Quality Inspection was negligent because it did not determine that the seed was defective.

***“Agroinformi”**

Ministry of Agriculture and Food order number 2-315 of September 26, 1996, allocated 130,000 lari to Ltd. “Agroinformi,” a parastatal managed by the MAF, from the Counterpart Fund. According to the Minister’s order, “Agroinformi” was then to transfer the funds to Ltd. “TV-7” to produce television shows to provide information to agriculture. This amount was said in the order to be for the “first phase of activities” described in the business plan of Ltd. “TV-7.”

On the basis of Minister Gulua’s order, the Ministry and Ltd. “Agroinformi” signed their contract number 2, on September 27, 1997. Under this agreement, the MAF granted 130,000 lari to Ltd. “Agroinformi” for TV-7 to implement the “first phase” activities. The MAF was obliged to monitor that the money was being spent for the specified purpose. Should the MAF discover misuse of the funds, “Agroinformi” would be required to repay the Counterpart Fund and the contract would be voided. Otherwise, no repayment was required or expected.

Based on this contract, “Agroinformi” and TV-7 concluded a contract on October 1, 1997 under which “Agroinformi” granted to TV-7 130,000 lari for first phase activities. According to the agreement “TV-7” was to spend the funds only for the contracted purpose, and in case of any misuse “Agroinformi” was authorized to annul the contract. Should either party fail to fulfill the terms of the contract, the other party was released from its obligation to perform.

On March 24, 1998, Ministry employees inspected the expenditure of the 130,000 lari and found that they had been improperly used. As a result, the MAF declared the contract null and void. TV-7 disputed this claim. On April 6, 1999, Agroinformi sued TV-7 for repayment of the 130,000 lari which had been misspent by TV-7. For reasons which are unclear, the court of first instance did not hear this case until July 13, 2000.

Agroinformi's claim against TV-7 was upheld in the lower courts and by the Tbilisi Court of Appeals. TV-7 appealed the decision to the Supreme Court and on July 31, 2002 the Supreme Court ruled in favor of "TV-7", deciding that the funds disbursed to "TV-7" had been properly spent. Therefore TV-7 is not required to repay 130,000 GEL to Agroinformi. This decision cannot be further appealed.

The television company has countersued Agroinformi and the MAF claiming that those parties should pay it the balance of the funds called for in its original business plan for agricultural broadcasting, a total of 1,743,000 lari. On August 16, 1999, Tbilisi District Court decided in favor of the Ministry of Agriculture and Food against TV-7 in the case of TV-7's claim for the 1,743,000 lari "balance." TV-7 appealed and the Tbilisi appeals court again upheld the Ministry. TV-7 then appealed to the Supreme Court. On March 9, 2000, the Supreme Court remanded the case to the appeals court for a rehearing. The court found that the lower courts' reasoning had been faulty, in particular because the result of this case depended on the outcome of the Agroinformi-TV 7 dispute. If the original 130,000 lari had in fact been misused, then TV-7's suit for the supposed balance would have been moot since the Ministerial Order and contracts promising the balance were conditional on performance with the first tranche.

TV-7 could now pursue the case for the balance of the total funds promised, but no further information is presently available on that matter.

***Tax Department claim**

In 1996-1997, the Ministry received rental income for lease of state property and paid taxes on the income received under the then-acting tax law. However, the Ministry did not record rental payments it was due but failed to receive. Nor did it make any payments on the back taxes at that time. In 1997-1998 the Chamber of Control repeatedly found that MAF should have paid taxes both on the sums it actually received and those it should have received from this commercial activity. The Chamber therefore imposed on MAF assessments for the back taxes, fines and penalties, eventually to the overall amount of GEL 977,877.

Meanwhile, the law changed and the Ministry of State Property Management became the designated government agent for all lease agreements. As a result, the leases in question, as well as claims for receivables amounting to GEL 1,919,961 were transferred to that Ministry. Reportedly, the lessee admits that these amounts are owed to the government. However, MAF currently has no commercial receivables, nor has it the right to receive them from lessees.

Although MAF no longer manages the leases in question and has no way to receive payments under them, the tax claim remains in force against MAF. It continues to accrue penalties for non-payment.

In 2001 the Tax Inspection obtained a collection order and seized GEL 28,070 from the MAF to pay the tax debt. The funds seized had been given by the government of France to assist rural credit unions, and MAF was spending the money in agreement with the French Ambassador. So these funds were not, in fact, the Ministry's. The Tax Inspection later admitted that it had seized the funds in error since the account was not a pure MAF one (Letter N29.06.01, 1-04/4302 of the Tax Department to the Head of the Mtatsminda-Krtsanisi District Tax Inspection). However, the funds were not returned to the MAF.

The MAF has argued to the tax inspectorate that since it engages in no commercial activity and has no property of its own (all MAF property is government property) the tax debt should be written off under the Tax Code as a bad debt. (Paragraph 28 of Article 29 of the Tax Code of Georgia states that a "bad debt is an outstanding debt arising with the taxes, fines and penalties provided by the tax legislation of Georgia where after applying a measure of coercion to a taxpayer's property it is established that the taxpayer possesses no property or assets, or his/her property is hardly enough to cover legal expenses"). Pursuant to Article 250 of the Tax Code of Georgia, if an outstanding liability has been recognized as a bad debt, it is to be written off by order of the Minister of Finance of Georgia on the basis of an opinion of the Tax Liability Restructuring Commission set up under the Ministry of Finance of Georgia. However, the Tax Inspection holds that since bad debts are recognized as a part of a bankruptcy proceeding, and the MAF, as a government agency, cannot go bankrupt, the amount cannot be written off as a bad debt.

***Robert Gurchiani**

On February 25, 2002, order number 15-k of the Minister of Agriculture and Food dismissed Robert Gurchiani from his position as head of the State Inspection of Phyto-sanitary Quarantine of the Plant Protection Service. The order was based on the results of an audit of the Phyto-sanitary Quarantine Inspection by the Chamber of Control of Georgia covering the period January 1, 1999 through October 1, 2001. At the request of the Minister of Agriculture and Food, three employees of the RAPA project participated in this audit together with colleagues from the Internal Control Department of the Ministry of Agriculture and Food and the Control Chamber.

Gurchiani filed suit in Tbilisi Mtatsminda-Krtsanisi District Court demanding abrogation of this order of the Minister and restoration to his previous position. Hearings before Judge Zaur Mebonia began on May 2, 2002. On June 17, the judge found in favor of the plaintiff and ordered him reinstated. On September 12, 2002 the MAF filed an appeal of this judgment. A hearing is scheduled for October 25, 2002. (Details of this case were described further in the previous quarterly report.)

As part of the ongoing restructuring of the Ministry, the Phyto-sanitary Inspection has been dissolved. On June 21, 2002, Gurchiani refused in writing the position offered to him by the MAF in lieu of the one from which he had been terminated. Gurchiani subsequently sent appeals to the head of the Committee on Agrarian Issues of the Georgian Parliament, the State Minister of Georgia, and elsewhere claiming wrongful termination and requesting a parliamentary investigation.

Gurchiani then filed a second suit, demanding that the presidential decree approving the new structure of the MAF without a separate Phyto-sanitary Quarantine Inspection, and the two orders of Minister Kirvalidze that implemented it, be annulled. He argued that the reorganization should not have been done while his case was being heard, that its only

purpose was to eliminate his job, and that President Shevardnadze would not have issued his decree approving the new structure had Kirvalidze told him the labor dispute was being heard. That is, he asserted that Kirvalidze had lied to Shevardnadze about the situation in the MAF.

The Tbilisi Regional Court found against Gurchiani in his second case on September 18, 2002. He is reportedly appealing, although the MAF has not yet received official notice.

***Dodo Gugeshashvili v information agency “GEA”**

The MAF is not directly involved in this case, but it arises directly from the Gurchiani matter.

Ms. Dodo Gugeshashvili is a leading member of the former paramilitary and present political organization Mkhedrioni (“the horsemen”), commanded by Jaba Ioseliani. Information-analytical agency “GEA” is a major Georgian wire service that provides daily news feeds to local media. Its founder, Mr. Giga Kurdovanidze, has taken a leave of absence from his business to work as the RAPA project’s outreach coordinator.

During the hearings on the first Gurchiani suit, Mr. Kurdovanidze and another RAPA project staff member, Mr. Vasili Bibiluri, videotaped the proceedings. A GEA correspondent also attended some hearings. When asked by Gurchiani’s lawyer whom they represented, they said GEA.

On August 26, 2002, GEA reported that Ms. Gugeshashvili had been arrested in the Pankisi Gorge for possession of narcotics. She brought an action for defamation against GEA in the Vake-Saburtalo district court, demanding an apology and 100,000 lari in damages.

The agency’s information reportedly came from the chief of police in Akhmeta, the town at the base of the Pankisi Gorge. Unfortunately, a few days after the item appeared he was fired for negligence because a Chechen captured crossing the border from the Russian Federation escaped from the town jail.

Ms. Gugeshashvili is represented by Ms. Guliko Gabaidze, who also represents Robert Gurchiani. Gabaidze has reportedly publicly stated that her purpose is to punish GEA for its role in the Gurchiani case.

No hearing date has yet been set.

Annex 9. Schedule for conversion of mandatory standards into voluntary standards accepted by Georgia on accession to the World Trade Organization

Title of activity	Volume of activity	Date of implementation	Responsible authority
Conversion of mandatory standards in force in Georgia into voluntary standards for the following fields:			
Communication means	30% 70%	At the end of 2000 At the end of 2001	Geostand Ministry of Communication and Post
Light industry products, cloth, knitted wear, clothes, leather products	45%	At the end of 2000	Geostand
	55%	At the end of 2001	Ministry of Industry
Industry products, machinery constructions, technological constructions	50%	At the end of 2000	Geostand
	50%	At the end of 2001	Ministry of Industry
Building materials and products	30%	At the end of 2000	Geostand
	70%	At the end of 2002	Ministry of Urbanization and Building
Power engineering and fuel	50%	At the end of 2000	Geostand
	50%	At the end of 2001	Ministry of Power Engineering
Chemical materials and substances	10%	At the end of 2001	Geostand
	90%	At the end of 2002	Ministry of Industry
Foodstuff, agricultural products	10%	At the end of 2001	Geostand
	90%	At the end of 2002	Ministry of Food and Agriculture
To decrease the list of products, imported or manufactured in Georgia, subjected to the mandatory certification and to transfer them to the voluntary certification	Expertise of the list of products subjected to the mandatory certification and its reducing	From 120 to 70 at the end of 2001 End transfer to the voluntary certification at the end of 2002 50% with help	Geostand Customs Department
Establishment of WTO Enquiry Point in Geostand	Refurbishing of Enquiry Point with appropriate equipment	At the end of 2000	Geostand
Preparation of normative documents related to the voluntary standardization		At the end of 2001	Geostand
Organization of making up technical regulations		At the end of 2001	Geostand

Annex 10. Draft Law of Georgia “On the procedure for issuing licenses and permits for the production of food products and tobacco” (September 16, 2002)

Chapter I. Licenses

Article 1. The sphere of competence of this law

This law regulates licensing and issuance of permits for the production of food (including baby food) and tobacco products (hereinafter referred to as “products”), specifies the types of products subject to licensing and issuance of permits and sets the conditions for issuing licenses and permits.

Article 2. Production to be licensed

Types of production to be licensed:

a) Production of alcoholic drinks and ethyl alcohol:

1. Grape processing;
2. Dry wine;
3. Table semidry wine;
4. Natural semidry wine;
5. Table semi-sweet wine;
6. Natural semisweet wine;
7. Sweet wine;
8. Sparkling wine;
9. Aerated wine;
10. Strengthened wine;
11. Aromatized wine;
12. Brandy;
13. Vodka;
14. Strong beverages;
15. Liquor and other soft beverages;
16. Brandy spirit;
17. Raw spirit;
18. Rectified spirit;

b) Production of beer, alcohol-free drinks and water:

1. Beer;
2. Alcohol free beverages;
3. Potable water (Drinking water);
4. Kvass;
5. Carbon production for aerated waters;

c) Tea and coffee processing production;

d) Production of flour, noodles, macaroni and bread and bread products;

e) Production of sugar, honey, confectionary, starch products and grape juice;

f) Fruit and vegetable processing production;

g) Meat and dairy (Milk) processing production;

h) Production of vegetable oils and fats;

i) Fish and marine other products processing production;

j) Production of taste products and feed additives;

k) Tobacco processing production;

l) Production of children nutrition;

Article 3. Terms of Licensing

1. The person who needs license must present the written application to the license issuer in order to receive the license.
2. The information envisaged by the 2nd clause of 9th Article of Law of Georgia on “Basis of Licensing and Issuing Permissions of Entrepreneurial Activities ” must include the following as an attachment:
 - a. Information about place of residence of entity;
 - b. Information about level of qualification of specialists within licensed production (only for persons responsible for technological processes)
 - c. Information about functioning of the material-technical basis of the plant;
 - d. The technological instruction approved by the entrepreneur;
 - e. Information about internal entrepreneurial monitoring system of quality of products;
 - f. Information about sanitary-hygienic status of entity;
 - g. Information about metrological provision of information measuring means;
 - h. The document verifying payment of license fees.
3. In the case of water trade production, the application must have the additional attachments, according with the special characteristics:
 - a. License for water use;
 - b. Document verifying that the category of water trade production had being really awarded.
4. The entity which produces extremely perishable production (foodstuffs, which are edible from 8 to 72 hours, under 6 C) and water trade stuff must possess lab for chemical and microbiological tests;
5. If the entity changes its location or other terms envisaged in clause 2 of this article, the license owner must inform the license issuer about it in writing and present the appropriate documents within seven working days after the changes have been made.

Article 4. The form of license certificate

The form of license certificate is determined by the Order of the Minister of Agriculture and Food of Georgia.

Article 5. The regulation to inspect the licensing conditions

1. The issuer of license has the authority to inspect on-site the licensing conditions through the presence of the person who needs license, providing the relevant written conclusion.
2. If the conditions, which are inspected on-site, do not correspond with the information indicated by the person who needs license, it can be the ground to reject issuing license.

Chapter II Permits

Article 6. Production for which permits are required

Types of Production to be permitted:

- a) Production of alcoholic drinks and ethyl alcohol:

19. Grape processing;
 20. Dry wine;
 21. Table semidry wine;
 22. Natural semidry wine;
 23. Table semi-sweet wine;
 24. Natural semisweet wine;
 25. Sweet wine;
 26. Sparkling wine;
 27. Aerated wine;
 28. Strengthened wine;
 29. Aromatized wine;
 30. Brandy;
 31. Vodka;
 32. Strong beverages;
 33. Liquor and other soft beverages;
 34. Brandy spirit;
 35. Raw spirit;
 36. Rectified spirit;
- b) Production of beer, alcohol-free drinks and water:
6. Beer;
 7. Alcohol free beverages;
 8. Potable water (Drinking water);
 9. Kvass;
 10. Carbon production for aerated waters;
- c) Tea and coffee processing production;
- d) Production of flour, noodles, macaroni and bread and bread products;
- e) Production of sugar, honey, confectionary, starch products and grape juice;
- f) Fruit and vegetable processing production;
- g) Meat and dairy (Milk) processing production;
- h) Production of vegetable oils and fats;
- i) Fish and marine other products processing production;
- j) Production of taste products and feed additives;
- k) Tobacco processing production;
- l) Production of children's food;

Article 7. Terms for issuance of permits

1. The person who needs permit must present the written application to the permission issuer in order to receive the permission.
2. The information envisaged by the 2nd clause of 22nd Article of Law of Georgia on "Basis of Licensing and Issuing Permissions of Entrepreneurial Activities " must include the following as an attachment:
 - a. Information about place of residence of entity;
 - b. Data about level of qualification of specialists within licensed production (only for persons responsible for technological processes)
 - c. Information about functioning of the material-technical basis of the plant;
 - d. The technological instruction approved by the entrepreneur;
 - e. Information about internal entrepreneurial monitoring system of quality of products;
 - f. Information about sanitary-hygienic status of entity;

- g. Information about metrological provision of information measuring means;
 - h. The document verifying payment of permission fees.
3. In the case of water trade production, the application must have the additional attachments, according with the special characteristics:
 - a. License for water use;
 - b. Document verifying that the category of water trade production had being really awarded.
 4. The entity which produces extremely perishable production (food stuff, which is edible from 8 to 72 hours, under 6 C) and water trade stuff must possess lab for chemical and microbiological tests;
 5. In the case if the entity changes its place or other terms envisaged by the 2nd clause of this article, the permission owner must inform the permission issuer about it in written and present the appropriate documents in duration of 7 working days after the changes have been made.

Article 8. Period of permission validity

A permit is valid for one year.

Article 9. The form of permission certificate

The form of permission certificate is determined by the Order of the Minister of Agriculture and Food of Georgia.

Article 10. The regulation to inspect the permission conditions

1. The issuer of permission has the authority to inspect on-site the permission conditions through the presence of the person who needs permission, providing the relevant written conclusion.
2. If the conditions, which are inspected on-site, do not correspond with the information indicated by the person who needs permission, it can be the ground to reject issuing permission.

Chapter III. Transitional and concluding provisions

Article 11. Entry of the law in force

1. This law goes into force as of January 1, 2003.
2. Six months after the date this law is put into force, the activities covered by this laws which continue to be carried out without licenses and permissions become illegal.

Annex 11. Status of Draft Law “On the issuance of licenses and permissions for food and tobacco production”

Giorgi Dangadze
September 24, 2002

The Law of Georgia “On the basis of issuance of licenses and permissions for entrepreneurial activities” defines activities to be licensed as well as the appropriate agency to issue each license. Clause “m” of Article 6 of this Law stipulates that the “Production of food (including children’s food products) and tobacco should be licensed by the Ministry of Agriculture and Food of Georgia.”

Clause 2 of Article 39 of this law declares that in order to bring legislation into accord with this Law, at the legislative initiative of the President of Georgia, the appropriate government organizations within the spheres of their competence should submit to the Parliament the following defined draft acts by September 1, 2002. Among these acts, as stipulated by clause “h,” is the Law “On licensing food and tobacco.”

In April 2002 deputy Minister of Justice Z. Ezugbaia sent a note to the Ministry of Agriculture and Food of Georgia stating that they were to prepare the normative act according to the provisions of the Law of Georgia “On the basis of the issuance of licenses and permissions for entrepreneurial activities.”

As a result of this assignment, the Draft Law “On the issuance of licenses and permissions for food and tobacco production” was developed by the Ministry of Agriculture and Food of Georgia.

The draft was written by Petre Meskhidze, a specialist in the licensing administration of “Samtresti.” The Food Product Analysis and Monitoring Service and the “Samtresti” Department were the most active participants in the drafting process within the Ministry. The “Saqminkhiltskali” department also participated.

Periodically meetings were held by the head of the MAF parliament relations, legal and law drafting service Givi Merabishvili to discuss the drafting process.

The following persons attended meetings on the draft law:

- Omar Kacharava – Head of the MAF Food and processing industry department
- Irakli Chikhradze – Head of the standardization and certification administration of the MAF Food and processing industry department
- Lela Turmanauli – Specialist in the Veterinary department
- Zurab Lataria – Agrochemical and soil fertility service
- Marina Gvinepadze – Plant protection service
- Zaur Chinchibadze – Department “Sakminkhiltskali”
- Petre Meskhidze – Department “Samtresti”

Letter 1-7/120, dated August 16, 2002, from Teimuraz Chelidze, the Head of the Food Products Analysis and Monitoring Service, to Deputy Minister of Agriculture and Food

of Georgia David Grigolia, confirms that this draft law was developed under the direct supervision of Deputy Minister David Grigolia. He coordinated and supervised all the working group's meetings.

The list of products for which licenses or permits are to be required was submitted to the Heads of subordinated agencies of the Ministry for approval.

From July 29 through August 11, 2002, a seminar was conducted by IRIS in Bakuriani concerning licensing in all sectors, the law of Georgia "On the basis of issuance of licenses and permits for entrepreneurial activities" and draft laws developed by various Ministries on licensing. The participants in the whole seminar in Bakuriani were:

- Representatives of the Young Economist association of Georgia
- Head of the juridical department of Parliament of Georgia Levan Bejashvili
- Legal councilor of Anticorruption bureau of Georgia Koba Chekurishvili
- IRIS – Zurab Marakvelidze

Representatives of the Ministry of Agriculture and Food were invited to attend the seminar from August 7 through August 10, 2002. All the MAF employees mentioned above attended the seminar. Representatives from other Ministries and governmental bodies of Georgia attended as appropriate.

The other participants in the seminar opposed the draft law on licensing presented by the MAF. Their main reason was that it would create additional obstacles of entrepreneurial activity in Georgia.

The Ministry of Justice of Georgia prepared its own memorandum on the draft law. The Ministry of Justice commentary states that, in particular, the types of production for which licenses or permissions are to be required are absolutely identical. There is therefore a legally undefined situation. It is reasonable to clearly separate the types of production for which licenses are to be required from the types of production for which permits will be needed.

Representatives of the Ministry of Agriculture and Food of Georgia have responded that the entrepreneur has the right to decide whether he wants a license or a permit and that his application should specify what he wants.

The MAF states further that the motivation for the choice of requesting a license or a permit may be: the volume of the raw materials to be processed, the systematic or one-time character of production, the equipment and facilities available (such as the temporary rental or ownership of production facilities including premises and equipment) and other business circumstances. The issuing agency must decide whether to issue the license (permit) or refuse to do so if it does not have any other alternative.

The MAF adds that an artificial separation of product types in the draft law would violate the unity of the production process, which is not in the interests of the entrepreneur.

The Ministry of Justice notes further that the draft law "On the Issuance of Licenses and Permissions for Food and Tobacco Products" will actually regulate the issuance of licenses or permits for all kind of food and other products.

The Anticorruption Bureau of Georgia opposes the Draft Law.

Translated by Tiko Janashvili
19.09.2002

Annex 12. Sales of US 416(b) Wheat on the Tbilisi Grain and Oil Products Exchange (2001 agreement)

Transaction date	Amount Sold MT	Unit Sales Price		Transaction value	
		USD/MT	GEL/MT	USD	GEL
27-Jun-02	10	\$ 150.00	332.25	\$ 1,500.00	3,322.50
19-Jul-02	35	\$ 136.00	300.00	\$ 4,760.00	10,500.00
19-Jul-02	5	\$ 136.00	300.00	\$ 680.00	1,500.00
19-Jul-02	19	\$ 136.00	300.00	\$ 2,584.00	5,700.00
22-Jul-02	40	\$ 136.00	300.00	\$ 5,440.00	12,000.00
23-Jul-02	20	\$ 137.00	300.00	\$ 2,740.00	6,000.00
23-Jul-02	10	\$ 137.00	300.00	\$ 1,370.00	3,000.00
31-Jul-02	20	\$ 137.00	300.00	\$ 2,740.00	6,000.00
1-Aug-02	14	\$ 137.00	300.00	\$ 1,918.00	4,200.00
1-Aug-02	13	\$ 137.00	300.00	\$ 1,781.00	3,900.00
1-Aug-02	13	\$ 137.00	300.00	\$ 1,781.00	3,900.00
1-Aug-02	20	\$ 137.00	300.00	\$ 2,740.00	6,000.00
9-Aug-02	10	\$ 138.00	300.00	\$ 1,380.00	3,000.00
21-Aug-02	20	\$ 138.00	300.00	\$ 2,760.00	6,000.00
21-Aug-02	14	\$ 138.00	300.00	\$ 1,932.00	4,200.00
21-Aug-02	14	\$ 138.00	300.00	\$ 1,932.00	4,200.00
21-Aug-02	14	\$ 138.00	300.00	\$ 1,932.00	4,200.00
21-Aug-02	30	\$ 138.00	300.00	\$ 4,140.00	9,000.00
27-Aug-02	10	\$ 137.00	300.00	\$ 1,370.00	3,000.00
5-Sep-02	10	\$ 138.00	300.00	\$ 1,380.00	3,000.00
9-Sep-02	20	\$ 138.00	300.00	\$ 2,760.00	6,000.00
23-Sep-02	200	\$ 138.00	300.00	\$ 27,600.00	60,000.00
23-Sep-02	100	\$ 138.00	300.00	\$ 13,800.00	30,000.00
23-Sep-02	20	\$ 138.00	300.00	\$ 2,760.00	6,000.00
23-Sep-02	100	\$ 138.00	300.00	\$ 13,800.00	30,000.00
27-Sep-02	200	\$ 138.00	300.00	\$ 27,600.00	60,000.00
30-Sep-02	20	\$ 138.00	300.00	\$ 2,760.00	6,000.00
7-Oct-02	20	\$ 139.00	300.00	\$ 2,780.00	6,000.00
7-Oct-02	20	\$ 139.00	300.00	\$ 2,780.00	6,000.00
Total	1041			\$ 143,500.00	312,622.50

Source: Tbilisi Grain and Oil-products exchange.

This table shows all agreed sales, including those for which payment has not yet been made. The most recent Ltd. "State Regulatory Board" report to the State Chancellery (October 11, 2002) shows 514.37 MT sold, 109,708.64 GEL available for distribution to government accounts, including 9577 GEL in VAT.

Annex 13. Shevardnadze decree on steps for preparation of executive branch reform plan

DECREE OF THE PRESIDENT OF GEORGIA
number 304

Tbilisi

June 18, 2002

On the main principles for preparation of the functional and structural reorganization program of Georgian executive branch agencies

According to the Presidential decree number 430 of April 17, 2002 "About approval of the plan for anticorruption activities":

1. In order to set the pre-conditions for reorganization of the structure of executive branch, for analyzing the relevant information, in order to avoid discrediting the idea of reforms and to gain public support, the governmental agencies of Georgia in preparation of functional and structural reorganization program shall:

- a) Prepare a program implementing a detailed work plan for the whole period of the program;
- b) Comprehensively and in detail analyze the existing applicable legislation in force in the field (System, sphere, entity), the number of employees and logistics;
- c) Submit detailed financial estimations indicating funding sources;
- d) Calculate the needed human resources for conducting the program and determine the sources for obtaining this qualified staff;
- e) Prepare the mechanism of public infirmity and receiving of suggestions and comments during the whole period of program conducting;
- f) Estimate the expected economic, social and political consequences of program implementation for 1 year, 3 year, 5 year and 10 year outlook (including work places). In order to avoid mistakes and premature decisions shall be taken in to account the positive experience, which was gained during the rebuilding of independent Georgian State.
- g) Prepare the monitoring mechanism of program implementation and calculating concrete indicators;
- h) Analyze the forecasts of possible impediments to the program implementation and find alternative ways of carrying out the program;

2. Information shall be presented in written form and in electronic version (LitNusx) in order to make the software database.

3. Before adoption of program and 2 month before discussion it on the governmental meeting of Georgia it shall be published for public debates (Except the information which contains State secret)

4. The state service bureau of the State Chancellery of Georgia is to control the execution of this decree.

/signed/ E. Shevardnadze

Translated by Giorgi Dangadze
July 17, 2002

Annex 14. Laws of Georgia governing the activities of the Ministry of Agriculture and Food

Mamuka Matiashvili
August 5, 2002

The Ministry of Agriculture and Food of Georgia, the state subordinated units under its jurisdiction, the legal entities of the public law act and implement the undertaken tasks according the legislation of Georgia.

Firstly, I would like to mention, that the said institutions, as the organizations of the executive branch, act according to the Law of Georgia on “Regulations of structure and activities of executive body”. The administration of this system, like all state organizations, should be implemented through observance of the terms of the General Administrative Code, Law of Georgia on “Public Service” and the Labor Code.

According to the specific character, the said organizations involved within the agricultural sphere act in full compliance of the special legislation. I offer you the list bellow.

The Ministry of Agriculture and Food is the governmental organization, which determines and implements policy within the sphere of agriculture and food. This main task is executed by the Ministry through the state subordinated units within its jurisdiction and the legal entities of the public law under its control.

The effecting legislation within the agricultural sphere includes the following legislative acts:

1. The Veterinary Department, a legal entity of the public law under the control of the Ministry of Agriculture and Food of Georgia, which implements its duties according to the International Veterinary Code, Laws of Georgia “On Veterinary Medicine”, “On Agricultural Quarantine” and its own statute.
2. The Amelioration State Regulating Department, a subordinated unit to the Ministry of Agriculture and Food of Georgia, which is guided by the Law of Georgia “On Waters” and “On Land Amelioration”.
3. The Vine and Wine State Regulating Department, “Samtresti”, a legal entity of the public law under control of the Ministry of Agriculture and Food of Georgia, which implements its functions according to the Law of Georgia “On Vine and Wine”.
4. Quality Inspection of Crop and Flour, a subordinated unit of the Ministry of Agriculture and Food of Georgia, acts according to the Law of Georgia “On Food and Tobacco”.
5. Plant Protection Service, a subordinated unit of the Ministry of Agriculture and Food of Georgia, implements its duties through the full observance of the following Laws of Georgia: “On Plant Protection from Pests”, “On Agricultural Quarantine”, “On Pesticides and Agri-chemicals”.
6. The Center for Protection of the Plant Breeders' Rights, “Saqjishtsenti,” a legal entity of public law under the control of the Ministry of Agriculture and Food of Georgia, which executes its functions according to the Law of Georgia “On

permission for dissemination the agricultural species, high-quality seeds and planting materials”.

7. The Service of Agri-chemistry and Soil Fertility, a subordinated unit of the Ministry of Agriculture and Food of Georgia, carries out its functions according to Law of Georgia “On Soil Protection”.

Other subordinated units of the Ministry do not act according to any special law, they implement their functions through the full observance of the general legislation.

It is remarkable, that the above-mentioned organizations carry out activities that require the measures of control and supervision from their side. This right is based on the definite legislation, concerning licensing, permissions, certification, registration, other type of state service and the relevant fees. Many laws regulating this sphere should be adopted, they are yet introduced on the level of draft. As for the general legislation, this sphere is regulated by the following basic laws: “On the bases of licensing and permissions relevant to the agricultural activities”, “On Certification of production and service”, “On Bases of the Fee System”, etc.

Some other special laws are effecting within the agricultural sphere, which directly regulate several types of activities. These special laws are:

- “On reimbursement of the costs and losses while utilizing the agricultural lands not for agricultural purposes”
- “On agricultural land property ”
- “On Pesticides and Agri-chemicals”
- “On Bee Breeding”

The full list of the laws effective in the Agricultural Sphere is the following:

1. “The Law On Veterinary Medicine”
2. “The Law on Agricultural Quarantine”
3. “The Law on Waters”
4. “The Law on Land Amelioration”
5. “The Law on Vine and Wine”
6. “The Law on Food and Tobacco”
7. “The Law on Plant Protection from Pests”
8. “The Law on Pesticides and Agri-chemicals”
9. “The Law on permission for dissemination the agricultural species, high-quality seeds and planting materials”
10. “The Law on Land Protection”
11. “The Law on reimbursement of the costs and losses while utilizing the agricultural lands not for agricultural purposes”
12. “The Law on agricultural land property”
13. “The Law on Bee Breeding”
14. “The Law on the bases of licensing and permissions relevant to the agricultural activities”
15. “The Law on Certification of Production and Service”
16. “The Law on Bases of Fee System”

*Translated by Tiko Janashvili
06.09.2002*

Annex 15. MAF order establishing steering committee on reform

Order of the Minister of Agriculture and Food

Tbilisi

August 22, 2002

number 2-114

On the creation of a commission to coordinate reorganization of the MAF

Since the main functions of the Ministry of Agriculture and Food are to regulate relations between producers and consumers, support an effective and stable agrarian sector, to facilitate stable supplies of safe production and improve the level of rural welfare, a significant improvement in the functioning of the Ministry is needed. With this purpose

I order:

1. To establish a commission to facilitate better fulfillment of the functions of the Ministry and develop a plan and schedule for reorganization of the Ministry, with the following composition:

Giorgi Tkeshelashvili	Deputy Minister (Chairman)
David Shervashidze	Deputy Minister
David Grigolia	Deputy Minister
Giorgi Iakobashvili	Advisor to the Minister
Don Van Atta	Advisor to the Minister
Tamaz Kunchulia	Head of the Strategic Development and Policy Department
Roman Kakulia	Head of the Foreign Relations Department
Genadi Kerdzevadze	Head of the Ministry Apparatus
Givi Merabishvili	Head of the Legal, Law Drafting and Parliament Relations Service
Avtandil Korakhashvili	Chairman of the Scientific Board of Agro-bio-diversity of the Academy of Sciences of Georgia (Secretary).

2. By October 21, 2002, the commission is to develop a plan of action that includes a schedule for measures to be carried out by December 31, 2003.

3. The Ministry Apparatus (Genadi Kerdzevadze), the Legal, Law Drafting and Parliament Relations Service (Givi Merabishvili) and the “Restructuring Assistance and Policy Advice for the Ministry of Agriculture and Food of Georgia” Project are to provide support required by the commission.

3. First Deputy Minister Nugzar Mamaladze is to monitor implementation of the order.

[signed] Nugzar Mamaladze
First Deputy Minister

Annex 16. Ministry of Agriculture and Food of Georgia 2002 Budget

(The Georgian Fiscal Year is the Calendar Year)

(000 GEL)

		Total 2002 budget	o/w from central budget	o/w from special incomes
31 00	Ministry of Agriculture and Food of Georgia, Total	16,699.1	14,900.0	1,799.1
	# of staff units	3,290.0	3,290.0	0.0
	Labor remuneration	1,879.6	1,682.1	197.5
	Employers contributions	801.5	736.5	65.0
	Missions	365.7	323.3	42.4
	Other goods and services	1,652.2	1,056.2	596.0
	Capital expenditures	64.9	0.0	64.9
	Program expenses	11,935.2	11,101.9	833.3
31 01	Apparatus of the Ministry of Agriculture and Food of Georgia	771.5	771.5	0.0
	# of staff units	171.0	171.0	
	Labor remuneration	135.8	135.8	
	Employers contributions	46.9	46.9	0.0
	Missions	54.8	54.8	
	Other goods and services	334.0	334.0	
	Program expenses	200.0	200.0	
31 02	Departments and Inspections of the Ministry of Agriculture and Food of Georgia	1,244.7	1,244.7	0.0
	# of staff units	241.0	241.0	
	Labor remuneration	173.5	173.5	
	Employers contributions	64.5	64.5	0.0
	Missions	58.8	58.8	
	Other goods and services	191.9	191.9	
	Program expenses	756.0	756.0	
31 03	Department for the Management of Amelioration Systems	8,301.6	7,318.3	983.3
	# of staff units	1,444.0	1,444.0	0.0
	Labor remuneration	615.9	615.9	0.0
	Employers contributions	305.0	305.0	0.0
	Missions	55.0	55.0	0.0
	Other goods and services	325.0	175.0	150.0
	Program expenses	7,000.7	6,167.4	833.3
31 03 01	Apparatus of the Department for the Management of Amelioration Systems	104.4	104.4	0.0
	# of staff units	54.0	54.0	
	Labor remuneration	43.2	43.2	
	Employers contributions	14.8	14.8	0.0
	Missions	16.0	16.0	
	Other goods and services	30.4	30.4	
31 03 02	Bureau for Special Investment Projects	118.4	118.4	0.0
	Program expenses	118.4	118.4	

31 03 03	Management of the Water for Food Security (Complex development of land amelioration) _ I Stage	6,882.3	6,049.0	833.3
	Program expenses	6,882.3	6,049.0	833.3
31 03 04	Subordinated Units of the Department for the Management of Amelioration Systems	1,196.5	1,046.5	150.0
	# of staff units	1,390.0	1,390.0	
	Labor remuneration	572.7	572.7	
	Employers contributions	290.2	290.2	0.0
	Missions	39.0	39.0	
	Other goods and services	294.6	144.6	150.0
31 04	Veterinary Department	2,607.5	2,285.4	322.1
	# of staff units	513.0	513.0	0.0
	Labor remuneration	325.8	268.3	57.5
	Employers contributions	130.9	113.1	17.8
	Missions	108.2	76.3	31.9
	Other goods and services	317.6	102.7	214.9
	Program expenses	1,725.0	1,725.0	0.0
31 04 01	Apparatus of the Veterinary Department	208.8	119.1	89.7
	# of staff units	51.0	51.0	
	Labor remuneration	59.7	41.7	18.0
	Employers contributions	19.0	13.4	5.6
	Missions	58.3	43.4	14.9
	Other goods and services	71.8	20.6	51.2
31 04 02	Subordinated Units of the Veterinary Department	637.5	405.1	232.4
	# of staff units	439.0	439.0	
	Labor remuneration	249.2	209.7	39.5
	Employers contributions	106.4	94.2	12.2
	Missions	45.3	28.3	17.0
	Other goods and services	236.6	72.9	163.7
31 04 03	Regional Services of the Veterinary Department	36.2	36.2	0.0
	# of staff units	23.0	23.0	
	Labor remuneration	16.9	16.9	
	Employers contributions	5.5	5.5	0.0
	Missions	4.6	4.6	
	Other goods and services	9.2	9.2	
31 04 04	Activities Against Epizootic Diseases	1,725.0	1,725.0	0.0
	Program expenses	1,725.0	1,725.0	
31 05	Plant Protection Service	1,661.2	1,167.5	493.7
	# of staff units	297.0	297.0	0.0
	Labor remuneration	291.6	151.6	140.0
	Employers contributions	112.0	64.8	47.2
	Missions	29.7	19.2	10.5
	Other goods and services	313.0	81.9	231.1
	Capital expenditures	64.9	0.0	64.9
	Program expenses	850.0	850.0	0.0
31 05 01	Apparatus of The Plant Protection Service	28.6	28.6	0.0

	# of staff units	14.0	14.0	
	Labor remuneration	10.7	10.7	
	Employers contributions	3.6	3.6	0.0
	Missions	1.8	1.8	
	Other goods and services	12.5	12.5	
31 05 02	Subordinated Stations and Laboratories of the Plant Protection Service	782.6	288.9	493.7
	# of staff units	283.0	283.0	
	Labor remuneration	280.9	140.9	140.0
	Employers contributions	108.4	61.2	47.2
	Missions	27.9	17.4	10.5
	Other goods and services	300.5	69.4	231.1
	Capital expenditures	64.9		64.9
31 05 03	Activities of the Plant Protection Service	850.0	850.0	0.0
	Program expenses	850.0	850.0	
31 06	Animal Breeding Department	667.7	667.7	0.0
	# of staff units	115.0	115.0	0.0
	Labor remuneration	78.7	78.7	0.0
	Employers contributions	28.9	28.9	0.0
	Missions	19.3	19.3	0.0
	Other goods and services	40.8	40.8	0.0
	Program expenses	500.0	500.0	0.0
31 06 01	The Apparatus of the Animal Breeding Department	83.0	83.0	0.0
	# of staff units	37.0	37.0	
	Labor remuneration	36.6	36.6	
	Employers contributions	11.4	11.4	0.0
	Missions	13.5	13.5	
	Other goods and services	21.5	21.5	
31 06 02	Subordinated Units of the Animal Breeding Department	84.7	84.7	0.0
	# of staff units	78.0	78.0	
	Labor remuneration	42.1	42.1	
	Employers contributions	17.5	17.5	0.0
	Missions	5.8	5.8	
	Other goods and services	19.3	19.3	
31 06 03	Development of the Animal Breeding, Poultry and Beekeeping	500.0	500.0	0.0
	Program expenses	500.0	500.0	
31 07	Agrochemical and Soil Fertility Service	436.0	436.0	0.0
	# of staff units	138.0	138.0	0.0
	Labor remuneration	61.7	61.7	0.0
	Employers contributions	29.3	29.3	0.0
	Missions	10.0	10.0	0.0
	Other goods and services	35.0	35.0	0.0
	Program expenses	300.0	300.0	0.0

31 07 01	Apparatus of the Agrochemical and Soil Fertility Service	18.3	18.3	0.0
	# of staff units	8.0	8.0	
	Labor remuneration	5.3	5.3	
	Employers contributions	2.0	2.0	0.0
	Missions	4.0	4.0	
	Other goods and services	7.0	7.0	
31 07 02	Subordinated Units of the Agrochemical and Soil Fertility Service	117.7	117.7	0.0
	# of staff units	130.0	130.0	
	Labor remuneration	56.4	56.4	
	Employers contributions	27.3	27.3	0.0
	Missions	6.0	6.0	
	Other goods and services	28.0	28.0	
31 07 03	Activities for the Improvement of the Acid and Saline Soils	140.0	140.0	0.0
	Program expenses	140.0	140.0	
31 07 04	"Protection of the Land from Erosion" (except Hydro-structures)	160.0	160.0	0.0
	Program expenses	160.0	160.0	
31 08	Seeds and Planting Materials Quality Inspection	310.0	310.0	0.0
	# of staff units	194.0	194.0	0.0
	Labor remuneration	88.8	88.8	0.0
	Employers contributions	41.8	41.8	0.0
	Missions	26.5	26.5	0.0
	Other goods and services	49.4	49.4	0.0
	Program expenses	103.5	103.5	0.0
31 08 01	Apparatus of the Seeds and Planting Materials Quality Inspection	54.9	54.9	0.0
	# of staff units	30.0	30.0	
	Labor remuneration	19.1	19.1	
	Employers contributions	7.5	7.5	0.0
	Missions	12.0	12.0	
	Other goods and services	16.3	16.3	
31 08 02	Subordinated Units of the Seeds and Planting Materials Quality Inspection	151.6	151.6	0.0
	# of staff units	164.0	164.0	
	Labor remuneration	69.7	69.7	
	Employers contributions	34.3	34.3	0.0
	Missions	14.5	14.5	
	Other goods and services	33.1	33.1	
31 08 03	Measure for the Improvement of the Activities Carried out by the Seeds and Planting Materials Quality Inspection	103.5	103.5	0.0
	Program expenses	103.5	103.5	
31 09	Inspection for Testing and Protection of Selection Achievements	579.3	579.3	0.0
	# of staff units	67.0	67.0	0.0
	Labor remuneration	44.4	44.4	0.0

	Employers contributions	16.5	16.5	0.0
	Missions	2.9	2.9	0.0
	Other goods and services	15.5	15.5	0.0
	Program expenses	500.0	500.0	0.0
31 09 01	Apparatus of the Inspection for Testing and Protection of Selection Achievements	79.3	79.3	0.0
	# of staff units	67.0	67.0	
	Labor remuneration	44.4	44.4	
	Employers contributions	16.5	16.5	0.0
	Missions	2.9	2.9	
	Other goods and services	15.5	15.5	
31 09 02	Improvement of the Activities for the Agricultural Crops Inspection for Testing and Protection of Selection Achievements	100.0	100.0	0.0
	Program expenses	100.0	100.0	
31 09 03	Supporting Activities for the arrangement of the seedlings for perennial crops	300.0	300.0	0.0
	Program expenses	300.0	300.0	
31 09 04	Supporting Activities for the Rehabilitation of the Annual Crops Seed Production	100.0	100.0	0.0
	Program expenses	100.0	100.0	
31 10	Team for Maintenance of Winter Pastures and Cattle Routes	20.1	20.1	0.0
	# of staff units	14.0	14.0	
	Labor remuneration	9.6	9.6	
	Employers contributions	4.0	4.0	0.0
	Missions	0.2	0.2	
	Other goods and services	6.3	6.3	
31 11	Silk Coordination Center "Silk House"	24.6	24.6	0.0
	# of staff units	13.0	13.0	
	Labor remuneration	8.0	8.0	
	Employers contributions	3.1	3.1	0.0
	Missions	0.3	0.3	
	Other goods and services	13.2	13.2	
31 12	Scientific Center of Agricultural Biotechnology	31.0	31.0	0.0
	# of staff units	29.0	29.0	
	Labor remuneration	21.2	21.2	
	Employers contributions	7.0	7.0	0.0
	Other goods and services	2.8	2.8	
31 13	Ecological Research Center	26.6	26.6	0.0
	# of staff units	27.0	27.0	
	Labor remuneration	15.1	15.1	
	Employers contributions	6.0	6.0	0.0
	Other goods and services	5.5	5.5	
31 14	Testing Station for Agricultural Machinery	17.3	17.3	0.0
	# of staff units	27.0	27.0	

Labor remuneration	9.5	9.5	
Employers contributions	5.6	5.6	0.0
Other goods and services	2.2	2.2	

Annex 17. Summary of MAF targeted programs prepared by MAF for Parliament, March 2002⁴⁰

1. MAF Central Apparatus

number of full-time staff	156
Total Expenditures	633200 GEL
Scope of Activities	Ministry serves producers and consumers. It promotes development of sustainable and efficient agricultural and food sectors, food security and poverty alleviation in rural areas.
State targeted program	Monitoring and control of budgetary resources
Duration of the program	2002
Start date	2002
Total value	50 000 GEL
Value in 2002	50 000 GEL
Implementation form	Contract

Justification: Non-targeted use of budgetary resources and incomplete execution of work is still the case, which makes it necessary to reveal the existing shortcomings. Monitoring and control contribute to the transparency of the budget. These exercises focus on Ministerial organisations and their subordinate units as well as the winners of the tenders carried out according to the State Procurement Law. Program implementation will help the targeted utilisation of budgetary resources, which guarantees the implementation of State programs. This will entail both financial and social-economic effects, required by the Poverty Alleviation and Economic Growth Program.

2. MAF: Information support to farmers

State targeted program	Information support to farmers
Duration of the program	2002
Start date	2002
Total value	150 000 GEL
Value in 2002	150 000 GEL
Implementation form	Contract, tender

Justification: Following the economic reforms in the country, large collective units were dismantled resulting in the formation of small-scale farms. The total number of land users in Georgia reaches 1200 thousand. Given the decentralisation of agricultural production and the liquidation of the centrally operating system of instructions and orders, timely delivery to farmers of high quality information on the organisation of agricultural production, technologies, financial and credit systems, the sale of produce, prices and other issues of interest, has gained an utmost importance. Stemming from the poor

⁴⁰ The MAF prepared this report with substantial assistance from Sophie Kemkhadze and Jemal Mchedlishvili of the RAPA staff. It should be emphasized that this annex summarizes what the MAF has requested from the European Commission Food Security Program, not necessarily what the FSP is prepared to fund. A condition of the FSP is that MAF spending be justified under the IMF/World Bank Poverty Reduction and Economic Growth Program, leading to repeated references to the PGREP in this document.

financial potential of the entrepreneurs involved in the agricultural sector and the necessity of the delivery of new information, the information has to be provided free. The efficiency of the information has to be measured by the revenue increase resulting from the use of the information, rather than its selling price.

Information support of farmers will become one of the new, leading activities of the Ministry. This activity will expand in the near future and will encompass the education of farmers and the provision of staff training and advisory service. In comparison to other activities, this program meets the requirements of the Poverty Alleviation and Economic Growth Program to the largest extent.

3. Fishery Department “SAKTEVZI”

number of full-time staff	8
Total Expenditures	115260 GEL
Scope of Activities	Protection of State interests in International Fishery Organizations and relevant Conventions. Promotion of maximal utilization of fish resources and their export potential, enlargement of international relations, seeking markets for fish industry.
State targeted program	Renewal of fish production in the internal waters of Georgia
Duration of the program	2002
Start date	2002
Total value	100 000 GEL
Value in 2002	100 000 GEL
Implementation form	Tender

Justification: Georgia has unique conditions for the production of domestic and non-domestic species of fish (Paravani Lake trout and other valuable species) in its internal waters.

Today, the amount of fish has largely reduced due to the contamination of waters and especially their inappropriate use. The program provides for the rehabilitation of incubation shops, fingerling farming and fish reproduction in the country's waters suitable for fishery in two stages. In particular, in 2002, fish will be rehabilitated on the territory of several fishery farms, and in 2003 in other lakes, reservoirs and rivers suitable for fish farming. The third year will cover all the waters appropriate for this exercise. It has to be noted that fish rehabilitation will be basically carried out through the use of natural feed, which will substantially reduce the market price of the products. This will improve the supply of the population with fish products and will increase the share of fish products in the daily diet. This is especially important for poor population and the population with low income.

The program will be implemented in the form of one-off activity, aimed at the creation of starting conditions for the production of the unique species of fish. In the next years, fingerling and fish production will take place in the private sector.

The amount allocated in 2002 will help to employ about 110 people. In the following years the number employed could reach 250-300 people.

4. Food inspection and monitoring service

number of full-time staff	11
Total Expenditures and Net Lending	120940 GEL
Scope of Activities	Conducting complicated necessary analytical expertise of food products. Issuance of conclusions according to normative-technical requirements and existing regulations. Monitoring of food products.
State targeted program	Organising food quality monitoring and its implementation
Duration of the program	2002 – 2006
Start date	2002
Total value	415 000 GEL
Value in 2002	100 000 GEL
Implementation form	Contract, tender

Justification: The country's consumer market is saturated with adulterated food products. There is no related information on their origin, technologies used, raw material, standards or norms utilized. The cases of the use of transgenic crops and hormonal products has to be especially emphasized.

The aim of the program is to solve the country's food security problems through the creation of such quality testing mechanism (research and analytical work, study of the conditions, analysis, evaluation, forecast, elaboration of recommendations, etc), which would protect the domestic consumer market from low-quality adulterated products.

Putting in place of the monitoring mechanism will help to protect consumers' rights and improve the production environment.

The Poverty Alleviation Program's requirements will be met directly/indirectly by involving population in the production sphere and contributing to their health.

The program will involve 30-35 specialists and its results will affect the country's entire population, as the Georgian Government regards combating adulterated food products as a priority direction of the MAF.

5. Wine production and vine growing State regulatory department "Samtresti"

number of full-time staff	16
Total Expenditures and Net Lending	59080 GEL
Scope of Activities	Conducting state supervision on production, storage and recording of vine seedling, grape growing, alcoholic drinks and ethyl spirits.
State targeted program	Growing unique varieties of vine
Duration of the program	2002-2005
Start date	2002

Total value	10 000 000 GEL
Value in 2002	361 000 GEL
Implementation form	Tender

Justification: In the recent years a demand for red variety of grapes has substantially increased. Their selling price 8-10 times exceeds the selling price of the wines produced from white varieties. Despite this, farmers do not have resources for growing vine of red grape varieties and due to this a vast poverty reduction and economic growth potential remains unused. This is the potential of the vine growing regions like Kakheti, Imereti and Racha-Lechkhumi. Vineyards planted without any State control did not give the expected yield due to the inability to preserve the purity of the varieties as well as the non-implementation of agro-technical measures.

The program provides for the planting of vineyards of unique varieties (Saperavi, Khikhvi, Cabernet, Usakhelauri, etc) on 30 hectares.

Vine planting will employ 300 people during 1 month and 30 people could be involved in vine maintaining activity during the year. Next year the same number of labor force will be needed. Starting from the third year the number of permanent and seasonal workers will gradually increase and will reach 500 people in the fifth year. It is expected to produce annually 200 tons of grapes with the value of 300 thousand GEL. After processing the production value will reach 1600-1700 thousand GEL. Therefore, the program is directly linked with food security, poverty reduction and economic growth activities.

6. Wine production and vine growing State regulatory department “Samtresti”

State targeted program	State standards for planting material of grapevine fruit and nut (hazelnut, walnut, pomegranate, etc) crops
Duration of the program	2002
Start date	2002
Total value	45 000 GEL
Value in 2002	45 000 GEL
Implementation form	Tender

Justification: The agricultural sector is undergoing basic structural reforms. The share of farms and household farms is growing in agricultural activity. The efficiency of incurred costs largely depends on the production of high-quality seedlings. It often happens that orchards and vineyards are planted using non-standard seedlings, in which the purity of variety is not preserved.

To raise the efficiency of costs incurred by peasants and farmers for planting perennial crops it is necessary to elaborate seedling standards, which will substantially increase the economic effect from planted orchards and vineyards.

The standard will serve as a basis for the certification of private seedling producers.

The program provides for the elaboration of national standards for the setting up of nurseries and highly resistant mother plants, and planting materials for fruits and other crops. The total value of this exercise is 45 000 GEL. About 62 people will be directly

employed and the seedlings produced by them will be used by thousands of farmers, who will be supplied with standard seedlings for their vineyards and orchards, resulting in high yield. Program implementation is considered a factor facilitating poverty reduction.

7. Wine production and vine growing State regulatory department “Samtresti”

State targeted program	Identification of specific zones for vine growing in 2002-2004
Duration of the program	2002 – 2004
Start date	2002
Total value	850 000 GEL
Value in 2002	150 000 GEL
Implementation form	Tender

Justification: Under the presidential decree on the Measures Eradicating the Adulteration of Food Products (#187, Clause 5, 2001), the MAF is instructed to accelerate final elaboration and approval of the statute on Identification and Control of the Name of the Place of Origin of Wines.

Legal protection of the names of the places of origin of wines will enable us to conclude with EU and CIS member states and other countries agreements on Joint Control and Protection of the Names of the Places of Origin of Wines and based on this demand from Hungary, Moldova, Bulgaria, Russia and other countries the prohibition of the production and sale of the wines with Georgian labels.

Otherwise, according to the TRIPS agreement (Article 24, paragraph 7), Georgia might be deprived of the right to demand the prohibition of the use of the named labels, which will result in major economic losses. As a result of the work carried out within the program, Georgian companies' products will get access to the consumer market, which will entail production growth. Therefore, the program will become a component of the overall Poverty Alleviation and Economic Growth Program implemented in the country. Vine growers (farmers) will get the opportunity to increase the sale of grapes at least 5-6 fold. The number of employed in wine factories will increase 3-4 times. Due to the expansion of the sale market for export products, the country's revenues in foreign currency will increase 5-6 fold comparing to today's showing (32 million USD).

8. Department of Amelioration Systems Management

number of full-time staff	2092 - 650
Total Expenditures and Net Lending	7541200 GEL
Scope of Activities	Provision of secured supply of water and timely reclamation of areas; promoting the agricultural utilization of absorbed lands; establishment of economic relations with water users and land users. Implementation of chargeable services. Undertaking reforms in the sector.
State targeted program	State program on water management for food security. 1998-2010
Duration of the program	1998-2010
Start date	1998
Total value	4 685 990 GEL

Value in 2002	6 146 187 GEL
Implementation form	Contract

Justification: Due to Georgia's soil related and climatic condition as well as its clear vertical zoning, it is impossible to carry out agricultural activity without executing irrigation work in the East Georgia and draining activity in the West. The State irrigation systems are supposed to supply 418.7 thousand hectares, whereas actual water supply is provided to 230 thousand hectares. Due to the non-availability of financial resources, the irrigation systems have almost exhausted their operating potential. Because of a poor shape of irrigation systems and idle pumping stations, annually 140 thousand hectares are left without irrigation. This results in the loss of production worth 280 million GEL. The program expenses are used for the rehabilitation of irrigation and drainage canals, maintenance of hydro-technical facilities and pumping stations. For the purpose of the latter exercise 75% of program allocation was used. In case of program implementation yield will increase by 25-35 % and over 2300 people will be employed. Thousands of peasants and farmers will get irrigation water, which will increase their food security. In addition, the production rate will go up, which is directly related to poverty reduction and economic growth problems.

9. Veterinary Department

number of full-time staff	513
Total Expenditures and Net Lending	2285400 GEL
Scope of Activities	Protection of population from zoonotic diseases. Undertaking control and expertise
State targeted program	State program on water management for food security. 1998-2010
Duration of the program	1998-2010
Start date	1998
Total value	4 685 990 GEL
Value in 2002	6 146 187 GEL
Implementation form	Contract
State targeted program	Epizootic measures
Duration of the program	2002
Start date	2002
Total value	1 725 100 GEL
Value in 2002	1 725 100 GEL
Implementation form	Contract, tender

Justification: Due to dangerous infectious diseases affecting cattle like foot and mouth disease, anthrax, rabies, brucellosis. TB and sheep pox, animal husbandry incurs a great economic loss. These diseases are also dangerous for human beings because of their special nature. The deterioration of the epizootic situation directly affects the Georgian section of the Euro-Asia corridor. As a result of reforms to be implemented in the last 6 years the share of private animal husbandry enterprises largely increased. Due to the lack of control the diseased stock turned out to be kept on these farms, which made it difficult to carry out preventive measures. Cattle disease acquired a global character and its liquidation has become problematic. The facts of the spread of these diseases among people have been also recorded. The liquidation of infectious diseases in cattle has

become necessary for the protection of human health. Consequently, the implementation of the program has become an important State measure.

As a result of program implementation the production rate in the animal husbandry sector will increase. This will improve food quality, will make the food user friendly and will also increase the resistance of 1283 thousand heads of cattle, 470 thousand pigs, and 785 thousand heads of sheep to these diseases.

If the program is implemented, over 2000 additional specialists could be employed, revenues will be increased from the production of animal produce and their sale by private farmers (over 1 million of such farms), and the growth trend in stock will be also preserved. A disease free buffer zone will be created in the country, which will generate additional revenues from cargo transit.

10. Plant Protection Service

State targeted program	Plant protection
Duration of the program	2002
Start date	2002
Total value	850 000 GEL
Value in 2002	850 000 GEL
Implementation form	Tender

Justification: Recently agricultural production has been facing serious problems due to the spread of dangerous pests (Italian grasshopper, American white butterfly, etc), and the losses incurred by farmers approximate 50-80%. A wide spread of the pests impedes international trade relations, which is an especially negative fact for the country producing agricultural exports. The most negative thing is that this does not allow the country to comply with the WTO agreement. Because of the scarcity of financial resources available for farmers and also the absence of financial institutions supporting farmers' activity, at this stage pest combating measures should be only implemented through State support.

It has to be mentioned that because of farmers' low solvency level, the use of pesticides, fertilisers and other chemicals in the country has sharply decreased. Private land users know very little about the utilisation of plant protection means, which makes it necessary for the State to launch an education campaign on the use of such products, spread information on new technologies, organise farmer training, etc.

Program implementation will largely improve the phyto-sanitary situation throughout the country and increase yields. The program could directly employ 350 people, and which is even more important, over 100 000 farms could enjoy the service provided by the program. Their income will increase, which, in turn, will contribute to poverty alleviation, and economic growth.

11. Cattle-breeding Department

State targeted program	Development of animal husbandry, poultry and bee keeping in Georgia
Duration of the program	2002
Start date	2002
Total value	500 000 GEL

Value in 2002	500 000 GEL
Implementation form	Contract, tender

Justification: As a result of reorganisation taking place in the Department, the number of budgetary enterprises is sharply decreasing, the enterprises regulated by the Department are brought in line with the Law on Entrepreneurship, enterprises without future are being privatised or liquidated. The reorganisation process will last until the total privatisation of the system's enterprises.

Budgetary resources will target animal breeding, selection works and the formation of a layer of farmers involved in animal breeding in the private sector. State animal breeding stations will be maintained for the purpose of directing animal breeding activities in the animal husbandry sector, preservation of the gene pool of endemic species, and the increased productivity of the domestic species. In the private sector, animal breeding will take the following directions:

- Cow raising – receipt of dairy and meet products
- Pig growing – production of bacon hybrids
- Sheep and goat growing – dairy products and the expansion of traditional cheese production.

200-250 specialists will be employed by the program. The program will serve the stock on 10-12 thousand farms. The number of employed in the animal husbandry sector will increase to the same extent. Farmers will become better informed and stock productivity will increase by 30-40% which will contribute to poverty alleviation. The above will help to meet the demand for high breed stock.

12. Agrochemical and Soil Fertility Service

State targeted program	“Protection of the Georgian soil from erosion”, and “Measures improving the quality of low-fertility acid and saline soils”
Duration of the program	2002
Start date	2002
Total value	300 000 GEL
Value in 2002	300 000 GEL
Implementation form	Tender

Justification: The depletion of the soil, erosion, and increased ecological imbalance have become especially acute lately, which seriously impedes agricultural production, and contributes to the poverty of farmers, entailing negative social, economic and ecological results.

The chemical melioration of the soil and the measures fighting soil erosion provided for by the 2002 State targeted program will focus on the soils identified for the implementation of such measures.

As a result of the chemical melioration of acid and saline soils, their quality will dramatically improve and will become competitive for privatisation or leasing purposes. Program implementation will increase crop yield by 25% on average, as a result of which,

in 2002 and the coming years, following the chemical melioration of 200 hectares of badly damaged land, 500 tons of wheat will be additionally received on an annual basis. 12.0 thousand hectares of agricultural land will be protected from erosion, which will result in the annual receipt of additional millions of lari.

The listed measures are very important for the social protection of the poor part of the society and they are directly linked with this important social problem.

Firstly, by implementing these measures, farmers will receive high, good quality yield, enabling them to satisfy one's own needs, generate income as well as smoothly operate in the coming year.

What is most important is that soil protection and improvement intended by the program entails two important results: firstly, implementation of soil protection measures of State importance and, secondly, job creation, from which could benefit the poor in the rural areas.

According to the 2002 program, chemical melioration of the soil and the activities fighting soil erosion will involve about 400 people. They will be employed for 8 months and will get remuneration on a contractual basis.

13. Seed and planting material quality inspection

State targeted program	Measures for the improvement of the activity of seed and planting material quality inspection
Duration of the program	2002
Start date	2002
Total value	103 500 GEL
Value in 2002	103 500 GEL
Implementation form	Contract

Justification: The Inspection is a State body with the function to carry out the quality analysis of agricultural crop seeds and planting materials produced in any enterprise and issue a certificate on their shape and fitness for utilisation. The Inspection's equipment and other material resources need repairing, supply with electric generators, purchase of products for laboratory testing, resources for visits to enterprises, etc. The Inspection has 50 regional services. Their activity affects farmers' output and financial showings, since qualitative seed and planting material is a necessary precondition for improved yield. Therefore, the Inspection's activity is directly related to food security in the country and as well as poverty reduction and economic growth.

14. Inspection for testing and protection of selection achievements

State targeted program	Measures supporting seed production for annual crops
Duration of the program	2002-2006
Start date	2002
Total value	3 955 000 GEL
Value in 2002	100 000 GEL
Implementation form	Tender

Justification: The program provides for the production of the basic material for seeds of distributed cereal crops and tomatoes. For this purpose is being used the remaining potential, specialists, and material resources. The program will make it possible to produce and sell elite and first generation seed to be used by farmers. The usage of first generation seed will increase wheat and tomato yield by at least 30-40%.

In the first year of program implementation will be generated 200 thousand GEL worth production. 120 people will be employed. In the second year, following the sale of the first generation of wheat seed, 1200 people will be employed and after the sale of tomato seed will be employed 2400 people. Average annual remuneration per person will make up 1500-1600 GEL. Therefore, the named program meets the requirements of the Poverty Alleviation and Economic Growth Program.

15. Inspection for testing and protection of selection achievements

State targeted program	Improvement of the testing and protection of the selection achievements with agricultural crops
Duration of the program	2002-2004
Start date	2002
Total value	3 000 000 GEL
Value in 2002	100 000 GEL
Implementation form	Contract

Justification: The programs aims at testing by a State organisation of annual (cereals, vegetables, potato, etc) and perennial (grapes, subtropical crops, etc) crops in terms of their competitiveness and production potential, and the distribution of high yield varieties to facilitate agricultural production growth. The organisation carries out testing activities through 25 subordinated testing stations and annually subjects to testing 150 varieties of cereal crops, 1500 variety samples, 30 varieties of maize, 30 varieties of sunflower, 35 varieties of potato, 25 varieties of vegetables, and 10 varieties of perennial grass. At the same time, it rehabilitates 10 varieties of perennial crops. In the recent years it has distributed 30 varieties of annual crops.

Introduction of new agricultural crop varieties into the production process helps agricultural growth and the overcoming of poverty, since its results are enjoyed by over 300,000 households residing in the rural area.

16. Inspection for testing and protection of selection achievements

State targeted program	Measures supporting the establishment of nurseries for perennial crops
Duration of the program	2002-2005
Start date	2000
Total value	13 500 000 GEL
Value in 2002	300 000 GEL
Implementation form	Tender

Justification: The program supports the production of the seedlings of those distributed varieties of perennial crops the existing demand for which is currently increasing. This covers the basic seedling material - creation of mother plants, creation of stratification areas, selection of the seedlings of the hazelnut varieties fit for high scale production, or

the implementation of those measures which could not be a private entrepreneur's responsibility and which necessarily require State control. The expenses, needed for the creation of nurseries, which a private entrepreneur cannot afford, have to be also taken into consideration. The production of vine seedling on 1 hectare requires 21 thousand GEL, orchard – 17 thousand GEL, and hazel nut – 10 thousand GEL. Since perennial crops give most yield in the 5th or 7th year, the fixing of the mistakes made when setting up new plantations is largely related to the production of distributed standard seedlings. The program provides for the production of 90 thousand vine seedlings, and the setting up of plantations on 30 hectares. With the produced 270 thousand orchard seedlings (the third year) and 280 thousand hazel nut seedlings (the second year), it will be possible to plant an orchard on 1800 hectares and set up a hazel nut mother plantation on 200 hectares. Mother plants and rooting areas will enable us to produce standard seedlings in the following years.

The first year of program implementation could employ 300 people and after setting up plantations with the produced seedlings, 2500 permanent workers and 3000 temporary workers could be employed.

Annex 18. Reform of the Veterinary Department as Proposed by the Department Itself

Explanatory Note on Implementation of Reform within the State Veterinary Service of Georgia in 2002-2005

*Levan Ramishvili,
Deputy Head of Veterinary Department*

According to the Georgian Law “On Veterinary Medicine” and Presidential Instruction number 544, dated October 1, 1998, the Veterinary Department of the Ministry of Agriculture and Food is the central body of the State Veterinary Service of Georgia.

The Veterinary Department, including the central services of the system (Veterinary Laboratory Diagnostics, State Border Control, Veterinary Drug Control, etc.), along with organizations and institutions of Veterinary Services of Autonomous Republics of Abkhazia and Ajara, districts, cities (towns) and state, is the single executing (industrial) body, which performs the state controlling duty in veterinary sector. This in fact continues the principles of organization of the former Soviet system.

As of 1 January 2002, the united structure of State Veterinary Service includes:

1. Units funded through the state central budget:
 - The Veterinary Department 1 (51 average units)
 - The National Center of Veterinary Diagnostics and Expertise 1 (67 full time positions)
 - Scientific-Controlling Center of Veterinary Drugs 1 (32 full time positions)
 - The State Administration of Veterinary Sanitary Observation over Borders and Transportation, with relevant sections 37 (173 full time positions)
 - The Regional State Veterinary Inspections of the Veterinary Department 9 (23 full time positions)
 - The Veterinary Laboratories on regional and district bases 10 (83.5 full time positions)
 - The number of Veterinary-Sanitary Expertise Laboratories operating for the agrarian markets and fairs in districts which are incorporated into Interregional and Interdistrict Laboratory Structure 37 (91 full time positions)

A total of 96 organizations and institutions, with 513 authorized staff, are financed through the state central budget.

2. Units funded through the budget of Autonomous Republics of Abkhazia and Ajara, districts and cities (towns):
 - The Veterinary Departments of Autonomous Republics of Abkhazia and Ajara and the Veterinary Services of Autonomous Republics’ Administrative Territory 91 (525 full time positions)

- Veterinary organizations and institutions, including the veterinary laboratories, located in centrally subordinated districts, cities (towns), villages 548 – (2041 full time positions)

-

A total of 639 organizations and institutions, with 2,566 full time positions, are funded through the budget of Autonomous Republics of Abkhazia and Ajara, districts and cities (towns).

Hence, Veterinary Services function at every administrative level of the country. These Veterinary Services, as state organizations, according to the terms of veterinary legislation, within the relevant administrative and operational area, are responsible to perform the following duties:

- Implementation of preventive prophylactic and medical, compulsory quarantine limiting measures against approximately seventy types of diseases;
- Conduct of veterinary-sanitary and state veterinary control.

At the same time, due to the financial stringency of the country, of the seventy types of compulsory veterinary activities against epizootic (zoonal) and zoonanthropozoonic diseases, the state provides centralized funding only for preventive measures against rabies, anthrax, foot-and-mouth disease, brucellosis and tuberculosis, and even those are financed only partially.

Due to financial difficulties and the absence of materials and equipment, the epizootic (zoonal) and zoonanthropozoonic measures have not been being conducted, which has caused the danger to intensify in the existing complicated and unstable epizootic (zoonal) situation in the country. This will significantly damnify [sic] the economy of the country.

According to the requirements of a market economy, considering existing processes, on the basis of conclusions and references provided by the European Union's experts working through the funding of the "Know-How Fund" for the Ministry of Agriculture and Food, envisaging arrangement of the veterinary services in the foreign countries, their experience and the specific nature of our country, the program on "Implementation of Reform within the State Veterinary Service of Georgia in 2002-2005" was elaborated. The program envisaged accomplishment of full-scale reform within the Veterinary Service of the country. As a result of the reorganization, restructuring and privatization processes, state controlling and economic-production functions will be separated in the Veterinary Service of Georgia.

The Veterinary Department of the Ministry of Agriculture and Food of Georgia, including the appropriate Administrations of State Border Protection, Veterinary-Laboratory Diagnostics, divisions and subdivisions of state Veterinary Services of districts and cities (towns), the Veterinary Departments of the Ministry of Agriculture and Food of Abkhazia and Ajara (with the relevant services of districts and cities (towns) operating within the administrative territory of autonomous republics), must perform state policy, coordination and controlling duties. The economic duties must be delegated to Veterinary Services established by physical and legal entities of the private law after privatization of the Veterinary-Sanitary Supervision Services which have been operating at the agrarian markets and fairs under State Veterinary Services and Veterinary Laboratories of the districts and cities (towns).

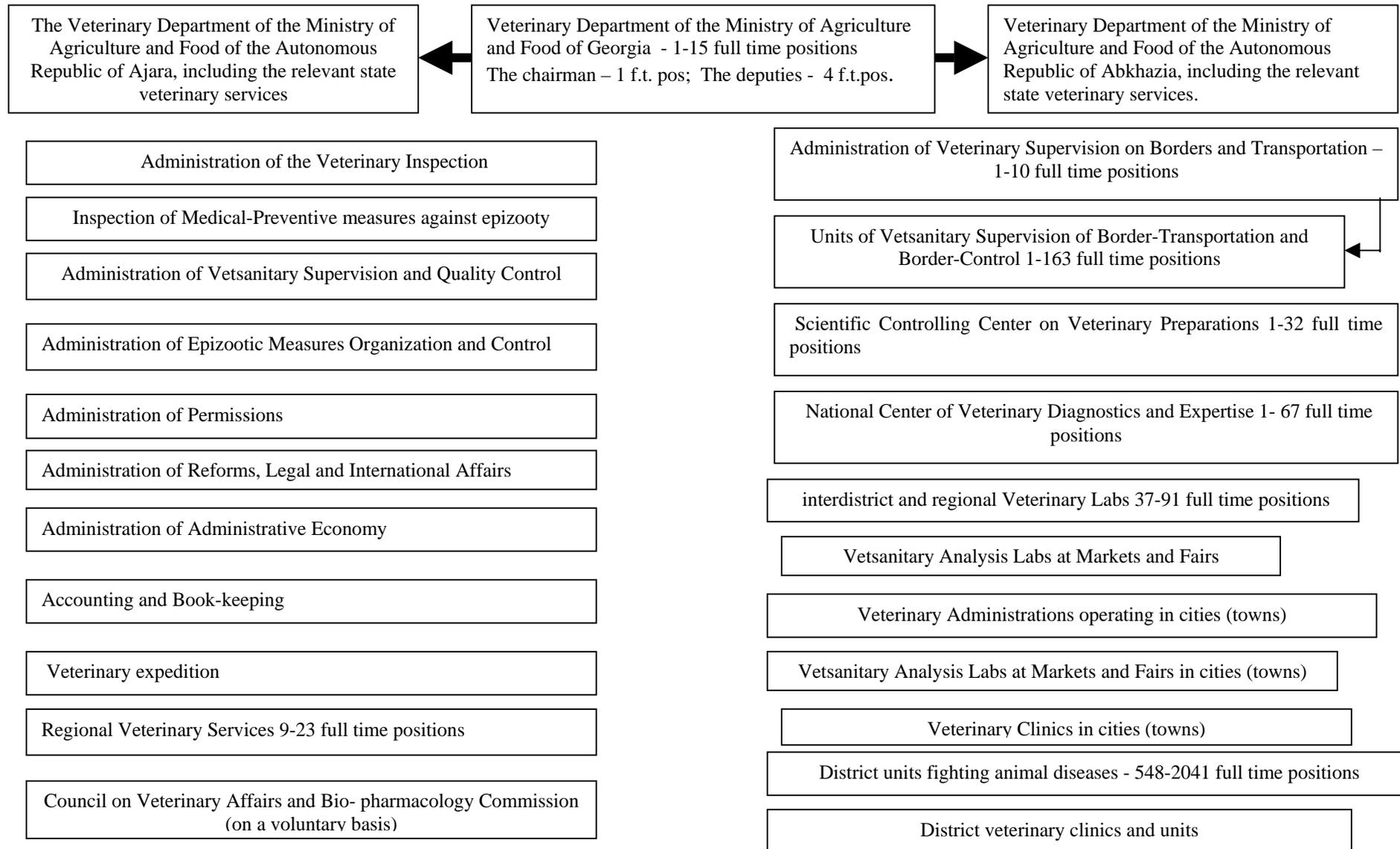
The general principle of reform is to provide overall centralized funding from the state (autonomous republics') budget for the reorganized Veterinary Departments of the Ministry of Agriculture and Food of Georgia and the Ministries of Agriculture and Food of autonomous republics. At the same time, the materials and equipment of the State Veterinary Services must be fundamentally improved.

In order to prevent the dangerous zoonal diseases common for both animals and humans, as well as to create in Georgia a buffer zone of the Caucasus-Europe-Asia transport corridor, the state must ensure the centralized funding of preventive programs and quarantine-limiting liquidating measures against brucellosis, tuberculosis, rabies, anthrax and foot-and-mouth disease.

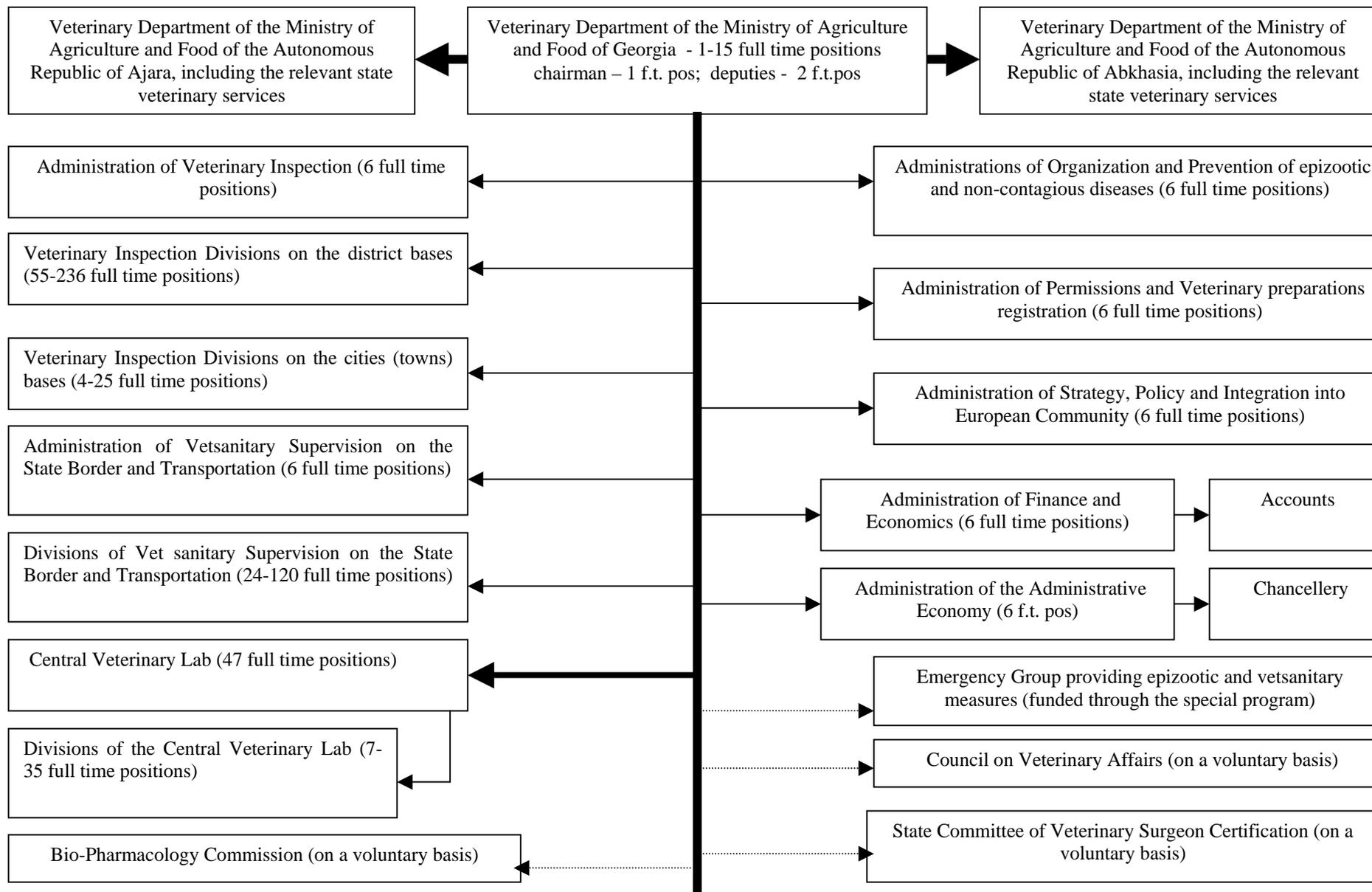
The program of "Implementation of Reform within the State Veterinary Service of Georgia," makes it necessary to propose appropriate addenda and amendments to the Georgian Law "On Veterinary Medicine" and to elaborate the draft law "On Veterinary Activities" which will determine the point of certification of veterinaries (veterinary surgeons) which are performing their duties within private veterinary services.

Translated by Tiko Janashvili
15.07.02

According to the Veterinary Department, there are 513 centrally-funded full time positions in the Veterinary Department central apparatus now, in addition to 2041 positions funded through local government budgets



According to the Veterinary Department, with this reform scheme there are a total of 508 full time positions in the Veterinary Department System, all in this apparatus



Annex 19. MAF order clarifying procedures for accepting International Epizootic Organization-compliant veterinary certifications for import and export

01.10.2002

Article 852

ORDER No. 2-132

OF THE MINISTER OF AGRICULTURE AND FOOD OF GEORGIA

September 26, 2002, Tbilisi

About Several Urgent Measures for Ensuring Veterinary (Epizootic) Safety in the Country

According to the International Epizootic Bureau's data, "a" and "b" group diseases determined according to the International Veterinary Code are widespread in different countries of the world. The majority of these diseases are dangerous to public health.

In compliance with subparagraphs "d" and "g" of the first paragraph of Article 20 of the Law of Georgia "On Veterinary Medicine", the first and second paragraphs of Article 30, and also to fulfill the requirements of "a", "b" and "c" sub-paragraphs of the first paragraph of the Instruction No. 73 of February 6, 1998, of the President of Georgia; to regulate the procedure of issuing veterinary permissions for import and transit of alive animals (poultry), meat and meat products, milk and dairy products, other products of livestock breeding, raw materials of animal origins, and other cargo subject to veterinary control (hereinafter – under veterinary control); to ensure veterinary (epizootic) safety in the country; and to avoid the import and dissemination of especially dangerous diseases infectious in both animals and people from foreign countries and to settle these issues in future, **I ORDER:**

1. The import, re-export and transit of cargo under veterinary control, in each specific case, should be carried out only on the basis of an appropriate declaration provided in advance and with written permission issued by the Veterinary Department of the Ministry of Agriculture and Food of Georgia.
2. There is no limit on the import, re-export and transit of cargo under veterinary control from those countries that are considered to be safe from "a" and "b" group diseases under the International Veterinary Code according to the data of the International Epizootic Bureau, so long as a veterinary certificate of a type determined by the International Veterinary Code and issued by the State Veterinary Service of the exporting country that guarantees veterinary safety requirements [accompanies the cargo].

3. “The list of countries where “a” and “b” group diseases under the International Veterinary Code have been found” (hereinafter – the list) is approved as an administrative order of the Minister of Agriculture and Food of Georgia and should be published in accord with the appropriate procedure in the mass media.
4. Amendments should be made to the list periodically on the basis of International Epizootic Bureau data and are to be approved in accord with the appropriate procedures.
5. Permission for import, re-export and transit of cargo under veterinary control in Georgia from those countries given in the list, should be issued only in accordance with test results carried out at the place where the permission is issued by the State Veterinary Inspector of Georgia.
6. (a) In case of necessity to carry out import, transit and re-export of cargo under veterinary control from the countries in the list, a decision about travel [to the exporting country] by a State Veterinary Inspector, in each specific case, should be made on time and without any obstacles.

(b) Permission for transit can be issued without a business trip of the veterinary inspector to the exporting country if there is a written agreement of the State Veterinary Service of the receiving country guaranteeing delivery of the specific consignment.
7. The Apparatus of the Ministry (G. Kerdzevadze) is assigned to register this Order in the State Register and to ensure its publication in the *sakanonmdeblo matsne* [Legislative News] of Georgia, in compliance with the legislation of Georgia.
8. Deputy Minister David Shervashidze is to monitor implementation of this order.
9. This Order goes into force as of the day of its publication and is in force until January 1, 2003.

N. Mamaladze
First Deputy Minister

Registered in the Ministry of Justice of Georgia
Registration Code: 300.390.000.11.113.005.510

Translated by: Nino Beradze
October 9, 2002

Annex 20. Letter from Anti-Corruption Commission on MAF inspection unification

3-1/58 July 26, 2002

**To: David Shervashidze
Deputy Minister of Agriculture and Food of Georgia**

Dear Mr. Shervashidze,

Your proposals regarding the merger of veterinary and plant protection services with agricultural products and flour quality inspections have been discussed in the Anticorruption Bureau of Georgia.

Please be informed that the new conception of the activities of controlling bodies prepared by the Anticorruption Bureau of Georgia envisages the optimization of number of controllers through similar mergers. Merger of controlling structures of the Ministry of Agriculture and Food of Georgia should be done in accord with the following postulates:

1. The merged structure should be the only entity within the MAF system that will have the **right of controlling entrepreneurial activities**;
2. Production control should be imposed only with the aim to ensure safety inspection and not to check compliance of quality with standards;
3. The present structural and functional change should be considered as part of a systematic reorganization of the Ministry of Agriculture and Food of Georgia. If this change is carried out only partially it might even have negative consequences.

The main principles of preparing functional and structural reorganization in the agencies of the Executive Branch of Georgia had been determined on the basis of Presidential Instruction number 304 dated 18 June 2002. We assume that, considering the currency of this issue, a concept of structural and functional reorganization of the Ministry of Agriculture and Food of Georgia should be immediately elaborated in line with the above instruction.

In addition, we should note that the Anticorruption Bureau of Georgia is ready to closely cooperate with the Ministry of Agriculture and Food of Georgia not only while elaborating the concept, but in the process of reorganization as well.

[signed] Mikheil Batiashvili
Deputy Director of the Anticorruption bureau of Georgia

*Translated by: Nutsa Amirejibi
11.07.2002*

Annex 21. Documents Prepared by the Project during the Reporting Period

Date	Series	Title	Author(s)	Language(s)
7/2/2002	Draft Law or Regulation	Draft Decree by the President of Georgia on Macaroni Distribution	Misheladze	Georgian, English
7/6/2002	Draft Law or Regulation	About Determination of Separation of the Deputy Heads' Authorities and Curatorial Spheres within the Plant Protection Service	Iakobidze	Georgian, English
7/6/2002	Draft Law or Regulation	"Order on Establishment of Inventory Commission of the Plant Protection Service"	Iakobidze	Georgian, English
7/6/2002	Draft Law or Regulation	Order about several measures for perfection of further activities of the Plant Protection Service	Iakobidze	Georgian, English
7/11/2002	Draft Law or Regulation	Explanatory Note About Draft Instruction of the President of Georgia "On creation of Georgia Agricultural Development Counterpart Fund – legal entity of the public law"	Matiashvili	Georgian, English
7/11/2002	Draft Law or Regulation	Presidential Instruction "About creation of the Georgia Agricultural Development Counterpart Fund, a legal entity of public law"	Matiashvili	Georgian, English
7/11/2002	Draft Law or Regulation	Plant Protection Service Statute	Misheladze, Matiashvili	Georgian, English
7/12/2002	Draft Law or Regulation	Statute of the "Georgia Agricultural Development Counterpart Fund"	Matiashvili	Georgian, English
8/8/2002	Draft Law or Regulation	Ministerial Draft Order About Creation of the Committee to Develop Proposals for Implementation of Structural Reorganization within the Ministry System	Van Atta, Matiashvili	Georgian, English
8/13/2002	Draft Law or Regulation	MAF order on authorization of Kerdzevadze	Matiashvili	Georgian
9/7/2002	Draft Law or Regulation	Presidential Decree (26.07.2002), On creating the extension service centre as the Legal Entity of Public Law	Matiashvili	Georgian, English
7/3/2002	Legal Monitoring Report	1) Normative acts regulating tea industry and tea subsidy in Georgia.	Dangadze	English
7/9/2002	Legal Monitoring Report	Regulations and decrees concerning tea sector	Dangadze	English, Georgian
7/18/2002	Legal Monitoring Report	Current Status of MAF Legal Drafting Plan, 2002	Managadze	English
7/22/2002	Legal Monitoring Report	MAF orders approved in June and July 2002	Dangadze	English
8/5/2002	Legal Monitoring Report	List of Georgian Anticorruption regulations	Dangadze	English
8/16/2002	Legal Monitoring Report	MAF orders from July 23 through August 16, 2002	Dangadze	English
8/16/2002	Legal Monitoring report	Litigation between LTD "Gulani" and the Ministry of State Property of Georgia	Matiashvili	Georgian, English
8/16/2002	Legal Monitoring report	Litigation between LTD "Agroinformi" and "TV-7"	Matiashvili	Georgian, English
8/26/2002	Legal Monitoring Report	MAF orders from August 16, 2002 through August 26, 2002	Dangadze	English
9/6/2002	Legal Monitoring report	Current legislation within the agricultural sphere	Matiashvili	Georgian, English

9/10/2002	Legal Monitoring Report	MAF orders from August 26, 2002 through September 6, 2002	Dangadze	English
9/19/2002	Legal Monitoring report	Description of Draft Law on "Issue of Licenses and Permissions for Food and Tobacco Stuff Production"		Georgian, English
9/21/2002	Legal Monitoring report	Draft Laws regulating licensing sphere (elaborated by MAF)	Managadze	Georgian, English
9/24/2002	Legal Monitoring Report	Stages of preparation of draft law on "Issue of licenses and permissions for food and tobacco stuff production"	Dangadze	English
7/2/2002	Legal Opinion	MAF authority over local agricultural administrations	Dangadze	Georgian
7/3/2002	Legal Opinion	Letter to the anticorruption bureau of Georgia on inspections	Dangadze	Georgian
7/11/2002	Legal Opinion	Authority to sign the SAVE Letter of Understanding	Matiashvili	Georgian
7/29/2002	Legal Opinion	Tasks, functions, rights and duties of proposed body to include inspection of testing and protection of selective achievements, inspection of seeds and planting material quality and "Saqjiscentri"	Dangadze	Georgian
8/2/2002	Legal Opinion	Third-party brief in the court case of Ltd "Gulani" v MSPM	Matiashvili	Georgian
8/9/2002	Legal Opinion	Tasks, objectives, rights and duties of Food safety inspection to exercise the competence of MAF in Food safety, veterinary, phyto-sanitary, seedling materials and selection	Dangadze	Georgian
8/9/2002	Legal Opinion	On the abolition of PD 296 of August 2, 1995 "About fees for utilization of State roads for transportation of goods inside the Republic"	Dangadze	Georgian
8/15/2002	Legal Opinion	conclusion on draft law "On Social and Legal Protection Guarantees of Ex Georgian President and His Family Members" (Letter To Genadi Kerdzevadze about draft MAF order)	Matiashvili	Georgian
8/27/2002	Legal Opinion	The operation of fishery department "Saqtevzi" of the Ministry of Agriculture and Food of Georgia as a state subordinated agency	Dangadze	Georgian
7/2/2002	Letter	Letter to Mr. Richard Swanson	Kurdovanidze	Georgian, English
8/14/2002	Letter	Report on Ltd. "Gulani" and Ltd TV-7 cases	Matiashvili	Georgian, English
9/19/2002	Letter	Letter to DM Giorgi Tkeshelashvili	Van Atta	Georgian, English
7/19/2002	Memorandum of Understanding	Draft of Memorandum of Understanding between Georgia and the Republic of Italy	Matiashvili	Georgian
7/7/2002	Other	Contract between DAI and Ltd "Oris"	Matiashvili	Georgian
7/17/2002	Other	Information for the Press about the USAID-funded DAI RAPA Project	Kurdovanidze	Georgian, English
7/17/2002	Other	PowerPoint version of the Information for the Press	Kurdovanidze	Georgian, English
7/18/2002	Other	Explanatory Note	Inashvili	Georgian, English
7/18/2002	Other	Brief to the Didube-Chugureti district court on annulment of registration of Ltd "Avtofarexi"	Matiashvili	Georgian
8/1/2002	Other	About Mission to West Georgia	Inashvili	Georgian, English

8/2/2002	Other	Draft Final Report of RAE Team	Van Atta (editor)	English
8/4/2002	Other	Operational Budget System. Operational budget formats for each subordinated units and consolidated MAF budget.	Kemkhadze	Georgian
8/5/2002	Other	Meeting of Technical Committee of the Ministry, 08.01, 16:00 – 18:00: Japanese 2KR Grants and situation with loan repayment	Didebulidze	English
8/20/2002	Other	Technical Proposal for Phase II extension	Van Atta	English, Georgian
8/20/2002	Other	Zugdidi Mission Report	Kurdovanidze	Georgian, English
9/14/2002	Other	Draft Terms of Reference for Georgia Agricultural Development MAF Capacity-Building Exercise (Follow -on to Risk Assessment Exercise)	Van Atta	Georgian, English
9/23/2002	Other	MAF target program for internal control unit 2003	Kemkhadze	Georgian, English
7/8/2002	Policy Study	"World Hazelnut Production"	Didebulidze	Georgian, English
8/5/2002	Policy Study	revised and updated version of "Main Orientations of Georgian National Food Security Program"	Didebulidze, Mchedlishvili	Georgian, English
8/9/2002	Policy Study	Draft Report Concerning the reorganization of the Veterinary Department	Cornelius Cysouw	Georgian, English
8/22/2002	Policy Study	Sustainable development strategy	Didebulidze	Georgian, English
8/26/2002	Policy Study	Memorandum On the Agro-industrial sector engineering and technological sphere stabilization and development permanent commission	Korakhashvili	Georgian, English
8/26/2002	Policy Study	About unreasonableness of functioning of Fishery Department "Saqtevzi" of the Ministry of Agriculture and Food of Georgia as a state sub-unit	Dangadze	Georgian, English
7/16/2002	Quarterly Report	Phase II Quarter III report	Van Atta	English
7/28/2002	Statistics	Demand, Production, Supply and Consumption of Grain by the Regions of Georgia	Korakhashvili	Georgian, English
8/2/2002	Statistics	Georgian Livestock Statistics	Didebulidze	Georgian, English

Annex 22. Project Translations during the Reporting Period

Date	Title	Author	Translator	Original Language	Target Language
7/1/2002	Meeting with David Shervashidze - Minutes		Nutsa Amirejibi	Georgian	English
7/2/2002	Letter from the Ministry of Internal Affairs of Georgia		Lisa Basishvili	Georgian	English
7/2/2002	Draft Decree by the President of Georgia on Macaroni Disposal		Lika Margania	Georgian	English
7/2/2002	Letter to the Ministry of Finance	David Grigolia, DM	Lika Margania	Georgian	English
7/2/2002	Letter to Mr. Richard Swanson	Giga Kurdovanidze	Lika Margania	Georgian	English
7/2/2002	Nobody wants Georgian wheat in Georgia? "Alia" 1.07.02		Rusudan Arveladze	Georgian	English
7/2/2002	"Entrepreneurs have been misled", <i>alia</i> 02.07.02		Rusudan Arveladze	Georgian	English
7/3/2002	Information About Regulatory Normative Acts in Plant Protection		Nino Beradze	Georgian	English
7/3/2002	agricultural products and flour quality inspection		Nutsa Amirejibi	Georgian	English
7/3/2002	Letter to David Shervashidze	V. Gvarjaladze	Lika Margania	Georgian	English
7/3/2002	MAF weekly planning meeting minutes		Rusudan Arveladze	Georgian	English
7/5/2002	How far are the MAF/the Minister authorized....		Nino Beradze	Georgian	English
7/6/2002	About Determination of Separation of the Deputy Heads' Authorities and Curatorial Spheres within the Plant Protection Service	Z. Lipartia - the Head of Plant Protection Service	Tiko Janashvili	Georgian	English
7/6/2002	"Order on Establishment of Inventory Commission of the Plant Protection Service"		Nutsa Amirejibi	Georgian	English
7/6/2002	Order about several measures for perfection of further activities of the Plant Protection Service		Nino Beradze	Georgian	English
7/8/2002	"World Hazelnut Production"	Didebulidze	Nutsa Amirejibi, Lika Margania, Nino Beradze	English	Georgian
7/8/2002	Legal Opinion on Counterpart Fund		Nutsa Amirejibi	Georgian	English
7/9/2002	Regulation on Plant Protection Service (extract)		Tiko Janashvili	Georgian	English
7/10/2002	MAF weekly planning meeting minutes		Rusudan Arveladze	Georgian	English
7/10/2002	Times of London: "An end to the mass slaughter: Why ministers fought shy of mass vaccination"	Tom Baldwin, Valerie Elliott	Lisa Basishvili	English	Georgian
7/11/2002	Letter to Shervashidze		Nutsa Amirejibi		

7/11/2002	Explanatory Note "On the Draft Instruction of the President of Georgia 'On creation of the Georgian Agricultural Development Counterpart Fund, a legal entity of public law'"	Matiashvili	Nino Beradze	Georgian	English
7/11/2002	Presidential Instruction "On creation of the Georgia Agricultural Development Counterpart Fund, a legal entity of public law	Matiashvili	Nino Beradze	Georgian	English
7/11/2002	Plant Protection Service Statute	Misheladze, Matiashvili	Nino Beradze, Lika Margania, Nutsa Amirejibi, Tiko Janashvili	Georgian	English
7/12/2002	Plant Protection Service Structure	Matiashvili	Nutsa Amirejibi	Georgian	English
7/12/2002	Statute of the "Georgia Agricultural Development Counterpart Fund"		Nino Beradze	Georgian	English
7/15/2002	Agreement to Purchase the Software "Oris-Manager"		Lika Margania	Georgian	English
7/15/2002	Explanatory Note On Development of Reform within the State Veterinary Service of Georgian 2002-2005	Levan Ramishvili, Deputy Head of Veterinary Department	Tiko Janashvili	Georgian	English
7/16/2002	MAF weekly planning meeting minutes		Rusudan Arveladze	Georgian	English
7/17/2002	Statement of Work (Extract)		Tiko Janashvili	English	Georgian
7/17/2002	Information for the Press about the USAID-funded DAI RAPA Project	Giga Kurdovanidze	Lika Margania	Georgian	English
7/17/2002	PowerPoint version of the Information for the Press	Giga Kurdovanidze	Lika Margania	Georgian	English
7/17/2002	Statement of Work - Extension of Phase II of the RAPA Activity	USAID	Nutsa Amirejibi, Lika Margania	English	Georgian
7/17/2002	article from "akhali taoba" "Why they struggle against American wheat in Georgia"	Shorena Kotsotsashvili	Rusudan Arveladze	Georgian	English
7/17/2002	Presidential decree number 304 of June 18, 2002 "About main principles for preparation of functional and structural reorganization program of Georgian executive branch agencies.		Giorgi Dangadze	Georgian	English
7/18/2002	Letter to Mr. Markus Duerst by N. Mamaladze	N. Mamaladze, First Deputy Minister	Lika Margania	Georgian	English
7/18/2002	CV - David Shervashidze	David Shervashidze	Nutsa Amirejibi	Georgian	English
7/18/2002	Explanatory Note	Irakli Inashvili	Lisa Basishvili	Georgian	English

7/18/2002	Anti-Corruption Bureau Recommendations for MAF		Nutsa Amirejibi, Nino Beradze	Georgian	English
7/18/2002	Ineffective and Clumsy State Regulation System - Main Source of Corruption	Sulkhan Molashvili, Chairman, Chamber of Control of Georgia	Lika Margania	Georgian	English
7/19/2002	Tax Exemption of Amelioration Related Activities and Services		Nutsa Amirejibi	Georgian	English
7/19/2002	Taxation of Tobacco Production		Nutsa Amirejibi	Georgian	English
7/20/2002	Addenda and Amendment to the tax code (extract)		Tiko Janashvili	Georgian	English
7/20/2002	Land Tax		Lika Margania, Nutsa Amirejibi	Georgian	English
7/20/2002	Explanatory Note about Draft Law on amendments and addenda in the "Tax Code of Georgia" and in the Law of Georgia "on Customs Tariffs and Taxes" (extract)		Lika Margania, Nino Beradze	Georgian	English
7/22/2002	Draft Law on proposing amendments and addenda to the Law on Veterinary Medicine	The Veterinary Department of MAF	Tiko Janashvili	Georgian	English
7/24/2002	DVA House Rental Contract Extension		Nutsa Amirejibi	English	Georgian
7/24/2002	MAF weekly planning meeting minutes		Rusudan Arveladze	Georgian	English
7/26/2002	Regulations for MAF central apparatus' activities		Nutsa Amirejibi	Georgian	English
7/28/2002	Explanatory Note	Roman Kakulia	Lisa Basishvili	Georgian	English
7/29/2002	Terms of reference for the mission of a veterinary expert from Netherlands to Georgia		Tiko Janashvili	English	Georgian
7/29/2002	Table of Law on veterinary Medicine and Proposed Addenda and Amendments		Tiko Janashvili		
7/29/2002	Amelioration Department Chart		Nino Beradze	Georgian	English
7/30/2002	Scheme of Laboratory of the Veterinary department	Veterinary department	Tiko Janashvili	Georgian	English
7/30/2002	State Border Supervision Divisions - Scheme	Veterinary Department	Tiko Janashvili	Georgian	English
7/30/2002	Structure of the Veterinary department before the Reform	Veterinary department	Tiko Janashvili		
7/30/2002	Structure of the Veterinary Department After the Reform	Veterinary department	Tiko Janashvili	Georgian	English
7/31/2002	Staff Schedule of the Veterinary department	Veterinary department	Tiko Janashvili	Georgian	English
8/1/2002	MAF weekly planning meeting minutes		Rusudan Arveladze	Georgian	English

8/1/2002	List of MAF Advisory Body - Collegium Members		Nutsa Amirejibi	Georgian	English
8/1/2002	About Mission to West Georgia		Nutsa Amirejibi	Georgian	English
8/2/2002	Minutes # 119 of the Meeting between David Grigolia with FATE Representatives		Lika Margania	Georgian	English
8/2/2002	RAE Inception Report	RAE Team	Lika Margania, Nino Beradze, Lisa Basishvili	Georgian	English
8/4/2002	Comments on draft "Sustainable Development Strategy of the Ministry of Agriculture and Food of Georgia 2003-2005"		Nino Beradze	Georgian	English
8/5/2002	MAF order number 2-98 of July 8, 2002 "About arrangement of State property privatization, leasing, writing-off or disposition in other forms"		Giorgi Dangadze	Georgian	English
8/5/2002	Addenda to the Charter of Veterinary Department, Ministerial Order # 2-78		Tiko Janashvili	Georgian	English
8/5/2002	Ministerial Order # 2-196 on Approval of the Charter of Veterinary Department		Tiko Janashvili	Georgian	English
8/6/2002	Letter to Kirvalidze from the EC FSP		Nutsa Amirejibi	English	Georgian
8/6/2002	Annex 1 to Technical Proposal for the Phase II Extension	Don Van Atta	Lika Margania	English	Georgian
8/6/2002	Technical Proposal for the Phase II Extension	Don Van Atta	Lika Margania, Nutsa Amirejibi	English	Georgian
8/7/2002	Presidential decree 430, April 17, 2002, "On approval of anticorruption measures"		Giorgi Dangadze	Georgian	English
8/8/2002	Ministerial Draft Order About Creation of the Committee to Develop Proposals for Implementation of Structural Reorganization within the Ministry System		Lika Margania	Georgian	English
8/8/2002	Agriculture and World Economy (international visitor program)		Lika Margania	English	Georgian
8/9/2002	Draft Report Concerning the reorganization of the Veterinary Department		Tiko Janashvili	English	Georgian
8/9/2002	Agriculture and The World Economy _Program Summary		Nutsa Amirejibi	English	Georgian
8/9/2002	Moldova Could Return To its Farms to Soviet Style	Elizabeth Williamson	Nutsa Amirejibi	English	Georgian
8/9/2002	Crop Insurance		Lika Margania	English	Georgian
8/13/2002	MAF weekly planning meeting minutes		Rusudan Arveladze	Georgian	English
8/13/2002	Veterinary department Statute - 1999		Tiko Janashvili	Georgian	English
8/14/2002	Notification for attn. of Kirvalidze (13.08.2002)		Tiko Janashvili	Georgian	English

8/17/2002	Gurchiani case document package		Tiko Janashvili, Nutsa Amirejibi	Georgian	English
8/20/2002	Zugdidi Mission Report	Giga Kurdovanidze	Nutsa Amirejibi	Georgian	English
8/21/2002	"Gabaidze is going to put the Minister into the jail" (article from "dilis gazeti" 17.08.02)	Tamar Beradze, Vakhtang Khuzmiashvili	Rusudan Arveladze	Georgian	English
8/22/2002	Sustainable development strategy		Nutsa Amirejibi, Tiko Janashvili	Georgian	English
8/23/2002	Order number 2-114 "About establishing a coordination commission of reorganization of the MAF"		Rusudan Arveladze	Georgian	English
8/24/2002	Litigation between LTD "Gulani" and the Ministry of State Property of Georgia - 16.08.2002	Mamuka Matiashvili	Tiko Janashvili	Georgian	English
8/24/2002	Litigation between LTD "Agroinformi" and "TV Broadcasting company - TV-7" - 16.08.2002	Mamuka Matiashvili	Tiko Janashvili	Georgian	English
8/26/2002	About unreasonableness of functioning of Fishery Department "Saqtevzi" of the Ministry of Agriculture and Food of Georgia as a state sub-unit - 26.08.2002	Giorgi Dangadze	Tiko Janashvili	Georgian	English
8/26/2002	Memorandum "Agro-industrial sector engineering and technological sphere stabilization and development permanent commission"	Bidzina Korakhashvili	Nutsa Amirejibi	Georgian	English
8/27/2002	State regulatory board - fax to minister		Nutsa Amirejibi	Georgian	English
8/27/2002	Rebuilding of the Agrarian Sector of Georgia		Nutsa Amirejibi	English	Georgian
8/27/2002	Veterinary Department Chart		Nino Beradze	Georgian	English
8/29/2002	The Charter of Food Products Expertise and Monitoring Service		Nino Beradze	Georgian	English
9/3/2002	Comments on Draft Document		Lika Margania	Georgian	English
9/3/2002	MAF weekly planning meeting minutes		Rusudan Arveladze	Georgian	English
9/4/2002	Target Program of Testing and Protection Inspection of Selection Achievements		Nino Beradze	Georgian	English
9/4/2002	State Regulatory Board Ltd (letter)	K. Osipov, Director of the State Regulatory Board Ltd	Lika Margania	Georgian	English
9/4/2002	Comments on "Strategy development" project made by the Academy of Agriculture of Georgia and the Georgian S/R Institute of Economy and Management of AIC		Tiko Janashvili	Georgian	English
9/4/2002	Notes on Sustainable Development Strategy		Nutsa Amirejibi	Georgian	English

9/5/2002	Agenda of Technical Workshop dedicated for the Agricultural and Environment Protection issues in Poverty reduction and Economic Development Program in Georgia		Lisa Basishvili	Georgian	English
9/5/2002	Veterinary Department subordinated units -Schemes	Vet Department	Lisa Basishvili	Georgian	English
9/5/2002	Letter to the State Chancellery by K. Osipov	K. Osipov, Acting Director of the State Regulatory Board Ltd	Lika Margania	Georgian	English
9/5/2002	Presidential Decree # 544, dated on October 1, 1998		Tiko Janashvili	Georgian	English
9/6/2002	The effecting legislation within the agricultural sphere		Tiko Janashvili	Georgian	English
9/6/2002	Present Structures and Functions of the Executive Government within the New Executive Branch		Nutsa Amirejibi	Georgian	English
9/7/2002	Presidential Decree (26.07.2002), On creating the extension service centre as the Legal Entity of Public Law		Lisa Basishvili	Georgian	English
9/9/2002	Regulations on US Wheat		Tiko Janashvili	Georgian	English
9/9/2002	Letters to State Chancellery		Nutsa Amirejibi	Georgian	English
9/9/2002	Info of US wheat delivered within the humanitarian aid		Tiko Janashvili	Georgian	English
9/9/2002	The amendments and Addendums to the Georgian Law "about Entrepreneurs"		Lisa Basishvili	Georgian	English
9/9/2002	Presidential Decree number 409 (April 10,2002) on activities to effect receipt of 35,000 tons of food grain under food aid (program 416 (b) provided to Georgia by the United States of America		Lisa Basishvili	Georgian	English
9/10/2002	MAF weekly planning meeting minutes		Rusudan Arveladze	Georgian	English
9/10/2002	Report of the coordinating commission of reorganization of the MAF		Rusudan Arveladze	Georgian	English
9/10/2002	Order of the Ministry of Finance and the Ministry of Agriculture about 416-b Program		Nutsa Amirejibi	Georgian	English
9/10/2002	State Regulatory Board Ltd.		Nino Beradze	Georgian	English
9/10/2002	Report of the State Regulatory Board		Lisa Basishvili		
9/10/2002	Target program 2003 of the Scientific-Research Center of Agricultural Biotechnology		Tiko Janashvili	Georgian	English
9/11/2002	Report of the State Regulatory Board	SRB	Lisa Basishvili	Georgian	Georgian
9/11/2002	Comments on "Development Strategy" provided by Cattle breeding Department		Tiko Janashvili	Georgian	English
9/12/2002	Report of the Head of Ministry Apparatus	G. Kerdzevadze	Lisa Basishvili	Georgian	English
9/12/2002	Memo on Chakvi Seminar		Lika Margania	Georgian	English

9/12/2002	National Securities Commission of Georgia comments on draft strategy		Nutsa Amirejibi	Georgian	English
9/13/2002	Letter to state Chancellery	G. Cikharulidze	Natia Gabelia	Georgian	English
9/13/2002	Anticorruption Policy Coordination Board		Nutsa Amirejibi	Georgian	English
9/13/2002	Instructions No505 and No187 of the President of Georgia		Nino Beradze	Georgian	English
9/13/2002	Target Program of State Inspection of Phyto-sanitary Quarantine of Plant Protection Service 2003		Tiko Janashvili	Georgian	English
9/14/2002	Draft Terms of Reference for Georgia Agricultural Development MAF Capacity-Building Effort (Follow -on to Risk Assessment Exercise)		Lika Margania, Tiko Janashvili, Natia Gabelia	English	Georgian
9/16/2002	Target Program 2003 of Scientific-Research Center of Agricultural Biotechnology		Tiko Janashvili	Georgian	English
9/16/2002	Special Program-Vet Department	Veterinary Department	Lisa Basishvili	Georgian	English
9/16/2002	Charter of the Main Adm Inspection "SakTekZedamkhedveloba"		Nino Beradze	Georgian	English
9/16/2002	Draft-law of Georgia "About rule of licensing and issuance of permits for production of food products and tobacco		Giorgi Dangadze, Tiko Janashvili	Georgian	English
9/17/2002	Letter of Zaldastanishvili to Menagharishvili		Nutsa Amirejibi	Georgian	English
9/17/2002	Food Security Issues		Natia Gabelia	English	Georgian
9/18/2002	Report of the meeting of the Coordination Commission of MAF Reorganization		Rusudan Arveladze	Georgian	English
9/18/2002	Allocation of EU Food Security Funds		Nino Beradze	English	Georgian
9/18/2002	Letter to D. Kirvalidze concerning withdrawal of Italian macaroni as humanitarian aid in Tbilisi		Nino Beradze	Georgian	English
9/18/2002	Letter to State Minister		Nutsa Amirejibi	English	Georgian
9/18/2002	On Foundation of State Regulatory Board		Nutsa Amirejibi	Georgian	English
9/18/2002	Statement on Amendments to the Charter of the SRB Ltd	M. Songulashvili, Judge of the Tbilisi Krtsanisi-Mtatsminda District Court	Lika Margania	Georgian	English
9/18/2002	Food Self-Reliance and Food Security		Nutsa Amirejibi, Tiko Janashvili	Georgian	English
9/18/2002	Coordination Commission of MAF Reorganization		Rusudan Arveladze	Georgian	English
9/18/2002	Sericulture Coordination Center "Silk House" – Target Program 2003		Tiko Janashvili	Georgian	English

9/18/2002	Presidential decree 671 of November 17, 1997 "On the procedure for determining the initial price of the State property, which should be privatized"		Giorgi Dangadze	Georgian	English
9/19/2002	Description of Draft Law on "Issue of Licenses and Permissions for Food and Tobacco Stuff Production"		Tiko Janashvili	Georgian	English
9/19/2002	MAF weekly planning meeting minutes		Rusudan Arveladze	Georgian	English
9/19/2002	Report of the meeting, held by the Deputy State Minister		Rusudan Arveladze	Georgian	English
9/19/2002	Letter to DM Giorgi Tkeshelashvili	Don Van Atta	Lika Margania	English	Georgian
9/20/2002	Meeting of the Coordination Commission of the MAF Reorganization		Rusudan Arveladze	Georgian	English
9/20/2002	Agricultural Market Reforms and Sectoral Adjustment (extract)		Tiko Janashvili	English	Georgian
9/20/2002	Special Programs-Irrigation	Department of Irrigation and Water Economy	Lisa Basishvili	Georgian	English
9/20/2002	Charter of the Central Archive Department of the Ministry		Nino Beradze	Georgian	English
9/20/2002	Legal Opinion of Counterpart Fund	Mamuka Matiashvili	Lisa Basishvili	Georgian	English
9/21/2002	Draft Laws regulating licensing sphere (elaborated by MAF)		Tiko Janashvili	Georgian	English
9/23/2002	Objectives of agricultural sector, market and price policies		Nutsa Amirejibi	English	Georgian
9/23/2002	Agricultural Market Reforms		Lika Margania	English	Georgian
9/23/2002	Target program		Rusudan Arveladze	Georgian	English
9/23/2002	MAF target program 2003	Sophie Kemkhadze	Tiko Janashvili	Georgian	
9/24/2002	Explanatory Note on Draft Law on "Issue of Licenses and Permissions for Food and Tobacco Stuff Production"		Tiko Janashvili	Georgian	English
9/24/2002	Rehabilitation Program of Windbreaks on Iori Plateau and Shiraki Valley (Dedoplistskaro and Sagarejo Regions)		Nutsa Amirejibi, Lika Margania	Georgian	English
9/24/2002	Target program (soil Protection from Erosion)	I. Tsomaia	Natia Gabelia	Georgian	English
9/24/2002	State Target Program on "Lining up the vines in high and low forms," by Kvividze		Tiko Janashvili	Georgian	English
9/25/2002	Meeting of the Coordination Commission of the MAF Reorganization		Rusudan Arveladze	Georgian	English
9/25/2002	Addenda to the Tax Code of Georgia		Lika Margania	Georgian	English
9/26/2002	Target program 2003 of Cattle breeding Department		Tiko Janashvili	Georgian	English
9/27/2002	Jorbenadze's letter to Torben Holtze		Nutsa Amirejibi	Georgian	English

9/27/2002	Report of the meeting of the Coordination Commission of the MAF Reorganization		Rusudan Arveladze	Georgian	English
9/27/2002	MAF weekly planning meeting minutes		Rusudan Arveladze	Georgian	English
9/27/2002	Target Program - Quality Inspection of Seed and Planting Materials		Nutsa Amirejibi	Georgian	English
9/27/2002	Strategy of sustainable development of the Georgia agriculture and food industry in 2003-2005	Sandro Didebulidze	Nutsa Amirejibi	Georgian	English
9/28/2002	Report of the meeting of Coordination Commission of the MAF Reorganization		Rusudan Arveladze	Georgian	English
9/29/2002	Target programs		Natia Gabelia	Georgian	English

Annex 23. Major Meetings and Travel during the Reporting Period

Travel by Internal Control Department is listed in Annex 24.

Date	Title/Description	Location	Staff participants
7/1/2002	Harmonization of Georgian legislation with EU standards	GEPLAC	Giorgi Dangadze, Bidzina Korakhashvili
7/1/2002	Discussion of the harmonization of Georgian agricultural legislation with relevant EU regulations.	GEPLAC - Georgian-European policy and legal advice centre. 42 Al. Kazbegi Ave. Tbilisi, 380077, Georgia	Giorgi Dangadze, Bidzina Korakhashvili
7/2/2002	Examine storm damage in Kakheti with DM Shervashidze	Signagi, Lagodekhi, Tsunori	Giga Kurdovanidze
7/3/2002	Merger of MAF food, veterinary and phyto-sanitary inspections.	Anticorruption bureau of Georgia	Giorgi Dangadze
7/8/2002	Discussion around the reforms in the Veterinary administration of MAF	MAF- room of deputy minister D. Shervashidze	Giorgi Dangadze, Bidzina Korakhashvili
7/8/2002	Discussion with assistant of Tengiz Shervashidze, judge of district court of Tbilisi. Court case between Ltd "Gulani" and Ministry of State Property. MAF is third person	District Court of Tbilisi	Mamuka Matiashvili
7/9/2002	GTZ Workshop "Assistance to education and improvement of professional skills in agriculture and rural development (South Caucasus Region)"	Tbilisi, Borjomi (participation funded by GTZ)	Alexander Didebulidze
7/11/2002	Review status of EC FSP Program with EC consultant Seamus O'Grady	Project office	Don Van Atta
7/12/2002	Minister's Agricultural Policy Advice Council	MAF	Don Van Atta, Alexander Didebulidze, Bidzina Korakhashvili
7/17/2002	Participation in the International Seminar of EC: Mountains of Europe 2002: Pyrenees-Alps-Caucasus, Tbilisi-Borjomi, 17-21.July 2002.	Tbilisi, Borjomi	Alexander Didebulidze
7/19/2002	discussion of Georgian Poverty Reduction and Economic Growth Program	State chancellery	Bidzina Korakhashvili

7/20/2002	Examine progress of program to eradicate grasshopper infestation with Minister Kirvalidze	Shida Kartli	Giga Kurdovanidze
7/31/2002-8/10/2002	visit of Dutch veterinarian Cornelius Cysouw	Tbilisi	Tiko Janashvili, Giorgi Dangadze
8/1/2002	Liquidation of Ltd "Avtofarexi"	Tbilisi, Didube-Chugureti district court	Mamuka Matiashvili
8/6/2002	Meeting of Technical Committee of the Ministry: Japanese 2KR Grants and situation with the credit returning	office of Deputy Minister N. Mamaladze	Alexander Didebulidze
8/6/2002	LTC/Terra Land policy workshop briefing	Project office	Don Van Atta, Alexander Didebulidze, Bidzina Korakhashvili
8/8-9/2002	Present and review Government tea sector rehabilitation and support program with Minister	Samegrelo	Giga Kurdovanidze
8/10/2002	Presentation of IFAD Alpine Agriculture Program with DMs Shervashidze, Tkeshelashvili	Khevsureti	Giga Kurdovanidze
8/13/2002	Examine local agricultural situation with State Minister, Minister of Agriculture and Food	Kvemo Kartli	Giga Kurdovanidze
8/29/2002	discuss situation in Tbilisi, business opportunities with Ed Coll, EBRD Consultant	project office	Don Van Atta
9/3-4/2002	Examine results of drought aid program with Minister	Imereti, Samegrelo	Giga Kurdovanidze
9/5/2002	Draft-law "About rule of licensing and permitting of production of food products and tobacco"	Anticorruption bureau of Georgia	Giorgi Dangadze
9/9/2002	Georgian PREGP Program	State Chancellery	Alexander Didebulidze, Bidzina Korakhashvili
9/12/2002	courtesy call on UMCOR, discussion of PGREP	UMCOR office, 11 Mosiashvili	Don Van Atta - Chief of Party
9/26/2002	Harmonization of Georgian agricultural legislation with EC regulations	Office of GEPLAC - 42 Al. Kazbegi Ave. Tbilisi, 38007, Georgia.	Giorgi Dangadze
9/30/2002	Organic farmers association "Elkin" Seminar	Tbilisi, Mtskheta Region, Khashuri region	Giorgi Dangadze, Bidzina Korakhashvili

Annex 24. Travel by project staff members working with the MAF Internal Control Department during the reporting period

Date trip began	Date trip ended	Project staff	Places visited	purpose
June 13	July 3	V. Chigladze, Inashvili	Eastern Georgia	Examine use of seed wheat received as aid in 2001 and 2002
July 1	July 12	Donjashvili, Khundadze	Dedoplistskaro, Signagi, Kvareli, Telavi, Gurjaani, Lagodekhi, Akhmeta and Sagarejo	Use of 2001 target program funds
July 30	August 19	Donjashvili, V. Chigladze, Khundadze	Kutaisi, Tskaltubo, Poti, Lanchkhuti, Ozurgeti, Zestafoni, Samtredia, Khoni, Martvili, Zugdidi, Senaki, Abasha, Chokhatauri, Tsalenjikha, Khobi, Chkhorotskhu, Bagdati, Sachkhere, Terjola, Kharagauli, Mestia, Oni and Ambrolauri	Use of 2001 target program funds
August 29	September 15	Donjashvili, V. Chigladze, Khundadze	Shida Kartli, Kvemo Kartli and Mtskheta-Mtianeti	Use of 2001 target program funds
September 23	September 28	Donjashvili, Inashvili, Khundadze	Ltd. Didgori, Mtskheta	Storage and distribution of humanitarian aid provided by Italy

Annex 25. Abbreviations

AAF	Administration of Agriculture and Food
APLR	Association for the Protection of Landowners' Rights
CAP	Common Agricultural Policy
DAI	Development Alternatives, Inc.
DAWE	Department of Amelioration and Water Economy
DM	Deputy Minister
EBD	employee biodata form (USAID)
EC	European Commission
EU	European Union
FAO	United Nations Food and Agriculture Organization
FDM	First Deputy Minister
FSP	EC Food Security Program
FSU	Former Soviet Union
GEL	Georgian lari (national currency)
GSP	Generalized System of Preferences (US tariffs)
GESP	Georgia Enterprise Support Project
IDP	Internally-displaced person
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
JSC	Joint-stock Company
Ltd.	Limited-liability Company
MAF	Ministry of Agriculture and Food of Georgia
MSPM	Ministry of State Property Management
OECD	Organisation for Economic Co-operation and Development
PSQI	Phyto-sanitary Quarantine Inspection (MAF)
PREGP	Poverty Reduction and Economic Growth Program (IMF/WB)
RAE	Risk Assessment Exercise (WB project)
RAPA	Restructuring Assistance and Policy Advice for the Ministry of Agriculture and Food of Georgia Project
RFE/RL	Radio Free Europe/Radio Liberty
RIF	Reduction in force (cut in staff size)
SAVE	Support for Added-Value Enterprises (USAID agribusiness development project implemented by ACDI/VOCA)
ToR	terms of reference
USAID	United States Agency for International Development
UNDP	United Nations Development Program
UNEP	United Nations Environmental Program
USDA	United States Department of Agriculture
VAT	Value-added Tax
WB	World Bank
WTO	World Trade Organization