



**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  
EIGHTH REPORT  
JULY 1-SEPTEMBER 30, 2003**

**July 18, 2006**

## **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**

- As a result of RAPA assistance, the Ministry of Agriculture and Food (MAF) has reduced the number of its units from 36 in 2000 to 22 now.
- Over the same period, the actual number of direct hire employees in the MAF system has fallen from 4,371 to 2,295, a 48 percent reduction.

In July-September, 2003, the Restructuring Assistance and Policy Advice Project:

- Completed all conceptual and legal documents necessary to simplify the process for testing and registration of new plant and animal varieties as well as seed and seedling certification. As required by government legal-drafting procedure, the MAF has sent them to other ministries for consideration.
- Finalized the basic legal documents necessary to unify the Veterinary Department, Phytosanitary Inspection and Flour Quality and Agricultural Products Inspection. As required by government legal-drafting procedure, the MAF has sent them to other ministries for consideration.
- Supported the MAF in negotiations on a Food for Progress wheat agreement
- Conducted with the MAF Internal Control Unit extensive field examinations of the use of MAF and donor resources that resulted in recovery of approximately US\$50,000
- Provided continuing policy advice to the Minister and his deputies on a wide variety of issues
- Assisted the Ministry with legal drafting and legal analysis
- 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

## CONTENTS

<b>PROJECT BACKGROUND.....</b>	<b>1</b>
<b>POLICY AND INSTITUTIONS .....</b>	<b>2</b>
<b>THE ROLE OF AN AGRICULTURAL POLICY UNIT .....</b>	<b>4</b>
<b>STRATEGY FOR MINISTRY REFORM.....</b>	<b>6</b>
<b>ACTIVITIES DURING THE REPORTING PERIOD.....</b>	<b>8</b>
<b>The Political Assault on Minister Kirvalidze .....</b>	<b>8</b>
Bread prices .....	10
Grain supplies.....	10
Political infighting .....	12
The role of RAPA.....	14
<b>Anti-corruption and legal assistance.....</b>	<b>15</b>
<b>Policy Advice and Analysis.....</b>	<b>16</b>
Development of Ministry Strategy .....	17
WTO and trade .....	18
EU harmonization and conflict with Sakstandarti .....	19
Codex Alimentarius .....	19
The Cartagena Protocol .....	20
Agricultural taxes and import tariffs.....	20
Parliamentary liaison .....	21
Market analysis.....	21
Tea .....	21
Food for Progress.....	22
416b and Food for Progress proceeds.....	23
<b>Ministry Restructuring .....</b>	<b>25</b>
Restructuring Commission .....	25
Salaries, Personnel and Purchasing Departments .....	26
MAF standard operating procedures.....	26
Budget, Accounting and Financial Management.....	27
Changes in MAF units.....	28
Unification of Inspections.....	28
Certification and licensing.....	28
Food products inspection .....	28
Customs and border services .....	30
Selection Inspections .....	30
Saktevzi and draft Law “On Fisheries” .....	31
<b>Internal Control Unit .....</b>	<b>32</b>
<b>Other activities.....</b>	<b>33</b>
Cooperation with other donors .....	33
Information and outreach.....	33
Ministry computer network and web site.....	34
Theft of laptop computer .....	34
Tax audit.....	34
<b>OUTSTANDING ISSUES.....</b>	<b>35</b>
<b>PLANNED ACTIVITIES FOR NEXT PERIOD .....</b>	<b>35</b>

<b>ANNEX 1. PROJECT STAFF AS OF SEPTEMBER 30, 2003.....</b>	<b>36</b>
<b>ANNEX 2. ORGANIZATION OF THE MINISTRY OF AGRICULTURE AND FOOD AS OF SEPTEMBER 30, 2003.....</b>	<b>37</b>
<b>ANNEX 3. MATERIALS FROM THE SPS/TBT TRAINING SEMINAR WITH MEMBERS OF WTO SECRETARIAT .....</b>	<b>38</b>
Seminar agenda .....	38
List of participants .....	40
Thank-you note from WTO Secretariat.....	43
<b>ANNEX 4. MEASURES UNDERTAKEN AND TO BE UNDERTAKEN FOR HARMONIZING LEGISLATION OF GEORGIA ON AGRICULTURE AND FOOD WITH THE APPROPRIATE LEGISLATION OF THE EUROPEAN COMMUNITY: PLAN OF ACTIVITIES .....</b>	<b>44</b>
<b>ANNEX 5. SHEVARDNADZE INSTRUCTION ON TRANSLATION OF EUROPEAN UNION TECHNICAL REGULATIONS .....</b>	<b>54</b>
<b>ANNEX 6. MAMALADZE LETTER TO SHEVARDNADZE CORRECTING LIST OF EUROPEAN TECHNICAL REGULATIONS TO BE ADOPTED .....</b>	<b>60</b>
<b>ANNEX 7. REPORT ON CODEX ALIMENTARIUS COMMISSION MEETING AND SUGGESTIONS FOR FURTHER CODEX-RELATED ACTIVITIES IN GEORGIA .....</b>	<b>61</b>
<b>ANNEX 8. COVER LETTER AND DRAFT LAWS PREPARED BY MAF TO CHANGE CUSTOMS DUTIES AND VAT COLLECTION ON WHEAT GRAIN IMPORTS .....</b>	<b>66</b>
<b>ANNEX 9. COMMENTS ON THE PRESIDENTIAL DECREE ON THE TEA PROGRAM.....</b>	<b>69</b>
<b>ANNEX 10. SUMMARY OF FOOD FOR PROGRESS REQUIREMENTS FOR REPORTS FROM RECIPIENTS .....</b>	<b>71</b>
<b>ANNEX 11. AUGUST 26, 2003 ARTICLE IN ALIA ASSERTING THAT US FFP WHEAT IS GMO AND UNFIT FOR HUMAN CONSUMPTION.....</b>	<b>73</b>
<b>ANNEX 12. LETTER FROM GREEN MOVEMENT OF GEORGIA REQUESTING DETAILS ON US FFP WHEAT .....</b>	<b>77</b>
<b>ANNEX 13. SUGGESTED ANSWERS TO GREEN MOVEMENT QUESTIONS FROM USDA MOSCOW.....</b>	<b>78</b>
<b>ANNEX 14. NOTE FROM USAID CAUCASUS LAWYER ON NEW US PENALTIES FOR TAXATION OF FOREIGN ASSISTANCE .....</b>	<b>79</b>
<b>ANNEX 15. PROPOSED STRUCTURE FOR A COMPLETELY REFORMED MAF OF GEORGIA .....</b>	<b>81</b>
<b>ANNEX 16. SAKTEVZI’S CONCEPT FOR DEVELOPING GEORGIAN FISHERIES.....</b>	<b>82</b>
<b>ANNEX 17. DRAFT LAW OF GEORGIA “ON FISHERIES” AND AMENDMENTS TO LAW OF GEORGIA “ON THE BASES FOR LICENSING AND ISSUING PERMITS FOR BUSINESS ACTIVITY” PREPARED BY MAMUKA MATIASHVILI .....</b>	<b>86</b>
<b>ANNEX 18. INTERNAL CONTROL UNIT REPORT ON PAYMENT FOR AGRICULTURAL EQUIPMENT SUPPLIED UNDER THE JAPANESE 2KR PROGRAM .....</b>	<b>98</b>
<b>ANNEX 19. REPORT OF COMMISSION TO EXAMINE HANDLING AND MONETIZATION OF ITALIAN HUMANITARIAN AID RICE, POTATO FLAKES, AND MACARONI AT LTD. “DIDGORI” .....</b>	<b>106</b>
<b>ANNEX 20. POLICE REPORT ON THEFT OF NOTEBOOK COMPUTER FROM MAF .....</b>	<b>109</b>

<b>ANNEX 21. DOCUMENTS PREPARED BY THE PROJECT DURING THE REPORTING PERIOD</b> .....	<b>110</b>
<b>ANNEX 22. PROJECT TRANSLATIONS DURING THE REPORTING PERIOD</b> .....	<b>112</b>
<b>ANNEX 23. MAJOR MEETINGS AND TRAVEL DURING THE REPORTING PERIOD</b> .....	<b>120</b>
<b>ANNEX 24. ABBREVIATIONS</b> .....	<b>124</b>

Agriculture may now be the most important economic activity in Georgia, estimated to provide up to 30 percent of the country's gross domestic product. Georgia's land reform legislation in the early 1990s allowed most rural residents to expand their plots from what they held during the Soviet era. A household's land holdings now average about 1.25 hectares in several separate plots., Many of the former large farms were physically broken up and divided in the process. Those small plots help most Georgians survive, and provide the basic livelihood for as much as 60 percent of the population.

Input-supply, service and processing capacities essentially disintegrated, as the command economy and enormous captive market for which they were constructed ceased to exist. They have yet to be replaced by functionally equivalent economic actors suited to the new situation.

The country does not produce enough basic foodstuffs to meet its own needs, which should be no disaster given the country's potential to produce other, higher-value and value-added agricultural products, but agricultural exports have been limited and difficult because of lack of knowledge about possible markets and their requirements, an underdeveloped banking and transportation infrastructure, and administrative barriers to movement. The Georgian government is extremely fragmented and the Ministry of Agriculture and Food, even under leadership from a post-Soviet generation, has not yet completely shaken off its Soviet past.

The direct mission of the "Restructuring Assistance and Policy Advice for the Ministry of Agriculture and Food of Georgia" Project (RAPA) is 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.

Like any policy-oriented effort, the project deals with a wide variety of issues simultaneously. This report is therefore equally wide-ranging. The next four major subsections, describing the genesis of the project, offering some reflections on the problem of "policy" in a post-Soviet state, presenting the idea of an agricultural policy unit and summarizing the project's diagnosis of the weaknesses of the Ministry of Agriculture and Food, are largely restatements of previous submissions. The following long section considers in turn work to counter corruption, policy analysis, organizational restructuring and other activities during the quarter being reported. The text concludes with a discussion of current management and strategy issues and a brief consideration of upcoming work. A series of annexes include materials related to particular topics covered in the main text, as well as some summary data on project work during the reporting period. Although all the items in the annexes are important, it is unlikely that any reader will find them all of equal interest. Not all annexes are included in the Georgian version of this report prepared for the Ministry, as many annexes are translations of Georgian documents.

## **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 RAPA responds to Georgian Minister of Agriculture and Food David Kirvalidze’s October 2000 letter, distributed to USAID, the IMF, the World Bank, the European Commission and others requesting donor support for a “temporary agricultural policy analysis group.”

The project’s three primary activities were specified in its original task order and by the USAID/Caucasus Mission Director at project inception. A fourth task has followed in practice from the first three:

- Providing a policy advisor who can build a close working relationship with the Minister
- Supporting reform of the Ministry as an agency of the Government of Georgia to make it useful and effective in a market economy
- Carrying out analytical and other work to ensure that the MAF receives “best practice” advice about both its policy and institutional form
- Supporting Ministry efforts to root out existing corruption and prevent its recurrence

The RAPA project, organized as a task order to Development Alternatives, Incorporated (DAI) under the USAID BASIS indefinite quantity contract, began in December 2000 when the USAID mission arranged an initial two-week visit to Georgia for the proposed expatriate senior advisor and began its formal Phase I operations on February 3, 2001. Initially contracted for four months, a contract modification for a Phase II of the activity 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. The Mission then prepared a new Statement of Work for an extended Phase II of the activity which it 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 USAID Cognizant Technical Officer accepted the benchmarks on October 31, 2002, within the time period required by the Contract modification. The current end date for the activity is December 31, 2003.

### **POLICY AND INSTITUTIONS**

The RAPA is, by definition “working with the government.” In a situation where the Georgian government is often at best ineffective and not infrequently actively harming its citizens’ clear collective interests, that is not always popular nor easy. However, Georgia is an independent country with an internationally-recognized government. Foreign assistance is offered under a bilateral treaty that assumes the government is sovereign. So, if there are issues of policy that are government concerns—and world practice shows

that there are many such, including basic regulation to ensure a “level playing field” for all economic actors, trustworthy and accepted standards, and provision of public goods such as market information—there is no real alternative to dealing with the government. That is not, of course, to say that a donor should deal only or primarily with the government, but it is the natural counterpart of this particular technical assistance effort.

In any government, policy making is a process of balancing many interests and deciding which are to have priority. Whether considered as a feedback loop, a continuous set of transactions between governors and governed, or a structure in which government sets limits and civil society acts within those limits, governmental policy making always requires hard choices. Georgian governmental institutions in the Soviet era never had that fundamental responsibility, existing only as local agencies of the imperial power, charged with implementing decisions made elsewhere. Georgian officials and politicians continue to see their problem more as one of policy implementation than of policy-making. The very weakness of Georgia’s institutions makes hard choices harder because of lack of knowledge and information and the capture of many government agencies by those interests the agencies should be regulating and balancing against other social concerns. The Georgian government lost any possible ability to manage all of society as soon as it lost free access to the resources of the rest of the former Soviet Union. But the government has not yet ceased trying to manage everything, nor have all citizens ceased trying to make it attempt to do so. Georgian government officials at all levels and of all ages are uncomfortable with freely associating, unregulated groups in “civil society.” Moreover, the government is only slowly developing the new capacities that will allow Georgia to function effectively in an open international system. New governmental functions require fundamental structural change.

For a moment in 1990 and 1991, it appeared that the transformation of former Soviet-type economies and polities into market-oriented democracies could be done fairly quickly, and, in large part, with “the stroke of a pen.” Whether or not that was ever really true is now a matter for historians to debate, but the fact is that thirteen years after Georgia declared its independence, and twelve years after it took it, Georgia is still far from having a functioning set of market and democratic institutions. As a result, grand policy prescriptions have come to be more and more distrusted among donors and residents in and donors to the region. No one still expects that economies and institutional arrangements developed over several generations can be quickly and easily transformed.

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 foreign officials have tended to push for the institutional framework with which they are most familiar and which they know works—arrangements like those in their own home countries. Because many often incompatible, specific institutional arrangements exist in the various countries offering advice, however, different consultants 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, because both Europeans and Americans choose to subsidize their producers heavily, 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.

A model of policy reform that presumes that “if we just tell them how they should do it, the job is done” assumes away the problem it is trying to fix. Recommendations that Georgia adopt institutional models that work somewhere else presume 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 in the most developed Western systems<sup>1</sup>; it is especially hard in a country like Georgia, whose institutions developed not for “policy-making” 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—financial, institutional, or political—with which to do so. The purpose of the RAPA is to assist in developing those ideas and creating and mobilizing the needed resources.

### **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 has 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 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. One of the three principal recommendations for advancing agricultural sector reform in Georgia made by the CASE analysts led by former Polish Minister of Finance Leszek 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

---

<sup>1</sup> 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).

- 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.

One goal of the RAPA is to create a similar capacity within the Ministry of Agriculture and Food of Georgia. As with the SAEPR in the comparatively much wealthier Poland, the policy unit is likely to need some donor support for a considerable period of time. However, also like the SAEPR or its present Ukrainian cousin a relatively low level of support from a variety of international and domestic sources can suffice to create a catalyst for many beneficial changes. That support can most usefully come, as it has in both those other cases, from shifting coalitions of donors and a variety of sources.

A well-functioning APU will multiply the effectiveness of pressure from outside the government from policy change. Such pressure from civil society is critical if better policy is to be developed and implemented. Yet an entrepreneur or a business association is most deeply concerned with immediate policy problems encountered in trying to do business. So such "demand driven" policy reform is likely to be narrowly focused at the immediate objective of the businesses concerned, and in a weak regulatory environment may actually run counter to good policy by furthering too-specific goals. "Demand-driven" policy also tends to be reactive. In a poorly-functioning market economy like Georgia businesses are often too busy trying to survive to do much systematic thinking about their future, nor do they often have the time and resources to stay abreast of issues that do not obviously directly concern them. A well functioning APU can help to alert both the Georgian government and the private sector to potential policy problems before they become real constraints to economic activity.

In Georgia, policy advice must be complemented with organizational change. 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, therefore, an equally important aim of the RAPA project. 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 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 is part of a broader effort to reform both the economic sector of agriculture and food and Georgian public administration which simultaneously can help the private sector and civil society develop.

### STRATEGY FOR MINISTRY REFORM

Despite—or because of—its size and complexity, the MAF is a weak institution. It has little policy or implementation capacity, although the tasks assigned it by the government and performed by its analogues in market economies are many and important. Therefore, the task of reforming the MAF is to help it develop the policy resources to become more effective.

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 might 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.

The Ministry of Agriculture and Food of Georgia suffers from a number of underlying problems. The project's work is beginning to counter many of these weaknesses, but they still must be kept in mind.

1. The MAF 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, and generally not acting as a cohesive organization with a common mission—and common threats and possible penalties (i.e., unemployment) if the organization's core missions are not reasonably well performed.
2. Until recently the MAF has had very weak management and no effective internal controls. The Ministry has continued to operate as part of a single command-economy structure in which organization boundaries have been very fluid and have had little meaning. To the extent they existed, 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 to replace the Party.

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. 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. Almost every donor project that has been implemented in cooperation with the MAF since Georgia regained its independence has been under- or mismanaged 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. While the MAF has now largely dealt with the most explosive of these problems, those stemming from the EU TACIS RARP, more efforts are required to ensure that the continuing quest for resources from donors—a quest which the MAF must inevitably pursue—does not create new difficulties akin to the ones that have now been cleaned up.
6. As a result of these conditions, until recently the present Ministry leadership has been almost entirely occupied in trying to cope with 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 by RAPA 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 commissioned for this project, make clear, there are many ways of organizing and structuring a Ministry of Agriculture 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. There are many institutional approaches to such issues as food safety in the developed countries. But 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.<sup>2</sup>

---

<sup>2</sup> 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 Extension Technical Proposal accepted by USAID/Caucasus in August 2002. See also the survey

The RAPA project seeks to maintain Georgian ownership of the restructuring activities and their results while insisting that real change is needed. This requires careful education of the MAF management and coalition-building within the Ministry, as well as close attention to the complex and shifting political and economic situation in which the MAF 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 relies 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 requires painstaking day-to-day work with and within it. The alternative to this approach could only be 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 of both the institution and its own local staff.

### **ACTIVITIES DURING THE REPORTING PERIOD**

The following sections of this report describe principal activities during the reporting period in more detail. The major event of the quarter was an unexpected attack on Minister of Agriculture Kirvalidze motivated by maneuvering before the scheduled November 2, 2003, parliamentary election in Georgia. So those events are discussed next. Then the project's anti-corruption and legal work, policy analysis, ministry restructuring, the work of the MAF Internal Control Unit, and other RAPA activities are presented. This report concludes with a discussion of plans for next quarter.

Annex 1 shows project staffing at the end of the period.

### **The Political Assault on Minister Kirvalidze**

Eduard Shevardnadze, born in 1928, member of the Communist Party of the Soviet Union from 1948 until July 1991, became First Secretary of the Communist Party of the Georgian Soviet Socialist Republic in September, 1972. He was appointed by Moscow in order to clean up a local regime whose corruption he denounced and promised to oppose. Except for a stint as Foreign Minister of the USSR in 1985-1990 and a year in Moscow afterwards—during which time he continued to have great influence in Georgia behind the scenes—he has run Georgia ever since. Eduard Shevardnadze has been in charge of Georgia for almost as long as Minister of Agriculture Kirvalidze, born in 1967, has been alive. Only four RAPA project staff members (Van Atta, Didebulidze, Korakhashvili and Magalashvili) are old enough to remember when Shevardnadze was not in charge of Georgia.

A presidential election scheduled for the spring of 2005 will bring Shevardnadze's career to a close unless proposals, periodically floated by various political figures, to change the Constitution to allow him to run again in imitation of the present rulers of Central Asia are adopted before then. President Shevardnadze has repeatedly said he will not run again, and age, if not constitutional law, will enforce that word fairly soon.

The elections to the Georgian parliament scheduled for November 2, 2003, are, therefore, the opening round in the formal struggle to succeed Shevardnadze that has informally dominated Georgian politics at least since the last presidential elections in April 2000.

David Kirvalidze, a professional soil scientist who was then teaching and farming with a Dutch-sponsored foreign assistance project, was recruited to run for parliament in 1999 by Zurab Zhvania, whose Green party had joined the "ruling" Citizens' Union of Georgia (CUG)—a faction-ridden political machine founded by Shevardnadze in the mid-1990s as his instrument of rule and political support in post-Soviet, post-Civil War Georgia. Other "new faces" recruited for that election included Mikheil Machavariani, who had been teaching in the same department at the Georgian State Agrarian University as Kirvalidze, and Mikheil Saakashvili. When he ran for Parliament in 1999, Kirvalidze had had no serious political experience. In part, perhaps, for that reason, he won election to Parliament, soon becoming chairman of the Committee on Agrarian Issues. From that post he was appointed to replace long-time Shevardnadze associate Bakur Gulua as Minister of Agriculture and Food of Georgia in 2000.

In 2001 other factions in the CUG and Parliament drove Zhvania from the post of speaker and all ministers identified with the "Zhvania team" were forced to resign their posts—willingly or otherwise joining the "opposition" to Shevardnadze—except for David Kirvalidze. By that time the new minister had already worked hard to establish himself as a competent professional in a difficult field who, aside from frequently-proclaimed and demonstrated loyalty to the President, no longer had any close ties to any political faction in or out of the CUG.

However, although he was the only one of the "young reformer" ministers who has retained his position since the CUG split in 2001 and lost its parliamentary majority, Kirvalidze has remained subject to considerable pressure to make appointments and provide resources for various politically influential groups. Sources of such pressure have included overt Shevardnadze loyalists such as Kvemo Kartli Presidential Representative ("governor") Levan Mamaladze, whose faction had led the struggle inside the CUG against Zhvania, as well as other political factions in Parliament. As the CUG began to mobilize for the parliamentary elections, pressure on Kirvalidze to declare his position clearly grew. The result, during July and August 2003, was an attempt to unseat him based on claims of his incompetence and that he had willfully lied to the president.<sup>3</sup>

---

<sup>3</sup> It is ironic the most important public charge against Kirvalidze should be misleading the President. Until the attack on him during the third quarter of 2003, perhaps the most difficult political battle in which he had been involved as Minister was the effort to dismiss Robert Gurchiani as head of the Phyto-sanitary Quarantine Inspection, an effort described in earlier project reports. Gurchiani filed two suits to get his job back, one claiming violation of dismissal procedures, the other that Kirvalidze had lied to President Shevardnadze when preparing a change in the structure of the MAF that had the side effect of eliminating the position from which Gurchiani had been removed, so that any court-ordered reinstatement was moot. In fact, Shevardnadze closely followed the Gurchiani case, and it was apparently at the President's request that Kirvalidze has steadfastly refused to allow anyone, including the RAPA project, to widely publicize the

### ***Bread prices***

Historically, the job of the Ministry of Agriculture and Food of Georgia has been not to represent farmers but to ensure stable and affordable food supplies to the cities. From the 1960s on, the Soviet authorities generally acted as if a “social contract” existed between rulers and ruled. So long as the general population took no part in politics beyond the rituals of obedience and was quiet, the regime insured a slow but steady growth in living standards. One of the most important signs of that improvement was low official prices for basic foods, particularly bread, the symbolic importance of which, in a country where the revolution against the Tsarist empire began in a bread line, the creation of collective farms was a murderous national trauma that set the administrative, cultural and political shape of the regime for the rest of its existence, and a major sign of incipient collapse was food-supply problems in the major cities in the late 1990s and the reimposition of food rationing in much of the country, including Georgia, cannot be overestimated. To the generation of leaders that includes Shevardnadze, and to much of the citizenry of Georgia, the main job of the MAF is to ensure that there is enough food and that prices for basic foodstuffs remain low and stable.<sup>4</sup>

Under great pressure from the donor community, Georgia “liberalized” the price of bread on June 15, 1996, following almost two years’ work to privatize the grain handling and baking businesses. However, examination of the legal acts by which prices were freed at that time indicates that in fact the regime did not intend to allow bread prices to rise, and nominally they have not, although the weight and quality of loaves of bread has rather consistently declined since overt price controls were removed. There is also reason to suspect that the Anti-monopoly Service and Price Monitoring Service of the Ministry of Economy, and perhaps other Georgian government agencies, continue to enforce undeclared but none the less real, price controls for bread in Tbilisi.

Officially, pressure to keep bread prices low is justified as a social welfare measure to protect the poor and vulnerable. In fact, the low price subsidizes the richer part of the population and leads to waste of large quantities of bread, as well as, apparently, a continuation of the use of much bread as feed for private livestock, a practice that was several times declared illegal in the USSR.

### ***Grain supplies***

Throughout the 1990s, Georgia has been dependent on imported wheat to meet its demand for bread. Much of this grain has been provided as humanitarian aid. The August, 1995, Shevardnadze decree privatizing the state grain trade (grain handling, grain milling, industrial bakeries, and compound-feed production for animals) included a requirement that the country establish a two-month reserve of wheat and flour from donated commodities.<sup>5</sup> (Maintaining such a reserve was standard Soviet practice and remains usual in the post-Soviet countries.) To assemble the reserve stocks and manage the newly liberalized grain trade, a “State Regulatory Board” was established at about the same time. Then, as now, donors provided a good deal of assistance to Georgia in the

---

Gurchiani case, publicity than on its face might have helped both to remove Gurchiani and to emphasize that the Georgian government is, in fact, taking some steps against corruption.

<sup>4</sup> Georgia and Armenia are the only post-Soviet countries in which there have been acute absolute shortages of food, in both cases because of local wars in the 1990s. Georgia appears to be the only post-Soviet country in which food rationing was employed during the last decade of the twentieth century.

<sup>5</sup> “On Immediate Measures to Privatize Grain Product Enterprises and Units” August 7, 1995. An English translation of this decree is available on the RAPA web site.

form of surplus agricultural commodities to be sold on the Tbilisi Grain and Oil Products Exchange with the proceeds to be used for assistance. Consultants from the European Union's TACIS Regional Agricultural Revival Project (RARP), which at the time was importing and monetizing most of Georgia's grain assistance, were instrumental in the creation of this entity and a TACIS consultant was listed as one of its "founders" in the SRB's incorporation papers.<sup>6</sup>

In 2000, the European Union ceased providing large amounts of grain for monetization as questions about the use of RARP funds by the MAF grew. Funds from the private-sector assistance component of RARP were used as the founding capital of the Agrobusiness Bank of Georgia, and the European Union shifted its aid to the government from monetized commodities to direct cash budget support—still targeted largely for the MAF—through the European Commission Food Security Program.

As donor supplies of grain have declined, Georgia's reliance on imports of wheat and flour from its neighbors, especially thorough Ergneti in the former South Ossetia, have increased. Much of this trade is contraband, especially since advance payment of value-added tax (VAT) at the time of import was imposed on wheat and flour at the beginning of 1998.<sup>7</sup> Although it is difficult to judge precisely as the statistics are clearly faulty, it appears that Georgia's reliance on smuggled supplies of wheat and especially flour have steadily grown in recent years.<sup>8</sup> The smuggling has served to subsidize bread prices. Owners of the large integrated grain storage, milling and bakery operations that were privatized as units in the 1990s have suffered from this untaxed competition. As a result, the capacity utilization in their facilities is very low (Georgia has overcapacity here in any case, since the system was built to supply the whole South Caucasus and simultaneously to handle much of the massive late-Soviet grain imports). However, the large mills have often also used imported wheat to raise the quality of untaxed smuggled flour and to mask their tax evasion in using smuggled supplies.

The US, on which Georgia became more reliant for grain donations after the RARP ended, became increasingly unwilling to work with the SRB, the official state agent, since US officials increasingly saw the SRB as both corrupt and incompetent.<sup>9</sup> Kirvalidze's replacement of part of the management of the SRB in 2001—in which the RAPA project was instrumental—cleared the way for a 416(b) agreement that year, but slow sales of the donated grain in Georgia, partly caused by the Georgian Ministry of Finance's insistence on charging VAT on first sale of the wheat in the country in contravention of the 416(b)

---

<sup>6</sup> See the SRB incorporation papers filed with the Tbilisi-Mtatsminda District Court October 3, 1996.

<sup>7</sup> The rates have been changed several times since then, but the duties remain. The VAT payment is a particular issue, since in fact VAT in Georgia acts as a turnover tax and it is impossible to get a refund for VAT paid except in the (questionably-legal) form of a credit on other taxes.

<sup>8</sup> See the RAPA policy note by Bidzina Korakhashvili and Don Van Atta, "Wheat Supply in Georgia as of April 1, 2003" (April 11, 2003). Korakhashvili began collecting data on wheat and flour contraband as part of his work for the project in 2001. USDA consultant Charles Kelly presents Korakhashvili's data in a slightly different form in his report at the end of 2002.

<sup>9</sup> The SRB was originally established as a "Treasury Enterprise," then restructured as a 100 percent-state owned limited liability company. Its shares were managed by the MAF until early 2002, when its management, and those of all other state-owned corporations, reverted to the Ministry of State Property (now the Agency of State Property Management in the Ministry of Economy, Trade and Industry). The SRB has recently been rebaptized Ltd "Agrosystems."

agreement, as well as changes in US policy on international food donations in 2002, made new agreements increasingly unlikely.<sup>10</sup>

However, in late 2002 it became clear that the winter wheat crops in Ukraine and the Russian Northern Caucasus would be much smaller than they had been in recent years, leading to the likelihood of increases in prices for smuggled flour and legal grain and flour imports from those areas in Georgia. In early 2003 the SRB again asked the MAF to seek additional supplies of wheat as donations from the US or EU, which the MAF did without apparent success. At the beginning of April 2003 the owners of the country's major mills demanded that the MAF provide them either with humanitarian aid wheat to mill or low-interest loans with which to buy supplies. These demands coincided with a crackdown on smuggling from Ergneti that tightened flour supplies in Tbilisi, and also just preceded the usual period of tightest grain supplies in Georgia before the new harvest.

On March 30, 2003, in his regular Monday radio interview, President Shevardnadze flatly stated that concerns about an increase in the price of bread in Georgia were unfounded and promised that he personally would make certain that retail prices did not increase. Concern that bread prices would go up increased during the spring. On June 9, as pressure within the government to meet IMF conditions was clearly increasing, Minister of Finance Gogiashvili declared that the State Customs Service and Extraordinary Legion could do much more to fight smuggling, but that he could not be responsible for the increase in bread prices that would follow.

Throughout June, the MAF responded, not entirely consistently, to this growing pressure by issuing a series of press releases and official statements on the one hand echoing Shevardnadze and saying that bread prices were not going up and on the other saying that a rise in grain prices was normal just before the new harvest comes in and that some price fluctuations are to be expected in a market economy. Moreover, the MAF spokesperson and Kirvalidze noted, the MAF was no longer able or assigned to control bread prices as the instruments for government control had either been privatized or transferred to other ministries. As discussed in the previous quarterly report, Kirvalidze was in the US from June 17 through June 30 as the press continued to discuss the bread price issue. Although he was discussing additional grain supplies during that trip, in retrospect the absence was probably politically unwise. On July 3, Kirvalidze announced at a press conference that the new harvest was beginning to come in and there was no reason to expect a rise in bread prices.

### ***Political infighting***

During June and July, Kirvalidze was apparently under increasing pressure from the State Chancellery and the organizers of the "pro-presidential" bloc in the upcoming parliamentary elections to openly declare his support for that electoral bloc. He was also clearly under increasing pressure to direct or divert resources from the MAF's many foreign assistance projects to support the "pro-presidential" bloc. At the same time, press

---

<sup>10</sup> See previous quarterly reports for more detail on the management changes in the SRB and the sale of the 2001 416(b) wheat. Following project documentation of the VAT charges on the 2001 416(b) donation, the SRB ceased providing written reports on sales to the MAF, limiting itself to reporting the amounts in stock. In response to feelers from the MAF, instigated by the SRB, in mid-2002, Embassy Tbilisi and USAID informed the MAF that Georgia would be unlikely to receive further US grain donations as a result of a change in donation policy by the USDA.

accounts and public statements by leaders of that bloc increasingly questioned his commitment to President Shevardnadze, suggesting that Kirvalidze retained primary loyalty to Zhvania and even that he was manipulating the bread price issue to benefit the opposition.<sup>11</sup> It was also reported that he had refused to create a new position as deputy head of Samtresti, the wine regulatory agency in the Ministry, for a person to be nominated by Levan Mamaladze. Whether this reported request was made for personal reasons, to put a friend in a lucrative position, or political purposes, to gain access to more money for the election, is not clear. A final accusation against Kirvalidze was that he was aiding Anzhor Burjanadze, head of the privatized State Grain Products Corporation, in various illegal schemes. Anzhor Burjanadze is the father of Nino Burjanadze, who succeeded Zhvania as speaker of the Georgian Parliament and now shares leadership of the “Burjanadze-Democrats” electoral bloc—in opposition to Shevardnadze—with Zhvania.

In late June, 2003, Mikheil Saakashvili of the opposition National Front sharply criticized a rise in retail bread prices. On the weekend of July 5-6, the National Front held nationwide demonstrations against bread price increases. Through early and mid-July reports of bread price increases continued to appear in the press even as the MAF continued to argue that any change in prices was a temporary fluctuation that would be brought back down as the new harvest continued. In July, Shevardnadze’s weekly radio interviews began to criticize Kirvalidze, first by position and then by name, for traveling too much and not paying enough attention to his job of regulating retail bread prices. On July 21, Shevardnadze appealed for calm about bread prices in his radio interview, promising that they would remain stable, the new harvest was coming in, and noting that a shipload of American wheat would arrive in about two weeks.<sup>12</sup>

On July 22, the Agrarian Committee of the Parliament of Georgia held a public hearing on bread and grain prices. Irakli Gogava, leader of the “Alliance for a New Georgia” parliamentary fraction, part of the pro-presidential electoral bloc, cited data provided by Sakstandarti to show that Kirvalidze had been lying to President Shevardnadze about bread price increases.<sup>13</sup> It was true, he said, that the price of a loaf of bread had generally not increased. However, he was shocked to discover that the weight and quality of loaves had been declining, as shown by Sakstandarti data. Since, he said, Kirvalidze had not told President Shevardnadze this, Kirvalidze was doubly guilty, both of failing to maintain bread prices and of misleading the President. The Committee found that there was no convincing evidence of unusual fluctuations in bread prices, in part because it was widely known that short-weighting and adulteration of bread (including underbaking it to save energy) had long been common practice.

---

<sup>11</sup> One rumor was that the two-tetri increase in retail bread prices in Tbilisi during July 2003 was instigated and diverted by Kirvalidze to finance the Zhvania campaign. It is highly unclear how such a levy might have been organized or transferred to the opposition, and the MAF in any case is not involved in the regulation of retail bread prices or bakeries, things that are done by Sakstandarti and the Ministry of Economy.

<sup>12</sup> The MAF public relations department, which routinely prepares material on agriculture for the President’s weekly radio interviews, denies having supplied any information about this “shipload of American grain” to the State Chancellery. As far as the RAPA project has been able to determine, there was no US shipment inbound at this time.

<sup>13</sup> The present head of Sakstandarti, Mikheil Janikashvili, is a former subordinate and colleague of Elguja Medzhmarishvili, who leads the pro-Shevardnadze parliamentary bloc.

At the government meeting on July 23, Shevardnadze ordered the Chamber of Control to investigate the bread price situation and related issues about the MAF. He declared that he would decide within a week whether or not to retain Kirvalidze in his post based on the Chamber's report. At his next regular press conference on July 28, Shevardnadze was quoted by the media as stating that Kirvalidze would probably be fired for misleading him at that week's government session. At the same press conference, he was also discussing the inevitability of impoundment of budget funds (a "sequester") in order to meet IMF conditions and a growing controversy over the conduct of the election campaign and the composition of the Central Electoral Commission which is responsible for organizing elections and counting votes.

On July 29, US ambassador Richard Miles met with President Shevardnadze. According to the press, the two discussed the recent sale of the stake formerly held in the Tbilisi electricity company by the US AES Corporation to the Russian Joint-Stock Company "Unified Energy Systems of Russia," and the controversy over the Central Election Commission. Shevardnadze also gave the US ambassador a copy of the draft Chamber of Control report, which, according to informed sources, turned out to be a cut-and-paste job of previous Chamber reports, many dealing with malfeasance under the previous Ministry management. The draft report did accept the Sakstandarti claim that bread prices had gone up and concluded—without much argument or logical connection to the malfeasance cited—that Kirvalidze had misled Shevardnadze. The draft report also noted that the MAF had received some US\$180 million in donor assistance since 2000.<sup>14</sup>

The following day, Kirvalidze was not present at the government meeting, as he had been urgently called to West Georgia to cope with the results of flooding in Baghdati raion. The issue of bread prices and his possible removal was not discussed. He was apparently assured privately by the President that if he could succeed in negotiating a large donation of American grain his job would be saved. He did so. On August 19, 2003, Minister of Agriculture and Food of Georgia David Kirvalidze and United States Secretary of Agriculture Ann Veneman signed an agreement on a donation of 50,000 tons of US wheat to Georgia under the Food for Progress act. The first shipload of 19,000 tons of wheat is unloading in Poti port as this report is being completed.

### ***The role of RAPA***

The Georgian media and Georgian politicians are, very unusually, almost unanimous in their interpretation of the events recounted above. They assume that Minister Kirvalidze had lost out in the constant court politics around Shevardnadze in large part because he refused to use the MAF's resources to support the pro-presidential electoral bloc, that the bread price issue was a convenient justification for his replacement with someone more pliable, and that intervention by the US saved him. No judgment is made here on whether or not that interpretation is correct. It can be certainly stated that the US ambassador—if he did intervene with President Shevardnadze about Kirvalidze—did not do so to save the RAPA project, as one Georgian commentator claimed.

The RAPA project did play four very important parts in this story. First, although it is still far too easy to divert resources from the MAF, the work done by the project in

---

<sup>14</sup> Attempts to identify the source of that number have been unsuccessful. If the total value of all present projects involving the MAF supported by the European Commission, TACIS, the World Bank, IFAD, the Japanese International Cooperation Agency and USAID are summed a number of that order of magnitude can be found. However, most of those efforts are multiyear ones, including a 40-year IFAD loan and grant.

improving management controls, tracking down old problems, and supporting an internal control unit that has gained a reputation in Georgia for effectiveness (and been praised by the head of the Anti-Corruption Commission as the model for the inspectors general he hopes to put in all ministries) greatly helped the Minister to resist pressure to appoint cronies and use the MAF as part of a political machine. Second, the project, by having begun unbiased examination of the country's grain balance before it became an issue, was in a position to supply evidence and analysis to the Ministry and USAID to help all sides better understand the economic issues and the course of events. Third, the project, through such efforts as translating the Food for Peace agreement and assisting the Georgian side to understand its requirements, helped to increase understanding and facilitate communication between the Georgian and American sides. Fourth, project briefing materials and contacts with USDA provided the MAF needed arguments to fend off claims made after the Food for Progress agreement was completed to the effect that the American wheat was genetically-modified and of a type neither approved for human consumption in the United States nor fit for that use—claims that were widely circulated in the Georgian media but had absolutely no basis in fact.

The project has, at the direction of USAID Caucasus and intentionally, never greatly advertised its existence or activities, although it has never denied them either. If the purpose of the project is to improve the functioning of the MAF and understanding of policy issues, publicly claiming all the credit for improvements would undercut the desired results. However, it is clear that the project has also become an important symbol of United States support for reform in Georgia and Minister Kirvalidze, a meaning which has considerably grown in importance and visibility as a result of the events of this past quarter.

### **Anti-corruption and legal assistance**

Systematic work to assist the MAF to resolve the legal and accounting mess in the national MAF inherited by Minister Kirvalidze from his predecessor has been largely completed. The emphasis has therefore shifted to the ongoing work of the Internal Control Unit in containing problems as they are found or develop, and institutional strengthening to keep new problems from arising.

Legal assistance to handle the leftovers of these cases and other matters continues, however. Where appropriate, the MAF continues efforts to collect on the Counterpart Fund matters. Also during the quarter, the MAF motivated the Agency for State Property Management to make a new effort to quash the claim of Ltd. "Gulani" to repayment from the state budget for improvements the firm claims to have made to the empty storefront in the main MAF building on Kostava Street in Tbilisi.<sup>15</sup> RAPA senior attorney Mamuka Matiashvili has been assisting the MAF Legal Department in this matter.

In the early and mid-1990s, Georgia concluded a number of interstate barter deals with Turkmenistan. Georgia was to provide tea in return for natural gas. Although the details remain murky, it appears that in many cases the farms and processors that provided the agricultural commodities were never paid for them by the Georgian government. It is also unclear just what Turkmenistan received. (An agreement on rescheduling of some of

---

<sup>15</sup> See the January-March 2003 project report for a fuller description of this case.

this interstate debt was recently announced.<sup>16</sup>) Much of the debt to farms was incurred by what was originally the Tea Administration of the MAF, later corporatized into Joint-Stock Company “Georgian Sub-tropical Tea [*sakchaisubtropiki*].” In turn, this agency was liquidated, and its debts for tea were transferred to JSC “Sakagroservis” by an order of then Minister of Agriculture and Food Gulua.<sup>17</sup> JSC “Sakagroservis” has been seeking to have that order revoked or to find some other way to avoid paying those debts ever since. Several later governmental decisions prolonged the period for repayment, but the debt remains. (Should it succeed, the debts would presumably be added to Georgia’s national debt.) A long court case in which the MAF was a party ended earlier this year in a finding that Gulua’s order should remain in force.

JSC “Sakagroservis” has appealed to every possible authority for help in getting rid of this debt burden. During the quarter, President Shevardnadze instructed the MAF to take measures to resolve the issue. Since JSC “Sakagroservis” is a private company, the MAF has no authority over it. However, the pressure to “do something” from higher levels of government is intense. It appears that what is sought is advice to again issue a presidential decree prolonging the repayment period without additional interest charges. However, this is not a very acceptable solution.

It appears that JSC “Sakagroservis” now has few if any assets beyond its founding capital. In response to a request for advice, the RAPA project has suggested that the MAF formally agree with the firm that, if the firm will allow a full and complete audit of the company to be done by the MAF Internal Control Unit, then the MAF will attempt to resolve the situation. It seems most likely that the audit would discover that the company is hopelessly bankrupt and should be liquidated. The tea debt should be written off as uncollectible. (This solution may not be politically acceptable given that the debts may be owed to large numbers of farmers and farm workers, but even that is not clear without a full audit.) The MAF has apparently made no decision on how to proceed on this issue as yet. However, it needs to be finally resolved, as the continuing litigation is absorbing very significant MAF resources and fueling perceptions of corruption. A full and public investigation is the best way to deal with the problem.

RAPA staff attorney Avto Iakobidze worked with the Plant Protection Service during the quarter to resolve a matter arising from the removal of Robert Gurchiani from as head of the Phyto-sanitary Quarantine Inspection, a process described in earlier reports. The unit’s former laboratory head, a close ally of Gurchiani, was removed earlier this year for cause. She then became the head of the trade union unit in the Plant Protection Service, and was removed from that position in turn. She is now suing the MAF for reinstatement. Iakobidze has advised the Plant Protection Service on their defense, as well as other organizational issues.

### **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

---

<sup>16</sup> “Georgia and Turkmenistan reconciled scheme for stepwise clearance of the former’s debt,” Black Sea Press (October 8, 2003).

<sup>17</sup> Order of the Minister of Agriculture and Food of Georgia number 2-57 (January 30, 1998).

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*

As noted in previous reports, the Minister asked that a new "Strategy for the sustainable development of agriculture and the food security of Georgia" be prepared as a guide for Ministry operations for at least the next three years. As discussed in the previous quarterly report, this document was presented orally to donors on June 13, 2003. When that presentation was made, it was expected that the Minister would, within a few days or weeks at most, brief President Shevardnadze on the strategy and that the President would then issue a decree formally approving the MAF strategy as national policy.

Because of Minister Kirvalidze's late June trip to the United States and the controversy which boiled up around bread prices in July, presentation of the strategy to the President has been delayed. It is now unclear when it will be approved.

This delay may be fortunate. The Georgian version prepared by the drafting committee composed of Roman Kakulia of the Ministry's Foreign Department, Tamaz Kunchulia of the Ministry's Strategy and Policy Department, and Sandro Didebulidze of the RAPA under the management of Deputy Minister Giorgi Tkeshelashvili. The English language summary of the strategy, in the form of a Power Point presentation was substantially reworked with the advice of several RAPA project staff members and a visiting World Bank consultant, Mr. Garry Smith, before its unveiling. Since authoritative representatives of the major donors had approved the outlines of the strategy presented to them in June, the RAPA chief of party instructed RAPA senior analyst Alexander Didebulidze to rewrite the full Georgian text based on the English Power Point and the then-current Georgian text. The effort was not successful, in part because Didebulidze had to break it off in order to attend a Codex Alimentarius Commission session in Rome. Rati Shavgulidze, a RAPA project analyst with training in agricultural economics in the US, was then asked to prepare the Georgian text. However, his effort was also unsatisfactory.

There seem to be three problems in preparing this document. First, strategy papers are inherently difficult to do because they require great breadth of knowledge and clarity of vision but need to avoid become statements of the obvious. Second, the style of presentations and the conventions imposed on argument are quite different in English and Georgian, so translation—of both words and ideas—is always difficult and more so when abstract concepts are being presented briefly. Third, there are substantial differences of opinion about what the strategy should be. Part of the final problem is a difference in audiences, since what a group of even the best-informed donors is likely to understand is very different from what senior officials of the Georgian government can be expected to grasp and find acceptable. A bigger difficulty, however, is that few Georgians yet have real experience of a functioning market economy or the proper role of government in such a society. It is not surprising that they should not understand these things very well, and there are major differences on issues such as the limits to appropriate state action among OECD countries and within each one. However, the result has been considerable difficulty getting a final strategy that satisfies all parties.

As of this writing, the Minister himself is redrafting the Georgian-language strategy. Since he is ultimately the person who will be responsible for implementing it, that may be the best result presently obtainable. It is unlikely that there will be a chance to obtain presidential approval for the strategy until some time after the Parliamentary elections in any case.

### *WTO and trade*

Previous reports have noted that Georgia has seemed ill prepared for the responsibilities and opportunities of its membership in the World Trade Organization. The project has carried out a number of activities to increase awareness of Georgia's WTO opportunities and obligations.

Following up on earlier events, the MAF, with project support, organized a seminar specifically on the WTO Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) agreements July 15-17, 2003. Two members of the WTO Secretariat from Geneva led the intensive discussions, involving a total of approximately 75 participants, including MAF and Sakstandarti employees, entrepreneurs, and employees of the SAVE project. Their costs were covered by the WTO, while the rest of the organization and support was provided by the project. The WTO secretariat members who led the workshop warmly thanked the RAPA for its support (Annex 3). Unfortunately, due to the political climate of the moment, the Minister was not able to attend. He did, however, receive the seminar materials. MAF Foreign Relations Department Head Roman Kakulia's comment is perhaps characteristic of participants' reactions: "I had no idea this thing [WTO] was so important or complex. From now on I'm going to devote at least a couple of hours a day to it."

The project has also been working to strengthen the Georgian national SPS inquiry point which is managed by Levan Chiteishvili of the MAF Foreign Department. This inquiry point receives information from the WTO Secretariat in Geneva and officially informs ("notifies") the WTO of actions taken by Georgia that affect its foreign trade with WTO members as required under the WTO agreements. Notifications are made on a standard form over the internet, and the MAF inquiry point, although it would like additional hardware, is trained and minimally equipped to carry out these activities and does do them.

However, during the quarter, it developed that the MAF—with advice from a project staff member—had adopted new forms for export certificates, based on European ones, without informing the WTO of the new forms and procedures as they should have been. Mr. Chiteishvili explained that he had routinely asked all MAF departments to inform him of actions that should be officially reported to the WTO Secretariat, but that he received little cooperation or information.

His difficulty is easy to understand. The WTO, like the Codex Alimentarius Commission for which Chiteishvili is also responsible, are highly paper-intensive organizations that are still poorly understood in the MAF. He and his assistant, therefore, are often behind in following WTO and Codex matters and the MAF middle management is still poorly versed in these issues. The Minister and his deputies have some understanding of the WTO requirements, but many potentially "notifiable" actions, particularly preliminary actions such as preparation of draft regulations (which should be notified when prepared, not just when adopted) are done at lower levels in the Ministry and may never come to

more than the cursory attention of top management. So managers at the department head level need to understand what they should notify to the WTO and when. Although there is greater understanding after the seminar described above than there was, a one-off event will not, and did not fix the problem.

In addition to the obvious solution of more training and explanation, therefore, the RAPA project has suggested to the Minister that all department terms of reference and the appropriate middle management job descriptions be modified by an order of the Minister to include new subpoints in the “duties” section to cover informing the WTO SPS information point of any action taken by the department which should be reported as well as clear penalties for failure to do so. The Minister has agreed in principle with this suggestion.

Minister Kirvalidze had requested USAID support for travel to attend the WTO Ministerial Meeting in Cancun, Mexico, in September. As it developed, USAID had adopted a blanket policy against providing such support to members of the WTO. The government of Georgia eventually found funding for the trip, and he was able to attend. His impressions of the meeting do not appear to have been very positive, which is not surprising given what essentially was the collapse of the talks. The meetings, however, appear to have been a useful learning experience for him, and contacts he made or renewed there with other delegations have already proven useful in the work of the MAF.

#### ***EU harmonization and conflict with Sakstandarti***

RAPA staff attorney continues to work with various departments of the Ministry to change selected standards to accord with those of the European Union. A good deal has been done, and the Ministry’s EU harmonization committee, on the basis of Dangadze’s work, has developed the plan and fulfilled the activities for further harmonization work shown in Annex 4.

As described in the RAPA quarterly report for the previous period, the MAF continues to have less than perfect coordination with Sakstandarti. On July 10, President Shevardnadze signed his instruction number 848 giving many ministries assignments to translate various European technical regulations (Annex 5). Dangadze’s research showed that instruction, which, in violation of standard government of Georgia procedure, had not been circulated previously to the other government agencies concerned for their comments and agreement, contained a number of errors. The Ministry protested to the State Chancellery, providing a corrected list of technical regulations for translation, including some which had already been completed (Annex 6). RAPA has continued to work with a Sakstandarti department head in order to get needed materials into circulation in Georgia and to try to prevent the bureaucratic conflict between the two ministries from further hampering attempts to simplify and harmonize Georgian standards with those accepted elsewhere.

#### ***Codex Alimentarius***

The UN Food and Agriculture Organization and World Health Organization jointly convene the Codex Alimentarius Commission. The Codex Commission composes and agrees on international standards for food quality and safety that are then adopted, with appropriate changes by Codex member countries.. Codex is the reference point for WTO discussions of these issues and Codex standards are the basis for most OECD countries’ legislation on the subject. Although quality and standards are ultimately a matter to be agreed by buyer and seller in each individual transaction, knowing and using the Codex

standards in domestic food production will provide Georgia with easier access to developed country markets. Certification that food products meet Codex standards and that their production has been controlled using the “Hazard Analysis and Critical Control Point” (HACCP) methodology that is increasingly demanded in international trade and is a necessity if Georgia is to increase its added-value exports of agricultural products. Moreover, as Georgian producers learn the advantage of producing to these standards, they should positively affect the quality and safety of food products sold on the domestic Georgian market as well.

Georgia became a member of the international Codex Alimentarius Commission at the beginning of 1998. However, it appears not to have been very active. At the end of September, 2002, the Ministry formally asked the RAPA project for assistance in translating the principal Codex standards into Georgian. After attempts to locate a Russian translation failed, in consultation with its USAID/Caucasus CTO, the RAPA project agreed to undertake this effort. About 1,100 pages of standards were identified as priorities based on a questionnaire circulated at the Codex presentation in June 2003. As of the end of September, about three quarters of this total had been translated. The standards have also been placed on the MAF website ([www.maf.ge](http://www.maf.ge)) where they are publicly accessible. The MAF is also preparing a request to the USAID-funded START project implemented by World Learning, Inc., to support publication of collections of the Codex standards.

At the beginning of July, 2003, World Learning and RAPA jointly supported attendance by a four-person Georgian delegation (MP Zurab Tskitishvili, Chief State Sanitary Doctor of Georgia Nikoloz Shavdia, Sandro Didebulidze, and Levan Chiteishvili) at the regular meeting of the Codex Alimentarius Commission in Rome. Their trip report suggests a number of measures to be undertaken to advance Codex standards in Georgia including the formation of a national, non-governmental Codex advisory commission to be jointly chaired by the Minister of Agriculture and Food and the Minister of Health and Social Welfare (Annex 7). The MAF prepared the documents to found such an organization but, as a result of the political situation, has delayed a public announcement. Building on their suggestions, RAPA, SAVE and World Learning have discussed further activities. Unfortunately, other activities, and particularly the need for a waiver before SAVE’s SPS subcontractor can begin work has delayed the follow-on.

### ***The Cartagena Protocol***

The Cartagena Protocol to the International Convention on Biosafety regulates the transport and use of Living Modified Organisms that cross international borders in its member states. The Ministry of Natural Resources and Environment and the Ministry of Foreign Affairs asked the MAF to support quick ratification of this instrument in early summer, largely because the number of acceding states was approaching that needed for the protocol to go into effect. After consideration of the issues, Sandro Didebulidze and Bidzina Korakhashvili of the project argued that Georgia should not hurry too much to ratify the Protocol as none of her neighboring states had done so and were not likely to soon. That could leave Georgia committed to regulatory measures which it would be unable to enforce, irregardless of whether or not the provision of the Protocol are good or bad in themselves.

### ***Agricultural taxes and import tariffs***

As noted above, imports of wheat and flour are currently assessed VAT at the time of import. In addition, grain and flour imports from outside the CIS countries are subject to

import duties. This has the effect of making commercial imports from non-CIS countries not competitive with CIS supplies, limiting the possible range of suppliers and, at times, hurting the quality of available grain and flour supplies in Georgia. In order to remedy this inequality, and to improve the country's supplies of grain and food security, the Ministry presented draft legislation on duties and tariffs on wheat in early July, 2003, to make the 12 percent customs duty on wheat seasonal, applying only at the time the Georgian harvest is being sold, and to provide that VAT shall be paid at the mill, not the border (Annex 8). These proposals were agreed with all parties—the IMF resident representative indicated that the Fund would not oppose the abolition of import duties on wheat grain in a letter to Minister Kirvalidze in mid-August 2003—but unfortunately were not passed during the quarter as the Parliament was chronically unable to muster a quorum until it adjourned for the election campaign.

Arguments for these changes were based in large part on the comparative research about the agricultural tax and customs regimes in neighboring countries carried out by Rati Shavgulidze. His findings are now being rechecked prior to general release of his research.

#### *Parliamentary liaison*

During the quarter, the Parliament accomplished little because of wrangling over the election laws, the need to impound budget funds, Kirvalidze's fate, and other hot political issues.

#### *Market analysis*

During the quarter, Sandro Didebulidze regularly prepared summary and outlook reports on the Russian and Ukrainian grain and other world agrifood markets for the Minister and the Ministry. These compilations of open sources have not been widely distributed, although they will be available on the MAF web site in the near future.

#### *Tea*

As noted in the April-June 2003 quarterly report, President Shevardnadze issued decree 336 approving a special program to support the tea industry, «On creating conditions to promote and support the development of a market environment in the tea industry» on March 27, 2003. Since there had been some question whether or not previous years' tea programs were entirely compliant with Georgia's WTO obligations, RAPA project analyst Rati Shavgulidze examined the decree from that viewpoint. He found that the decree posed no real problems with the exception of a provision suggesting that television advertising time should be cheaper for domestic producers than foreign ones (Annex 9).

In 2003, as in previous years, the Georgian government organized a program of tea subsidies. Funding for the subsidies was to come from the sale of Italian macaroni donated to Georgia as humanitarian aid which the Italian government allowed to be monetized. A tender for the subsidies was carried out by the National Investment Agency, a unit of the Ministry of Economy, but press reports and complaints in MAF planning meetings indicated that the money was released very slowly and partially during the third quarter of the year.

In response to the difficulties of the Ministry of Economy, and also perhaps because a percentage of program funds remain with the agency administering the program, a tea concern, Ltd "Bako," proposed to the MAF that it should create a "State regulatory department for tea and citrus" on the model of the Wine Regulatory Department

“Samtresti.” The MAF staff pushing for the creation of this unit are the same people who once worked in the Ministry’s tea department and then in JSC “Sakchaisubtropiki.” Indeed, a MAF staff member stated at a meeting in the Ministry that although JSC “Sakagroservis” had been the legal successor of the tea firm—inheriting responsibility for the government’s debt to its citizens for tea bartered to Turkmenistan as described earlier in this report—all the expertise of “Sakchaisubtropiki” had passed to JSC “Sakchai,” which maintains an office in the MAF to this day and so is the “real” successor of JSC “Sakchaisubtropiki.” The wisdom of allowing these “experts” to organize and manage a new government entity to handle tea subsidies seems somewhat uncertain.

Bidzina Korakashvili’s examination how governments regulate the tea industry in other producing countries suggests that industry associations normally carry out such industry regulation. Indeed, the World Bank-financed CERMA agricultural industry cluster process is in the process of setting up such an association. However, at the end of the quarter it appeared likely that the MAF would create such a unit, although, following criticism from RAPA, as a smaller-scale subunit within another department rather than as a entirely new organizational unit.

### ***Food for Progress***

During the quarter, the Minister and Secretary of Agriculture Veneman negotiated and signed an agreement under which Georgia is to be given 50,000 tons of US wheat. The RAPA provided significant support to this process. During the negotiations, the project was in touch with the Minister to offer suggestions on interpretation of some of the more opaque points of the agreement. Ms. Lika Margania of the project staff provided an excellent, and very quickly done, translation of the draft agreement, which was then discussed in detail by RAPA analysts and the head of the Food and Processing Industry Department of the MAF to insure that the Georgian side understood their obligations. The project also prepared a calendar of Food for Progress reporting requirements. Unlike past years when the SRB was the counteragent for all matters concerned with a grain donation, this time the MAF itself is acting as overall responsible party for the agreement, and so presumably the MAF is directly responsible for those reports (Annex 10).

Immediately on signature of the agreement, the MAF began the process of choosing a shipping agent. Shipping is paid for by the US, but it is the recipient’s responsibility to choose the forwarder. USDA provided a list of firms that had done similar work in the FSU and Eastern Europe to the Minister while he was still in Washington. The RAPA assisted in preparing queries to all those firms and seeing that they were sent and received. RAPA staff also assisted with translation and explanation of the replies. An ad hoc tender commission formed by the MAF for the purpose then chose a forwarder. Although their decision was documented by the MAF, RAPA did not express any preference for a particular forwarder, nor did any project staff participate in nor attend the meetings at which that decision was taken.

The MAF then moved immediately to begin the process of identifying an agent to handle the unloading, movement, storage, and monetization process (in USDA parlance, “ITSH”—“internal transport, storage and handling”). Again, an ad hoc tender commission was formed to carry out this search. At the request of the Minister, Giorgi Misheladze of RAPA drafted the voluminous tender documents, which were then modified as necessary by the MAF tender commission. The tender was done in strict accord with the Law of Georgia on State Procurements, and as a result the deadlines were

quite tight. Again, Lika Margania was called on to do an overnight translation of the ITSH tender announcement, which was published in the Georgian press in both Georgian and English within a week after the FFP agreement had been signed. The RAPA project was invited to nominate an observer to be present at the meetings of the ITSH tender commission, and designated Mr. Bidzina Korakhashvili for that purpose.

The January-March 2003 RAPA quarterly report discussed in some detail the history of Georgian sensitivities to genetically-modified organisms, and the following report noted that Minister Kirvalidze was in a rather uncomfortable position because of that history during the USDA Ministerial Conference in Sacramento, California in June 2003. A week after the FFP agreement was signed, a lengthy article appeared in the Georgian newspaper *alia* asserting that the FFP wheat was GMO and that the US was giving Georgia grain that would not be legal for sale or considered fit for human consumption in the United States itself. The article concluded with an anti-GMO manifesto allegedly prepared by the “World Security Council on GMOs,” an organization which the RAPA has been unable to trace (Annex 11). At the request of the Minister, Alexander Didebulidze prepared a note surveying the issue of GMO wheat, which pointed out that Monsanto and others have been developing strains of GMO grain, and have applied to commercialize it in some countries, but that no strain of such wheat has yet been approved for commercial wheat anywhere. Therefore, it is extremely unlikely that 50,000 tons of GMO wheat exist, much less that the US FFP shipment is GMO. The Minister relied on this research in several public statements on this issue.

Soon after the *alia* article, the Ministry received a fax from the “Green Movement of Georgia/Friends of the Earth” requesting details of the provenance of the US wheat (Annex 12). In response to a query from the RAPA chief of party, the office of the US Agricultural Attaché in Moscow, which is responsible for covering Georgia, provided draft answers to the Green Movement note, which RAPA translated and passed to Advisor to the Minister Giorgi Iakobashvili, who has been overseeing the FFP deal on behalf of the Minister, and the MAF public relations office (Annex 13). There is clearly, and, given the extreme weakness and corruption of all regulatory agencies, a justified concern about the safety of GMOs in Georgia. However, the *alia* article and subsequent publications as well as the Green Movement questions also appear to have had a political goal. The Green Movement is also part of the “pro-Presidential” parliamentary electoral bloc, and it is not too far-fetched to suggest that the issue of “US GMO wheat” was more another move in pre-election politics than a real expression of concern among Georgian citizens.

#### ***416b and Food for Progress proceeds***

As with previous US grain donations for subsequent sale in Georgia, the proceeds of the Food for Progress grain are to be used in ways specified in the US-Georgian agreement. There is already a substantial amount of money remaining from the last 416(b) sales.

The Food for Progress Agreement, like earlier 416(b) agreements, provides that no customs duties or taxes shall be charged on the first sale of the grain in Georgia. This is required by the US because the grain is given to Georgia to be sold in order to raise money for specified assistance purposes. Taxation would defeat the purpose of the aid. It also appears that under the US FY 2003 Foreign Assistance Act, should Georgia tax the first sale of the grain in any way, double the amount of the tax collected would have to be deducted from any future US assistance to Georgia (Annex 14). As RAPA has

documented from SRB reports on the last 416(b) sale, the Ministry of Finance insisted that VAT should be charged on the first sale of grain in Georgia under that agreement, and VAT was collected and transferred to the tax authorities. Such collection of VAT violated the terms of the 416(b) agreement. Should the Georgian authorities insist on charging VAT on the first sale of the Food for Progress grain, this new US law would require that Georgia be penalized.

Under the 416(b) agreement for donation of 35,000 tons of US wheat that was signed in October 2001 and delivered to Georgia in April 2002, the proceeds were to be split three ways. That agreement provided that, after deducting \$31.50 per ton for handling, the funds from “monetization” (sale of the commodity) are to be distributed as follows:

- 50% - state budget for pensions and welfare
- 25% - National Rural Credit System (ACDI/VOCA)
- 25% - support of agricultural projects through MAF

The state budget funds have apparently been taken by the Minister of Finance. It is not clear how much ACDI/VOCA has actually received to date. The portion for support of agricultural projects remains on account in the National Bank of Georgia. The Georgian side considered requesting that the money be used to provide seed this year but no formal request was apparently ever made. A request from MAF to use one million lari for subsidized purchases of white grapes through the Ministry of Economy’s National Investment Agency was rejected by the US side. The MAF is, quite reasonably, concerned that the funds should be put to appropriate use as soon as possible.

The 2003 FFP agreement provides that all proceeds from the monetization should be used for agriculture without going into the national budget. The Ministry of Finance has expressed unhappiness about this, not surprisingly given the weakness of the revenue collection system and its failure to gather the amount of revenue foreseen in the budget. The new “Law on the Budget System,” which goes into effect January 1, 2004, seeks to ensure that all revenues should go into the general national budget. This is a reasonable and proper requirement on its face. However, MAF experience indicates that the Ministry of Finance has not always been able or willing to meet its budgetary commitments to the MAF, and it has sometimes let its drive for revenue maximization override Georgia’s commitments to international donors, as in the case of the VAT collection on the 416(b) grain noted above. Moreover, Georgia has treated the FFP agreement as an international executive agreement. Minister Kirvalidze was required to, and did, obtain explicit signature authority from the President. Under Georgian law, international agreements have precedence over domestic law, so in this case the provisions of the FFP agreement, not the not-yet-in-force Law on the Budget System, control.

Both the most recent 416(b) agreement and the FFP agreement provide that three parties: the MAF, US Embassy Tbilisi, and the United States Department of Agriculture must agree on disbursement of any funds from these sources. Since foreign grain donations are handled by USDA’s Foreign Agricultural Service, it would appear that the US Agricultural Attaché office in Moscow must designate the USDA representative.

During the last week in September, Ms. Dorothy Adams, the US agricultural attaché from Moscow who handles Georgia, visited Tbilisi. The MAF had hoped that the

representatives to decide on use of the monetization proceeds would be formally designated and the procedure for agreement specified during her visit. It appears, however, that all issues were not resolved, since as of this writing the Minister states that he is still not sure with whom, or exactly how, the procedure is to work. The request for funding mentioned above was made through an exchange of letters between the MAF and US Embassy Tbilisi, but in general it would seem much preferable to develop some kind of open tender process. Doing so would also prevent abuses, or what the Georgian and American public may come to perceive as abuses, in use of the funds. The forensic audit of the TACIS RARP budgetary Counterpart Funds carried out by the MAF, RAPA and the World Bank Risk Assessment Exercise indicated at best extreme sloppiness in disbursement of those funds. Funds from US monetized commodities have been used in the past to pay pension arrears before a parliamentary election, to create an agricultural investment fund (about which no records have been found) and to purchase grapes through the Ministry of Finance. In the latter case, it is unclear whether or not the low-interest loans issued to wineries through a suspect tender process were ever repaid. All of these things happened during the tenure of the previous Minister of Agriculture and Food, but the MAF is still dealing with the legal consequences of these matters, and the Chamber of Control and public opinion continue to condemn it for them. It is very advisable to break decisively with these practices and maximize transparency in the allocation and accounting of the most recent 416(b) monies and the anticipated FFP proceeds.

### **Ministry Restructuring**

With RAPA project assistance, the MAF has reduced the number of its units from 36 in 2000 to 22 now. The documents to eliminate two more had been signed as of the end of the quarter but not yet published.<sup>18</sup> From 2000 to the present the actual number of direct hire employees has fallen from 4,371 to 2,295, a 48 percent reduction. The current MAF authorized strength in full-time positions, at 3,308, remains considerably higher than the actual number of employees, but even that authorized level represents a 25 percent cut in staff over the last three years. Annex 2 shows the Ministry organization chart as of September 30, 2003.

#### ***Restructuring Commission***

The Ministry Restructuring Commission, which has been a useful forum for debate and consensus-building about both the strategy and the details of reform in the past year, did not meet during the quarter. Several important initiatives, including changes in the machinery, seeds and selection, and inspection agencies of the MAF, were being considered by other Ministries for much of the period. The Ministry was partially paralyzed, with many low-level staff waiting to see how the political upheaval would turn out, and the leadership, in particular the Deputy Minister of Agriculture and Food (for

---

<sup>18</sup> Fact checking the statement about the number of MAF agencies eliminated revealed that there are two ways to determine what agencies are, in fact, subordinate to the MAF. The Ministry's statute, confirmed by presidential decree, lists its agencies, and the charter must be modified by a new Presidential decree every time an agency is restructured or even just renamed. However, the MAF is also legally responsible to confirm the correctness of the accounts of specified units. The two lists are not the same. The claim in the text is based on a count of agencies for which the MAF must certify accounts. Moreover, two legal entities of public law (the new extension service and the reorganized "Samtresti" wine department) have been created since 2000. Although the MAF is legally obliged to "monitor" their operations, the meaning of that term is less than clear and there is no formal line of authority or subordination between the MAF as a government agency and such "legal entities."

Finance) who chairs the meeting, busy trying to cope with the failure of the Ministry of Finance to release Food Security Program funds to the Ministry. This quiet was unfortunate but not surprising. However, during the next quarter the work of this commission should be resumed, as it had been by the time this report was completed.

### ***Salaries, Personnel and Purchasing Departments***

As noted in the quarterly report for the previous period, concept papers for means to improve the salary situation and to reform MAF personnel procedures have been completed. However, given the financial perturbations both within the MAF, where expected FSP funding which should reimburse the Georgian government for expenditures on almost all line items but salaries was not forthcoming, and the broader political climate, an active public debate on these papers could not be initiated.

During the quarter Vazha Tabatadze completed drafting of the necessary documents to establish a permanent procurement coordination unit within the MAF to be responsible for ensuring that the Law on State Procurements is properly carried out during tenders, that documents regarding tenders are properly maintained and accessible, and so that an institutional memory of what has been done is created. The package of documents to create this unit was formally given to the MAF in early October.

### ***MAF standard operating procedures***

Debate with the Ministerial apparatus on the draft by-laws continued inconclusively during the quarter. By-laws are adopted once a year, so that the time to insist on MAF adoption of these changes is the final quarter of the year.

At the request of the Ministry, programming of a data base to allow indexing and retrieval of MAF documents was completed during the quarter and installed in the MAF chancellery for testing. However, the chancellery staff found a number of creative excuses to avoid making much use of this innovation, claiming that staff were on vacations, they could not use a computer keyboard, etc. Document circulation procedures need attention, and the project has made serious suggestions. The request for a computerized solution originated with the MAF. Project staff expressed the caution that technological fixes will not work unless staff sees the need for them and has the motivation to employ them. In order for this particular mechanism to be implemented, there is likely to be both a need to provide some additional equipment (another reasonably-powerful computer and a scanner) and, more importantly, for the head of the Ministry apparatus and the Deputy Minister responsible—who asked for the assistance in the first place—to make certain that their staff understand they are expected to make a reasonable effort to use the new procedures.

Another fault in the MAF's recording keeping was encountered during the quarter. The Chamber of Control of Georgia routinely audits MAF units. It turns out that the MAF has no system for tracking Chamber of Control reports, nor does it have any archive of them. Inquiries seemed to indicate that the Chamber of Control does not have any official and accessible archive of its reports either, although this is still being clarified. At the request of Deputy Minister Giorgi Tkeshelashvili, Giorgi Managadze of the project staff has been assigned to work with the MAF apparatus to systematize, collect and register these documents.

### ***Budget, Accounting and Financial Management***

As described in previous reports, most MAF funding in recent years has been provided through an arrangement with the European Commission's Food Security Program under which the FSP reimburses the Ministry of Finance for funds spent on "secured" line items in the MAF budget. This mechanism has not worked very well since the Ministry of Finance has been routinely unable or unwilling to release funds to the MAF on a timely basis. As a result, an FSP mid-term review mission that visited Georgia during the quarter, although it apparently decided that Georgia had met most or all of the policy and restructuring conditionalities in the current European Commission-Georgia Memorandum of Understanding was seriously considering either entirely ending the program in Georgia or switching the resources from budget support to either technical assistance projects and/or funding of direct hunger relief measures through non-governmental organizations. Although no official decisions appear to have been made as yet, it appears that the current (FY 2001) program will be completed next year and then the assistance will be terminated or fundamentally altered. The MAF has largely been without funds for the past year.

Many of the MAF's subordinate units appear to have continued to carry out what their management considers to be necessary work even without funding based on promises to pay later, as they, and much of the rest of the government and the economy have been doing for the past decade. At least, at the end of the quarter two project staff were asked by the MAF to participate in an audit of a tender carried out by the Seed and Seedlings Inspection in 2001 which was never funded but for which various nurseries claim to have done work. The nurseries are now demanding payment.

Work to computerize MAF central office accounting continued during the quarter and the transition in the accounting department now appears to have been largely completed. However, attempts to introduce a broader financial management system have not yet been as successful. MAF procedures currently require that the budget be reconciled only once every six months. However, the procedures for budget management first developed by the FSP, and the software available for budget management assume that the books will be closed on a monthly basis. In the absence of regular funding, moreover, MAF staff have increasingly resisted the change to more transparent accounting and financial forecasting procedures.

Much more will need to be done in this area throughout the Georgian government. With support and assistance from the International Monetary Fund, Georgia adopted a new Law on the Budget System on April 24, 2003 with an effective date of January 1, 2004. Article 43 of this law provides in part that the Minister of Finance "issues directions consistent with basic principles of international standards for, and requires adherence to, standard accounting procedures and reporting requirements for all spending agencies, for State Special Funds, and for the local authorities." Complying with this law will require fundamental changes in the whole system of government accounting, including, of course, a shift by all Ministries to close their books on a monthly basis.

It has also become increasingly clear that, in order to wind up or consolidate the major MAF subordinate units very considerable work in the offices of those units to audit their books and records will be necessary. This is a very considerable burden of detailed analysis. In order to move this work along, the MAF requested that the World Bank use slightly more than US\$100,000 remaining from the "Risk Assessment Exercise" budget to support Georgian specialists to conduct day-to-day training on the new budget

procedures in the MAF central office and to carry out auditing and development and introduction of new financial procedures in the major subordinate units. Terms of reference for this effort were developed by Vazha Tabatadze of the MAF staff in cooperation with Deputy Minister Tkeshelashvili during the quarter and approved by the World Bank. As of the end of the quarter, the World Bank Project Coordination Center was beginning recruitment of appropriate Georgian consultants to work on these specific tasks through the end of April, 2004.

### ***Changes in MAF units***

The Project continues the process of agreeing with the Ministry on how the MAF should be structured (Annex 15). This structure remains controversial. In particular, MAF officials insist on retaining or even creating new “regulatory” departments that the project advises should be eliminated in favor of private sector commodity groups. The MAF argues that no real private sector as yet exists in Georgia, that businesses insist on being managed by the Ministry, and that such agencies are transitional.

Some friction also developed during the quarter over the implementation of decisions of the Ministry Restructuring Commission. Records of the Commission show that it has taken decisions to eliminate a number of units from the MAF structure. However, the MAF has neither requested RAPA project assistance in implementing these decisions, nor has it itself actually implemented what should be, in most cases, “stroke of the pen” actions. It appears that opposition to Ministry restructuring by middle-level MAF management has been considerably emboldened by recent events.

### ***Unification of Inspections***

During the quarter the MAF circulated the concept paper and laws amending the appropriate legislation on unification of the Veterinary Department, phytosanitary inspection of the Plant Protection Service, and the Agricultural Products and Flour Quality Inspection to other ministries for comment and agreement. Amendments to the three laws of Georgia concerned were prepared by Mamuka Matiashvili of RAPA. As of the end of the quarter, generally positive and useful comments had been received from most ministries and state agencies, although no response had yet been received from the Ministry of Justice.

### ***Certification and licensing***

World Bank consultants have suggested that the many certification and licensing functions of MAF subunits should be consolidated in one entity. This “one-stop shop” would not be part of the unified inspection service. Adoption of this suggestion, which was also made earlier by RAPA project lawyers, would resolve a structural and conceptual difficulty in the existing design of unified inspections which would have had it retain licensing powers, and therefore should be done.

### ***Food products inspection***

One of the thorniest issues encountered by the RAPA project is the issue of government regulation of retail food products in stores and markets. Intellectually, there is an issue of the proper way to ensure that safe, genuine and unadulterated products are sold. Making sure that consumers have the knowledge and information to express their preferences is one key to doing this, but there is clearly also a need for regulation and government enforcement. The proper balance between market-based and regulatory solutions is not easy to find however.

Moreover, there are multiple conflicts within the Georgian government over this issue. It is certain that attempts to regulate the consumer market to ensure that only safe, genuine and unadulterated food products are sold are not working. It is equally clear that many agencies are interested in carrying out this regulation because of the opportunities for organizational and personal enrichment this task offers. So the only absolute certainty is the existing system is ineffective, corrupt, and therefore very expensive for consumers and the country.

Within the MAF, there is a continuing conflict between the Agricultural Products and Flour Quality Inspection, the Food Products Monitoring and Analysis Service, and the Veterinary Department over control of aspects of the production and sale of retail food products. As a previous report noted, in late 2002 conflict resulted in almost open warfare between the services in Kutaisi.

There is also a conflict between various MAF services and Sakstandarti over this activity. Although Sakstandarti's charter explicitly directs it to develop standards, not to enforce them, it has repeatedly and insistently claimed that power, and the Anti-corruption Council has at times supported that claim by suggesting that at least the Agricultural Products and Flour Quality Inspection should be transferred to them. This conflict over rents to the government underlies the political conflict described at the beginning of this report in which certain members of the "pro-presidential bloc" used Sakstandarti data to attempt to remove the Minister of Agriculture.

Having Sakstandarti regulate food quality is not universally acceptable, however. For instance, the World Bank has repeatedly recommended that Sakstandarti should not do so, and at least once, in a monitoring report on its Structural Adjustment Credit 3, set not having Sakstandarti monitor and regulate the retail food market as a condition for disbursement of the funds. The condition appears not to have been fulfilled, although the funds were apparently disbursed.

In the United States, retail food market regulation is done by a combination of consumer action through the courts, federal inspection and regulation by USDA and FDA and a variety of other agencies, and state agencies. The American system has been widely criticized in the US. The emerging European system, based on a 2000 European Commission white paper which the RAPA project is now translating, which establishes a single, independent national food safety agency, is probably better. In this system, regulation of all consumer food products is done by one agency. That agency enforces standards set elsewhere. It is entirely financed by the government budget, without the power to collect fees for service, thereby eliminating one large potential for corruption.

Separation of veterinary and phytosanitary controls from retail food products monitoring has not been much discussed in the MAF or the RAPA until recently, since creating another government agency which would be under substantial pressure to charge fees for service in order to have an operating budget would almost inevitably worsen the existing situation. So it has seemed better to propose that the MAF take over more, not less, of these functions.

However, the World Bank will apparently shortly recommend that a separate Food Safety Authority be created as a budget agency without the power to charge fees, and moreover, is likely to include in the design for a follow-on to the Agricultural Development Project

the financial support for its organization. Given that this is the emerging European practice, and that it is theoretically superior to the existing model in which the MAF represents the interests of both food producers and food consumers, if financing and political will for the creation of such an agency can be found it should be done. But such a Food Safety Agency should be organized from scratch, not on the basis of Sakstandarti, pieces of existing MAF units, or other government agencies, and its personnel should be specifically chosen, trained and monitored for the new agency.

### *Customs and border services*

During the quarter, the Ministry of Finance, which includes the State Customs Department, circulated several draft decrees that would set up an independent network of Customs testing laboratories at border stations and either absorb the border services of the Veterinary Department and the MAF Phytosanitary Inspection into the Customs or physically remove them from the border posts and “customs zone.” There is good reason to believe that these proposals are mainly motivated by party politics. Since the MAF has refused to use—or to close its eyes to the use—of these services to extract rents that can be used to fund political campaigns, the Ministry of Finance has been encouraged to prepare such proposals. However, it also appears from published reports that these ideas are supported both by the US Customs Service and by a TACIS project working to reform the Customs. The latter is especially surprising, since all information available to the MAF, including reports supplied by OECD and various EU member states as well as consultants on related matters, indicate that present European practice is to leave border controls on plants and animals—although not necessarily on consumer food products—in the hands of services subordinate to the national Ministry of Agriculture. As part of the creation of the Homeland Security Department in the United States, proposals for unification of all border services have been made and may be accepted. However, even apart from the question of what international model is best for Georgia, given the highly corrupt environment in Georgia it seems advisable to retain more than one border service in order to develop checks and balances among them rather than to create a single service that would almost certain be even more prone to corruption. This is a major policy and political issue that remained unsettled at the end of the quarter.

### *Selection Inspections*

During the quarter RAPA and MAF staff completed the legal drafting needed to unify the three agencies related to MAF that currently deal with variety testing and seed and seedling certification (except for grapevines) into a single unit, with most testing, production and distribution functions to be done privately. These documents are now being circulated to other government agencies for their consent.

The process has been slowed, however, because the head of “Sakjishcentri,” the “Center for the Protection of Selectionists’ Rights”—a legal entity of public law—has objected that the proposals are incompetent and must be reviewed and agreed to by a number of members of the Academy of Agrarian Sciences. Since in fact the proposals are fairly straightforward and have been developed by a group that includes senior members of that Academy with substantial experience in the area, this opposition appears to be motivated more by a belief that the state must administer the whole industry, and perhaps narrower concerns about losing control over potential institutional and personal revenues, than by dispassionate analysis.

### *Saktevzi and draft Law “On Fisheries”*

In the past year, the Fisheries Department “Saktevzi” has claimed an amount of time and attention from both MAF senior management and the RAPA project that is out of all proportion to both its size and its economic importance. One reason for this situation is the intellectual difficulties of fisheries regulation. Fishing is an intersection of economic and environmental concerns, and conflicts between economically and environmentally oriented interests in fisheries are common and severe throughout the world, as, for instance, the EU debate on fishing quotas suggests.

Saktevzi is the heir of a bureaucracy that used to administer all activities connected with fisheries, including ocean-going trawlers and factory ships, fish processing plants and fish farms. Georgia’s share of the Soviet ocean fishing fleet was privatized in the mid-1990s, and, although one might question the propriety of the procedure, it was done and is over. Most fish farms have also been privatized, those that remain state owned are essentially inactive, and domestic sport and subsistence fishing is essentially unregulated. However, the sale and enforcement of fishing licenses and quotas is a potentially lucrative business which has been formally taken over—although apparently it is not being performed to much economic or social benefit—by the Ministry of Natural Resources and the Environment.<sup>19</sup>

Under a leader with powerful independent political connections and vision derived from long experience of work in Ukraine, where the fisheries business is still largely state-run, however, Saktevzi seeks to reassert its control over the industry. The department’s concept of what it should do and how to do it is presented in its “concept” (Annex 16). Essentially, the department claims the right to control and manage the whole sector, as well as seeking to become a legal entity of public law in order to control its own finances and retain fees and profits for itself.

Georgian practice is that a general law should regulate each sphere of economic activity. Georgia at present does not have a “Law on Fisheries.” Saktevzi urgently insists that there should be one, and has prepared a draft, essentially a translation of the corresponding Law of Ukraine. The department has also orchestrated considerable pressure for its quick adoption. This pressure was notably reflected in the draft Chamber of Control report on the MAF given by President Shevardnadze to Ambassador Miles in August. That report contains a lengthy section criticizing the MAF for failure to push for the Law and to reassert its “right” to administer the sector and enrich the state budget with revenues from it.

To forestall this pressure, Minister Kirvalidze requested RAPA assistance in drafting an alternative Law on Fisheries in mid-2003. The result, written by Mamuka Matiashvili, is reproduced in Annex 17. At the end of the quarter, consultations about the draft law were under way with the Ministries of Natural Resources and Environment, Economics and Internal Affairs. A heated dispute about what agency would have the rights to sell and enforce licenses and quotas did not appear close to resolution.

---

<sup>19</sup> It is widely believed in the Georgian government that the United States supports the Ministry of Natural Resources and Environment in this Georgian bureaucratic conflict because of the MNRE’s use of the work of a Farmer-to-Farmer volunteer advising a department head in that Ministry.

In early July, an FAO consultant visited Georgia to design an FAO project for fisheries sector reform that is to be implemented in 2004. That visiting expert agreed with RAPA that there was a danger that such a project could help make the Saktevzi department more independent of the MAF and so worsen the existing problems of MAF management. What sort of project will actually emerge is not yet clear.

### Internal Control Unit

The RAPA project continues to support 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 three 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.

**Table 1. Travel by the Internal Control Unit Discussed in this Report**

travel dates	Project staff	Places visited	purpose
May 14-July 15, 2003	V. Chigladze, Khundadze, Inashvili, Donjashvili	Recipients of equipment as listed in report (Annex 18).	MAF order 38M, May 14, 2003 to investigate repayment for Japanese 2KR equipment
July 10-August 5, 2003	G. Misheladze, O. Chigladze	Ltd. "Didgori," Tbilisi. See report in Annex 19.	MAF order 2-194 (July 10, 2003) to verify monetization and storage of Italian humanitarian aid
July 28-September 28, 2003	V. Chigladze, Khundadze, Inashvili, Donjashvili	Sagarejo, Signagi, Dedoplistskaro, Gurjaani, Telavi, Kvareli, Lagodekhi, Kutaisi, Zestafoni, Tskaltubo, Samtredia, Aspindza, Akhalkalaki, Akhaltsikhe, Zugdidi, Senaki, Khobi, Abasha, Ambrolauri, Lanchkhuti, Gori, Kaspi, Kareli, Khashuri, Gardabani, Marneuli, Bolnisi, Kekhvi-Vanati (Tskhinvali), Dusheti, Mtskheta, Tbilisi.	MAF order (July 23, 2003), to investigate use of 2003 special funds in department of amelioration scheme management

During the quarter the Internal Control Unit completed an investigation of the condition of, and payment for, agricultural equipment provided under the 2KR grant from the Japanese International Cooperation Agency. Having the Japanese grant may not be an unalloyed benefit for Georgia, as the availability of government-subsidized equipment makes it more difficult to private sector dealers to develop. This project has also been renowned for its corruption. The results of the audit, for which the ICU examined all contracts concluded under the program and visited all recipients who could be located, is Annex 18.

Management of the Japanese equipment grant is the principal activity of the MAF's Main Administration of Material-Technical [inputs and equipment] Supply. Following

decisions of the MAF restructuring commission and this audit, that agency has just been reduced in size and combined with the Main Inspection of Agricultural Equipment and the State Agricultural Equipment Testing Station to form a new “Agricultural Engineering Service.”

In midsummer, the Ministry of Internal Affairs accused the MAF of malfeasance in the storage and handling of humanitarian aid received from Italy. It appears that the real complaint was that the MAF, as required by Georgian law, held an open tender for the storage of the goods rather than simply putting them in a MAF-owned warehouse and pocketing the storage charges (or, as it was politely put, giving them to the state budget). The audit was requested by the MAF in order to examine those charges. Inspection of their report does suggest that a surprising amount was paid to the Ltd “Didgori” in storage charges, but there is no evidence of loss or theft of either the goods or the proceeds (Annex 19).

The Ministry’s Department of Irrigation and Drainage System Management, once the independent Ministry of Water Management and more recently the Department of Water Management, is the counterpart for a large World Bank project to create Water Users’ Associations from users of tertiary irrigation and drainage systems. It has also been receiving a substantial part of the Food Security Program funding. In the summer of 2003 the Chamber of Control did an extra audit of the unit, and the ICU work was motivated by that. The report has not yet been translated but will be included with, and discussed in, the next regular RAPA report.

### **Other activities**

#### ***Cooperation with other donors***

The project has, as the USAID design for it intended, become a regular stop for visiting experts. During the quarter, project staff met several times with FAO consultants on a variety of issues, as well as participating in conferences on the FAO agricultural census in Georgia and a workshop held by FAO in Chisinau, Moldova on agricultural statistical issues (the RAPA participant was paid for by FAO). Project staff worked closely with missions from the European Commission Food Security Program during the quarter, assisted the MAF in preparing submissions to the World Bank, and provided the local World Bank office and visiting experts with statistics and other materials. In addition, Sandro Didebulidze worked with the MAF in preparing answers to a questionnaire from the IMF to the Ministry.

#### ***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.

***Ministry computer network and web site***

The project continues to maintain and assist with the expansion of the MAF computer network, as well as providing systematic training and front-line user support. Between 40 and 50 workstations, including those provided by USAID to the MAF from the former GESP project, are now on the MAF network. MAF staff are increasingly using this network for work purposes. One hopeful sign is that departments are beginning to ask for more computers as they find some machines are fully occupied for work purposes. RAPA and MAF staff will survey use to identify underused machines and suggest that they be moved to areas of more intensive use during the next quarter.

The MAF website continues to grow. During the quarter a parallel RAPA website ([www.rapa-dai.com.ge](http://www.rapa-dai.com.ge)) was also put up in order to make English translations of laws and ministry orders, as well as RAPA research, publicly available.

***Theft of laptop computer***

At some time during the evening of August 11, a person or persons unknown stole a notebook computer owned by the RAPA project from the office of the head of the MAF apparatus (its chief administrator), Gennadi Kerdzevadze, in the main MAF building. The office connects with a reception room from one side, and on the other is accessible through a kitchenette from the Minister's conference room. The machine was left plugged into the MAF computer network and a power cable/transformer block. The power cable was left on the desk. The occupant of the office checked the doors on both sides before leaving through the reception room. Later examination showed that the lock to the door on the conference room side was broken in such a way that it appeared to be secured from inside the office but in fact could be opened from the other side. At the time of the theft, the Minister's office, which also connects to the conference room, was being refurbished, so it seems most likely that the theft was a crime of opportunity by a worker, although this cannot be proven. A police report was filed (Annex 20), but it is not expected that the item will be recovered. Mr. Kerdzevadze had signed a note promising to repay the value of the machine in the event of its loss or misuse, but, although the situation seems to be unfortunate and he probably should have been more careful about his doors, in this case it was not felt appropriate to insist that the user repay the value of the stolen item. However, the project has no plans to provide him with a replacement.

***Tax audit***

During the quarter the Vake-Saburtalo Tax Inspectorate carried out a regular audit of the DAI branch in Georgia, the Georgian legal entity which implements RAPA and the USAID-founded South Caucasus Water Management project. Such audits are normally done on an annual basis, but this was the first time that these projects had been examined. There is no reason to believe that the audit was other than routine for the tax inspection or that it was connected to the Minister's political difficulties, although it is clear that pressure on the tax inspection to increase revenue collection from all available sources was intense as a result of Georgia's tense relationship with the IMF. The audit was technically illegal, since the auditors appeared at the project office and immediately began work. By law, tax inspectors must present a written order ten days in advance. In this case, the order was presented only after the audit had begun. In consultation with the

USAID Caucasus lawyer, it was decided that refusing to cooperate with the auditors because of this procedural error was not advisable.

The audit, which covered the entire period that DAI has been legally operating in Georgia, eventually gave the projects a clean bill of health. However, it also made clear that the projects need to spend more time ensuring that their records comply with Georgian requirements. In particular, it should be noted that Georgian law makes the employer liable for all tax payments that should be made by any individual or legal entity whom the employer pays for any purpose. Therefore, such standard American devices as contracts that create an independent contractor relationship in which the contractor or employee is responsible for payment of his or her own taxes are not valid under Georgian law, and their use can subject an employer to very substantial penalties for failure to pay taxes for employees. Employers must pay taxes by bank transfers to the tax inspection, and such transfers can only be made by registered legal entities. So implementers of technical assistance activities should be legally registered in Georgia as soon as possible.

### **OUTSTANDING ISSUES**

Although Ministry senior management seem now to have accepted the diagnosis by the project of the need to strengthen standard operating procedures and accountability and simplify lines of authority, the quarter was characterized by more open resistance at middle and lower levels within the MAF to putting reforms in this area into effect. Passive or active resistance to reforms by MAF staff is a sign of more deeply rooted opposition to the current Minister and his policies and, in a broader sense, to attempts to move away from the defunct command economy organization. The situation is made worse because the Ministry management has, by and large not been able to adequately explain to and convince the MAF rank and file of the reasons for, and necessity of, change. In part this failure reflects the continuing uncertainty of the MAF senior management itself as they seek to understand a world very different from the one for which they were educated and of which they still have only very limited experience. In at least equal part the situation reflects the fragmentation and capture of MAF agencies by particular interests which makes those agencies able to act independently of the Minister and its management. Although, because Parliament was ineffective or not in session during the quarter there were no glaring examples of such independent action this quarter as there had been earlier in 2003 (for instance in the cases of the Law on Veterinary Medicine and the amendments to the Law on Food and Tobacco to favor the Food Products Monitoring and Analysis Service described in previous reports), it remains clear that many people in the MAF remain unreconciled to their leadership. The political events of the quarter have made this situation worse, and it is not likely to become better until the new parliament is organized, that is, until December of this year.

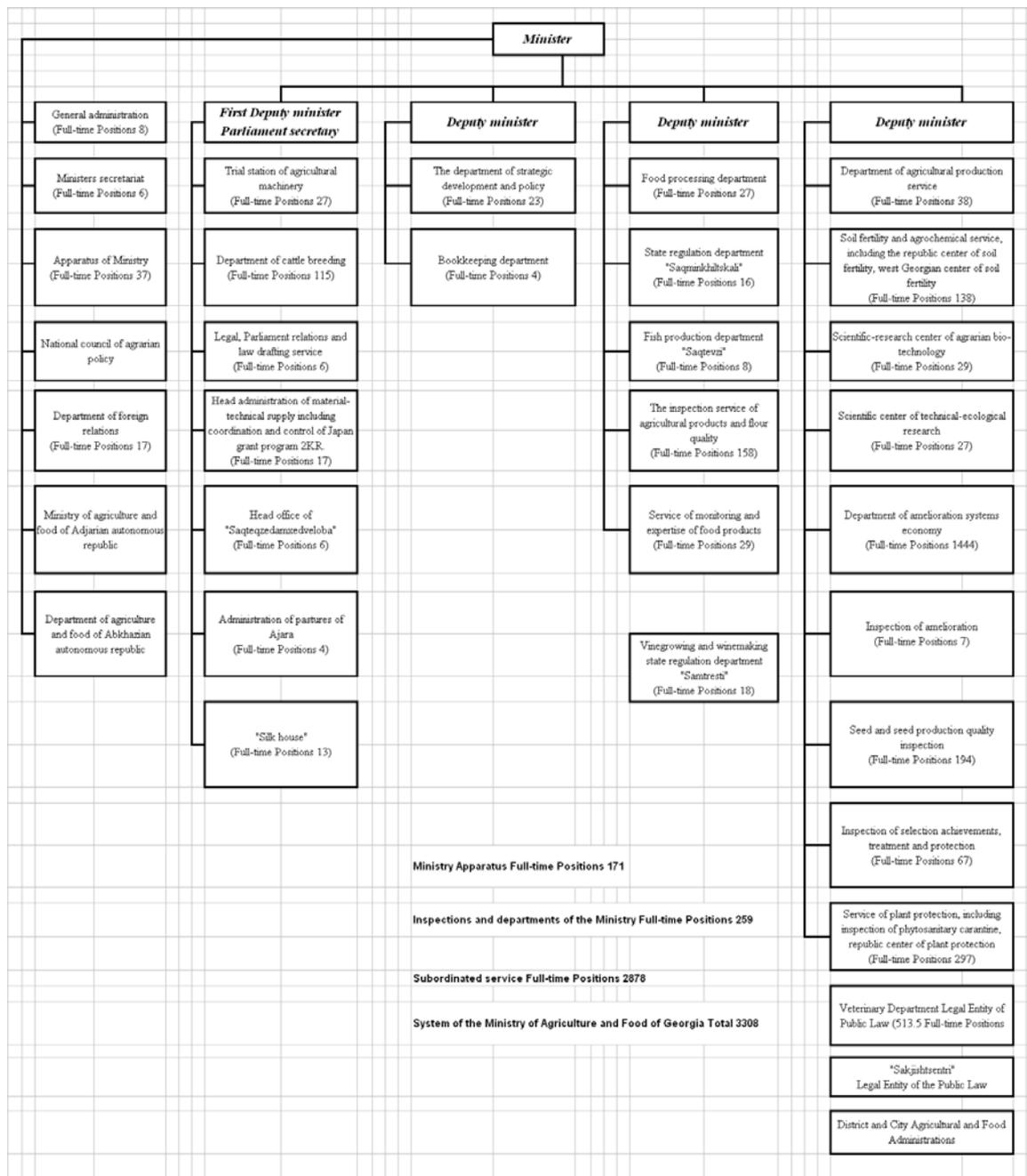
### **PLANNED ACTIVITIES FOR NEXT PERIOD**

Given the political uncertainty, activities for the balance of the year will concentrate on completing things that have been begun, particularly ones that do not require parliamentary approval. The process of gaining consensus even among the senior Ministry management is slow, and the backlog of relatively simple actions, including some foreseen in the phase II extension benchmarks, is substantial. Despite the difficulties encountered this quarter, it seems that in many areas the situation has developed to a point where a fair number of actions can be completed very soon.

## ANNEX 1. PROJECT STAFF AS OF SEPTEMBER 30, 2003

<b>Legal advice and anti-corruption activities</b>		
Mamuka Matiashvili	Senior Attorney	mamuka_matiashvili@dai.com
Giorgi Misheladze	Attorney	giorgi_misheladze@dai.com
Otar Chigladze	Financial analyst, project accountant	otar_chigladze@dai.com
Vazha Tabatadze	Financial Analyst	vazha_tabatadze@dai.com
<b>Policy analysis</b>		
Alexander Didebulidze	Senior Analyst (Codex, general market analysis)	sandro_didebulidze@dai.com
Bidzina Korakhashvili	Senior Analyst (grain, restructuring coordination)	bidzina_korakhashvili@dai.com
Giorgi Dangadze	Attorney (EU harmonization)	giorgi_dangadze@dai.com
Nana Tsuladze	Analyst	nana_tsuladze@dai.com
Ana Shubladze	research assistant	ana_shubladze@dai.com
<b>MAF institutional strengthening</b>		
Avtandil Iakobidze	Attorney (liaison with Plant Protection Service)	avtandil_iakobidze@dai.com
Jemal Mchedlishvili	Financial analyst (MAF budget)	jeko_mchedlishvili@dai.com
Keti Shengelia	Analyst, Georgian-language editor	keti_shengelia@dai.com
Giorgi Managadze	Attorney (liaison with MAF legal office)	giorgi_managadze@dai.com
<b>Internal Control Unit</b>		
Vasili Chigladze	Financial analyst	vasili_chigladze@dai.com
Irakli Donjashvili	Attorney	irakli_donjashvili@dai.com
Irakli Inashvili	Financial Analyst	irakli_inashvili@dai.com
Levan Khundadze	Financial Analyst	levan_khundadze@dai.com
<b>Outreach</b>		
Giga Kurdovanidze	Outreach Coordinator	giga_kurdovanidze@dai.com
Maka Babunashvili	Press analyst	maka_babunashvili@dai.com
<b>Translation</b>		
Nutsa Amirejibi	Senior translator	nutsa_amirejibi@dai.com
Rusudan Arveladze	Translator	rusudan_arveladze@dai.com
Lisa Basishvili	Translator	lisa_basishvili@dai.com
Nino Beradze	Translator	nino_beradze@dai.com
Natia Gabelia	Translator	natia_gabelia@dai.com
Tiko Janashvili	Translator	tiko_janashvili@dai.com
Don Van Atta	Chief of Party	don_van_atta@dai.com
Natia Lipartiani	Office manager	natia_lipartiani@dai.com
Teimuraz Magalashvili	English teacher	
Vasili Bibiluri	Computer System Administrator	vasili_bibiluri@dai.com
Koba Makharadze	Web/data base designer	koba_makharadze@dai.com
David Beridze	Driver	
David Tskhvaradze	Senior guard	
Koba Tsirekidze	Guard	
Giorgi Tvildiani	Guard	
Leri Giorgadze	Guard	

## ANNEX 2. ORGANIZATION OF THE MINISTRY OF AGRICULTURE AND FOOD AS OF SEPTEMBER 30, 2003



**ANNEX 3. MATERIALS FROM THE SPS/TBT TRAINING SEMINAR WITH MEMBERS OF  
WTO SECRETARIAT**

**Seminar agenda**

**NATIONAL WORKSHOP  
THE WTO AGREEMENTS ON  
TECHNICAL BARRIERS TO TRADE (TBT)  
SANITARY AND PHYTOSANITARY MEASURES (SPS)**

Tbilisi, Georgia  
15–17 July 2003

**15 July**

- 09.30 – 10.00 Opening  
*Roman Kakulia, Don Van Atta*  
Structure and Objective of the Workshop  
*Michael Roberts, WTO Secretariat*
- 10.00 – 10.45 Introduction to the WTO  
*From GATT to WTO*  
*Principles, Functioning, Structure*  
*Stefania Bernabe, WTO Secretariat*
- 10.45 – 11.15 Coffee break
- 11.15 – 11.45 The WTO and Georgian Accession  
*Levan Lomidze, Ministry of Foreign Affairs of Georgia*
- 11.45 – 12.30 The Doha Development Agenda – Programme and Developments  
*Michael Roberts*
- 12.30 – 12.45 Questions and Answers
- 12.45 – 14.00 Lunch
- 14.00 – 15.00 State of play of negotiations on further reform of agriculture  
*Michael Roberts*
- 15.00 – 15.30 Questions and Answers

**16 July**

- 09.30– 10:00 welcome to workshop participants  
*Gerald R. Andersen*  
Director, Office of Economic Growth, USAID Caucasus
- 10:00-11:00 The TBT Agreement  
*History*  
*Why an Agreement?*  
*Principles*  
*Preparation, Adoption and Application of Technical Regulations,  
Standards, Conformity Assessment Procedures*  
*Stefania Bernabe*

- 11:00 – 11.30 Coffee break
- 11.30 – 12.00 The TBT Agreement and Transparency Provisions  
*Stefania Bernabe*
- 12.00 – 12.15 Issues related to Georgia’s accession commitments in TBT  
*Questions and answers; discussion with Sakstandarti representatives*
- 12.15 – 12.45 The TBT Committee  
*Structure*  
*Role and Functions*  
*The Third Triennial Review of the TBT Agreement – Current issues*  
*Stefania Bernabe*
- 12.45 – 14.00 Lunch
- 14.00 – 15.00 Overview of the SPS Agreement  
*Michael Roberts*
- 15.00 – 15.30 Coffee break
- 15.30 – 16.00 Issues related to Georgia’s accession commitments in SPS  
*Levan Chiteishvili, MAF*
- 16.00 – 16.45 Current issues in the SPS Committee  
*Michael Roberts*
- 16.45 – 17.00 Questions and answers

### **17 July**

- 9:30 Codex Alimentarius Commission meeting report – Sandro Didebulidze (RAPA)
- 10:15 Georgia and Russian accession issues – Rati Shavgulidze, RAPA
- 10:45 coffee break
- 11:00 SPS case study  
*Michael Roberts*
- 12:30 Lunch
- 14:00 TBT Case Study  
*Stefania Bernabe*
- 15:00 coffee break
- 15:15 Agriculture Agreement case study  
*Michael Roberts and Stefania Bernabe*
- 16:15 closing
- 16:30 adjourn

## List of participants

**NATIONAL WORKSHOP  
THE WTO AGREEMENTS ON  
TECHNICAL BARRIERS TO TRADE (TBT)  
SANITARY AND PHYTOSANITARY MEASURES (SPS)**

Tbilisi, Georgia, 15–17 July 2003

### LIST OF PARTICIPIANTS

#### Government Agencies, Scientific Institutions, Educational Institutions, Private Enterprises

#	Name	F/M	Town	Organization	Position
1	Roman Kakulia	M	Tbilisi	Ministry of Agriculture and Food of Georgia	Head of Department of International Relations
2	Irina Tsomaia	F	Tbilisi	Ministry of Agriculture and Food of Georgia	Head of Department
3	Levan Chiteishvili	M	Tbilisi	Ministry of Agriculture and Food of Georgia	Head of Department
4	Zurab Lipartia	M	Tbilisi	Ministry of Agriculture and Food of Georgia	Head of the Plant Protection Service
5	Iia Bibileishvili	M	Tbilisi	Ministry of Agriculture and Food of Georgia	Specialist at Department of Food Industry
6	Guram Getsadze	M	Tbilisi	Ministry of Agriculture and Food of Georgia	Head of Inspection of Agricultural Products and Flour
7	Gia Bibileishvili	M	Tbilisi	Ministry of Agriculture and Food of Georgia	Specialist at Department of International Relations
8	Omar Kvirikadze	M	Tbilisi	State Department Sakstandarti	Head of the Food Division
9	Valerian Metreveli	M	Tbilisi	Georgian Academy of Agricultural Science	President; Academician
10	Tamaz Kunchulia	M	Tbilisi	Ministry of Agriculture and Food of Georgia	Head of Department of Strategy
11	Robert Andguladze	M	Tbilisi	Georgian Academy of Agricultural Science	Vice-President; Academician
12	Irakli Shavliashvili	M	Tbilisi	Georgian Academy of Agricultural Science	Director of the Plant Protection Institute
13	Meri Kvatshantiradze	F	Tbilisi	Georgian Academy of Agricultural Science	Deputy Director of the Plant Protection Institute
14	Guram Aleksidze	M	Tbilisi	Georgian Academy of Agricultural Science	Scientific Secretary; Academician
15	Nugzar Bagaturia	M	Tbilisi	Georgian Academy of Agricultural Science	Director of Research institute of Food Industry;

16	Tengiz Nanitashvili	M	Tbilisi	Georgian Academy of Agricultural Science	Academician Vice-Director of Research Institute of Food Industry; Academician
17	Vakhtang Burkadze	M	Tbilisi	Georgian Academy of Agricultural Science	Director of Research Institute of Economics and Management of Agro-Industrial Complex; Academician
18	Napoleon Karkashadze	M	Tbilisi	Georgia State Agrarian University	Rector; Academician
19	Teimuraz Maglakelidze	M	Tbilisi	Georgia State Agrarian University	Pro-rector
20	Benedict Tsereteli	M	Tbilisi	Georgia State Agrarian University	Head of the Department of Bio-organic Chemistry
21	Hamlet Giorgadze	M	Tbilisi	Georgia State Agrarian University	Head of Department of Agribusiness Management
22	Badri Ramishvili	M	Tbilisi	Georgia State Agrarian University	Assistant of Rector
23	Paata Gogoladze	M	Tbilisi	Association of Exporters	Representative
24	Givi Tsagareli	M	Tbilisi	Association of Exporters	Representative
25	Tamaz Agladze	M	Tbilisi	Association of Exporters	Representative
26	Shura Borokhovich	M	Tbilisi	SAKSTANDART	Head of Standardization Department
27	Maka Bidzinashvili	F	Tbilisi	Ministry of Agriculture and Food of Georgia	PR specialist
28	Zurab Chekurishvili	M	Tbilisi	Ministry of Agriculture and Food of Georgia	Deputy Head of Department of International Relations
29	Eka Shervashidze	F	Tbilisi	Ministry of Agriculture and Food of Georgia	Senior Specialist of the Department of International Relations
30	Goga Jorgashvili	M	Tbilisi	Ministry of Agriculture and Food of Georgia	Senior Specialist of the Department of International Relations
31	Tea Chkhaidze	F	Tbilisi	Ministry of Agriculture and Food of Georgia	Senior Specialist of the Department of International Relations
32	Marika Mikeladze	F	Tbilisi	Ministry of Agriculture and Food of Georgia	Senior Specialist of the Department of International Relations
33	Omar Kacharava	M	Tbilisi	Ministry of Agriculture and Food of Georgia	Head of the Food Industry Department
34	Meri Mania	F	Tbilisi	Ministry of	Division head, Food

35	Zurab Evuashvili	M	Tbilisi	Agriculture and Food of Georgia Ministry of Agriculture and Food of Georgia	Industry Department Assistant to the Deputy Minister
36	Imburg Meparishvili	M	Tbilisi	Ministry of Agriculture and Food of Georgia	Deputy Head of the Division of the Strategy Department

### Observers

1	Gerald Andersen	M	Tbilisi	USAID Mission/Caucasus	Director of Office of Economic Growth
2	Alfred Williams	M	Tbilisi	USAID Mission/Caucasus	Senior Agribusiness Advisor of Office of Economic Growth
3	Don VAN ATTA	M	Tbilisi	DAI-RAPA Project/USAID	Chief of Party
4	Bidzina Korakhashvili	M	Tbilisi	DAI-RAPA Project/USAID	Senior Analyst
5	Alexander Didebulidze	M	Tbilisi	DAI-RAPA Project/USAID	Senior Analyst
6	Rati Shavgulidze	M	Tbilisi	DAI-RAPA Project/USAID	Analyst
7	Nana Tsuladze	F	Tbilisi	DAI-RAPA Project/USAID	Analyst
8	Giorgi Dangadze	M	Tbilisi	DAI-RAPA Project/USAID	Lawyer
9	Koba Makharadze	M	Tbilisi	DAI-RAPA Project/USAID	Computer System Manager
10	Vasili Bibiluri	M	Tbilisi	DAI-RAPA Project/USAID	Computer System Administrator
13	Richard Hurelbrink	M	Tbilisi	SAVE/USAID	Chief of Party
14	Alex Zguladze	M	Tbilisi	SAVE/USAID	Lawyer
15	William Bateson	M	Tbilisi	SAVE/USAID	Agricultural Economist
16	Gia Chelidze	M	Tbilisi	SAVE/USAID	Engineer
17	Beka Tagauri	M	Tbilisi	SAVE/USAID	Horizon Group

**Thank-you note from WTO Secretariat**

«**Roberts, Michael**» <Michael.Roberts@wto.org>  
07/25/2003 07:48 PM

To: <Don\_Van\_Atta@dai.com>  
cc: <YoungG@fas.usda.gov>, «Bernabe, Stefania» <Stefania.Bernabe@wto.org>  
Subject: US AID project in Georgia

Dear Mr Van Atta,

I would like to place on record our sincere thanks for the help which your USAID project was able to offer us during the joint SPS/TBT national seminar which was held in Georgia between 15-17 July. Without your financial and logistical help we would have been well and truly really stuck! So I thank you again for your hospitality and good grace in organizing this event for us at such short notice. As you will note I have copied this e-mail to Gregg Young at the US mission here in Geneva for information.

If there is any assistance we can offer in terms of publications, documentation or requests for information, please do not hesitate to let either Stefania or myself know

Kind regards,

Michael Roberts  
Economic Affairs Officer  
WTO Secretariat  
tel:++ 41 22 739 5747  
Fax: ++ 41 22 739 5760

**ANNEX 4. MEASURES UNDERTAKEN AND TO BE UNDERTAKEN FOR HARMONIZING LEGISLATION OF GEORGIA ON AGRICULTURE AND FOOD  
WITH THE APPROPRIATE LEGISLATION OF THE EUROPEAN COMMUNITY: PLAN OF ACTIVITIES**

**(as of September 5, 2003)**

<i>Veterinary Department</i>	
<b>1</b>	<p><b><i><u>The following materials are requested for translation and normative acts – for preparation</u></i></b></p> <p><b><i>Council Directive 2002/60/EC of 27 June 2002 laying down “specific provisions for the control of African swine fever” – including in the third volume of the Veterinary Legislation (hereinafter – the number and the volume) – with the order of the Head of Veterinary Department.</i></b></p> <p>This Directive lays down minimum measures during African swine fever. Considering the fact that this infectious disease may spread widely and cause difficult economic damage, it is important to set strict control over movement of swine and swine products from places that are subject to limitations and where the focus of infection of African swine fever will be registered.</p>
<b>2</b>	<p><b><i>Commission Directive 2002/4/EC of 30 January 2002 on the registration of establishments keeping laying hens, covered by Council Directive 1999/74/EC - including in volume II – with the order of the Head of veterinary Department.</i></b></p> <p>This Directive considers minimum conditions in which laying hens are to be placed in the poultry houses. It also considers conditions of feeding and treatment of laying hens. Countries intended to be enrolled in the European Union are obliged to make the laws and the rules compliant to this Directive. Considering this, it is necessary to include requirements and norms of this Directive into the Veterinary Legislation.</p>
<b>3</b>	<p><b><i>Commission Regulation (EC) No 1326/2001 of 29 June 2001 laying down transitional measures to permit the changeover to the Regulation of the European Parliament and of the Council (EC) No 999/2001 laying down rules for the prevention, control and eradication of certain transmissible spongiform encephalopathies, and amending Annexes VII and XI to that Regulation – including in volume I – with the order of the Head of Veterinary Department.</i></b></p> <p>Spongiform encephalopathies is a newly observed disease, which belongs to dangerous zoo-anthropogenic disease common to animals and humans. Etiology of this disease is not yet fully studied. Considering the said, this Regulation sets strict limitations in case of revealing beef spongiform encephalopathies and prohibits export of animals and animal products from such countries and putting them on market.</p>

4	<p><b><i>Council Directive 2001/89/EC of 23 October 2001 on Community measures for the control of classical swine fever – including in volume I, with the order of the Head of Veterinary Department.</i></b></p> <p>This Directive lays down general measures during classical swine fever. Classical fever causes massive swine disease. Therefore, in case it occurs, relevant international bodies set strict control. Import of swine and swine products is prohibited from unreliable countries. Use of this Directive in Georgian veterinary legislation will regulate disease prevention issues.</p>
5	<p><b><i>Commission Regulation (EC) No 1825/2000 of 25 August 2000 laying down detailed rules for the application of Regulation (EC) No 1760/2000 of the European Parliament and of the Council as regards the labeling of beef and beef products – including in volume III – with the order of the Head of Veterinary Department.</i></b></p> <p>This Regulation laws down rules and norms of labeling animals and beef. Considering the fact that labeling of animals and animal products is not regulated, use of the issues considered by this Commission Regulation in the veterinary legislative base would significantly contribute to regulating this issue.</p>
6	<p><b><i>Commission Regulation (EC) No 2629/97 of 29 December 1997 laying down detailed rules for the implementation of Council Regulation (EC) No 820/97 as regards ear-tags, holding registers and passports in the framework of the system for the identification and registration of bovine animals – including in volume III – with the order of the head of Veterinary Department.</i></b></p> <p>Animal identification, use of ear-tags, holding registers and passports for temporary saving the information is very important. Therefore, use of main principles of this Regulation in the veterinary legislation will significantly promote regulation of this issue.</p>
7	<p><b><i>Council Directive 94/65/EC of 14 December 1994 laying down the requirements for the production and placing on the market of minced meat and meat preparations – including in volume III- with the order of the Head of Veterinary Department.</i></b></p> <p>Considering the fact that the Veterinary Service does not have relevant norms and rules on the issue, adherent to the law of Georgia “On Veterinary” and to the requirements of the International Veterinary Code, that would law down requirements for the production and placing on the market of minced meat and meat preparations, including requirements of this Directive into the veterinary legislation would promote regulation of this issue.</p>
8	<p><b><i>Council Directive 93/53/EEC of 24 June 1993 introducing minimum Community measures for the control of certain fish diseases- including in the volume I – with the order of the Head of Veterinary Department.</i></b></p> <p>Despite the fact that Georgia does not import fish and fish products, it is important to set strict veterinary control adherent to this Directive in order to promote fishery sector and production of fish preparations inside the country.</p>

9	<p><b><i>Council Directive 92/66/EEC of 14 July 1992 introducing Community measures for the control of Newcastle disease – including in volume I – with the order of the Head of Veterinary Department.</i></b></p> <p>Poultry farming in rural areas in Georgia is an important source of income for population as well as for poultry meat supply. Outbreak of Newcastle disease of poultry may cause massive destruction of poultry and harsh economic damage to population. Considering all the said, including Directive requirements into the veterinary legislation will promote carrying out disease prevention and safety measures.</p>
10	<p><b><i>Council Directive 92/118/EEC of 17 December 1992 laying down animal health and public health requirements governing trade in and imports into the Community of products – including in the volume II – with the order of the Head of Veterinary Department.</i></b></p> <p>Issues related to health, trade and import-export, transit shipments of animal products, is basically regulated with the law of Georgia “On Veterinary” and the International Veterinary Code. However, it is important to consider requirements and norms of this Directive in the veterinary legislation.</p>
11	<p><b><i>Council Directive 92/116/EEC of 17 December 1992 amending and updating Directive 71/118/EEC on health problems affecting trade in fresh poultry meat – including in volume II – with the order of the Head of Veterinary Department.</i></b></p> <p>This Directive is amending and updating Directive in force earlier, which is on health problems affecting trade in fresh poultry meat. Requirements are to be considered in Georgian veterinary legislation.</p>
12	<p><b><i>Council Directive 91/498/EEC of 29 July 1991 on the conditions for granting temporary and limited derogations from specific Community health rules on the production and marketing of fresh meat – including in the volume II – with the order of the Head of Veterinary Department.</i></b></p> <p>The country still does not have regulating document on specific health rules on the production and marketing of fresh meat. Considering the said, including requirements of this Directive will regulate this issue.</p>
13	<p><b><i>Council Directive 77/391/EEC of 17 May 1977 introducing Community measures for the eradication of brucellosis, tuberculosis and leucosis in cattle – including in volume I – with the order of the Head of Veterinary Department.</i></b></p> <p>Due to budget deficit in the country for brucellosis and tuberculosis prevention measures, large-scale disease prevention activities are not implemented. In addition to the fact, it has to be mentioned that these are dangerous chronic diseases common to both animals and humans. Therefore, prevention measures are one of the most important social issues for your country. Considering the above-said, including requirements of the Directive in the veterinary legislation is necessary.</p>

14	<p><b><i>Council Directive 64/432/EEC of 26 June 1964 on animal health problems affecting intra-Community trade in bovine animals and swine – including in volume III – with the order of the Head of Veterinary Department.</i></b></p> <p>On beef and swine trade Georgia State Veterinary Service uses norms and rules agreed in CIS countries, which does not fully comply to international norms. Considering the said, use of Regulation requirements in the veterinary legislation will regulate issues of beef and swine trade.</p>
15	<p><b><i>Council Directive 90/423/EEC of 26 June 1990 amending Directive 85/511/EEC introducing Community measures for the control of foot-and-mouth disease, Directive 64/432/EEC on animal health problems affecting intra-Community trade in bovine animals and swine and Directive 72/462/EEC on health and veterinary inspection problems upon importation of bovine animals and swine and fresh meat or meat products from third countries – including in volume I – with the order of the Head of Veterinary Department.</i></b></p> <p>In terms of foot-and-mouth disease, instable epizootic situation is created in Georgia. There are different types of this disease; therefore, it is impossible to forecast the type will occur. Vaccination against all types of disease is related to financial expenditures. Hence, animals are injected only at the border territories as well as animals that are moving. Considering all the said, it is important to include requirements and norms of this Directive in the veterinary legislation.</p>
16	<p><b><i>Council Directive 92/117/EEC of 17 December 1992 concerning measures for protection against specified zoonoses and specified zoonotic agents in animals and products of animal origin in order to prevent outbreaks of food-borne infections and intoxications – including in volume I – with the order of the Head of Veterinary Department.</i></b></p> <p>Measures for protection against specified zoonoses and specified zoonotic agents in animals and products of animal origin to prevent outbreaks of food-borne infections and intoxications is very important to carry out for animal and human health purposes. There is no appropriate regulating document to regulate the problem for the moment. Considering all the above formulated, requirements of this Directive should be included in the veterinary legislation.</p>
17	<p><b><i>Council Directive 91/493/EEC of 22 July 1991 laying down the health conditions for the production and the placing on the market of fishery products – including in volume II I – with the order of the Head of Veterinary Department.</i></b></p> <p>The Veterinary Service of the country does not relevant directive on veterinary health conditions for the production and placing on the market of fishery products. Therefore, it is important to include requirements and norms of this Directive in the veterinary legislation.</p>
18	<p><b><i>Council Directive 92/40/EEC of 19 May 1992 introducing Community measures for the control of avian influenza – including in volume I – with the order of the Head of Veterinary Department.</i></b></p>

	<p>Considering the fact that preventive measures for the control of avian influenza are not carried out with the state financing, disease has occurred and spread in separate regions of the country causing significant economic damage both to agrarian sector and population. The Veterinary Service of Georgia does not have relevant directive on disease prevention measures. Considering all the above formulated, requirements of this Directive should be included in the veterinary legislation.</p>
	<b><i>Vine and Wine Department “Samtresti”</i></b>
<b>1</b>	<p><b><i>Based of Council Regulation (EC) No 1493/1999 of 17 May 1999 on the common organization of the market in wine, Commission Regulation (EC) No 2091/2002 of 26 November 2002 amending Regulation (EC) No 2870/2000 laying down Community reference methods for the analysis of spirits drinks, Commission Regulation (EC) No 884/2001 of 24 April 2001 laying down detailed rules of application concerning the documents accompanying the carriage of wine products and the records to be kept in the wine sector, Commission Regulation (EEC) No 2676/90 of 17 September 1990 determining Community methods for the analysis of wines the following normative acts have been prepared:</i></b></p> <p>English translations of texts of Instruction No. 88 of the President of Georgia “About measures related to enforcement of the Law of Georgia “On Vine and Wine” (28 February 2002) and the Law of Georgia “On Denomination of Origin and Geographical Indication of Commodity” through Georgia’s representation into the European Union has been submitted to the European Commission. <b><u>Fulfilled on 4 July 2003.</u></b></p>
<b>2</b>	<p>Order No. 2-220 (12 August 2003) of the Minister of Agriculture and Food of Georgia “About approval of “the rule of technical and phyto-sanitary control over vine mother stocks, grafting materials and grafted seedling production”, “the rule of certification of vine grafting materials and grafted seedling”, “the rule of exporting grapes from specific zone to produce wines of denominations of origins”, “the rule of labeling control of grape alcoholic beverages”. <b><u>Fulfilled as of 12 August 2003.</u></b></p>
<b>3</b>	<p>Order No. 2-221 (12 August 2003) of the Minister of Agriculture and Food of Georgia “About approval of the charters concerning “the rule of certification system of alcoholic beverages” and “ the rule of certification of alcoholic beverages, “the rule of accreditation of testing laboratories, “the rule of issuing certification of origin”, “the rule of grading down of wine”. <b><u>Fulfilled as of 12 August 2003.</u></b></p>
	<b><i>Plant Protection Service</i></b>
<b>1</b>	<p>Order of the Minister of Agriculture and Food of Georgia:</p> <p>“Preventive Quarantine Rules of Georgia Territory” that should be agreed with the Customs Department of the Ministry of Finance of Georgia, the Ministry of Transport, the Ministry of Security and the Ministry of Internal Affairs</p>

	<p>These measures may lead to amendments to the law of Georgia “On Agricultural Quarantine”.</p> <p style="text-align: right;"><b><u>Term of execution: 25 December 2003</u></b></p>
<b>2</b>	<p>“List of Quarantine Harmful Organisms”.</p> <p style="text-align: right;"><b><u>Term of execution: 15 December 2003</u></b></p>
<b>3</b>	<p>Based on Council Directive 91/414/EEC of 15 July 1991 concerning the placing of plant protection products on the market, amendment to the regulation “about state registration tests, expertise and pesticides (plant protection means and growth regulators) registration in Georgia” approved with the order No. 2-261 of 14 November 2000 of the Minister of Agriculture and Food of Georgia will be drafted. These amendments will refer to methods of pesticide estimation and research, residue determination and sample taking.</p> <p style="text-align: right;"><b><u>Term of execution: April 2004</u></b></p>
<b>4</b>	<p>“State Catalogue of Pesticides (plant protection means and growth regulators) permitted for utilization in Georgia in 2004-2008” is to be elaborated considering a regulation for work program implementation of the second and the third stages given in the Article 8(2) of the Board Directive 91/414” No. 451/2000 of February 28, 2000.</p> <p>Necessary actions to be taken for elaboration of a catalogue are as follows:</p> <ol style="list-style-type: none"> <li>1. Vegetation season tests (6 months)</li> <li>2. Expertise of preparation list (6 months)</li> <li>3. Catalogue will be done in 6 months and will be agreed with the Ministry of Labor, Health and Social Security and the Ministry of Environment and Natural resources protection.</li> </ol> <p>Note: Amendments to the Catalogue will be prepared in 2006 considering the re-estimation program of the European Union – Pesticides (plant protection means and growth regulators) permitted for utilization in the EU.</p> <p style="text-align: right;"><b><u>Term of execution: Summer 2005</u></b></p>
<b>5</b>	<p>Council Directive 90/517/EEC of 9 October 1990 adapting to technical progress for the Directive 67/548/EEC of 27 June 1967 on the approximation of the laws, regulations and administrative provisions relating to the classification, packaging and labeling of dangerous substances</p> <p>Note: The document is to be agreed with the Ministry of Labor, Health and Social Security and the Ministry of Environment and</p>

	<p>Natural Resources Protection.</p> <p style="text-align: right;"><b><u>Term of execution: to prepare amendments in December 2003</u></b> <b><u>Final approval in July 2004</u></b></p>
6	<p>Order of the Minister will be prepared on removal of old pesticides risky both for humans and environment and preparation of a new catalogue. For this purpose it is important to consider the following Directives: No. 2000/801/EC, No. 2000/72/EC, No. 2000/816/EC, No. 2000/817/EC.</p> <p>Note: Order will be agreed with the Ministry of Labor, Health and Social Security and the Ministry of Environment and Natural resources Protection.</p> <p style="text-align: right;"><b><u>Term of execution: Will be prepared for January 2004 and finalized in April 2004</u></b></p>
7	<p>Joint order of the Ministers of Agriculture and Food and Labor, Health and Social Security “On maximum permitted levels in agricultural commodities (grains, maize, animal and plant products, including fruits and vegetables)”.</p> <p>Note: This normative act should be based on Codex Alimentarius standards and the following Directives: No. 98/82/EC, No. 2002/66/EC, No. 2002/71/EC, 2002/76/EC, 2002/79/EC, 2002/97/EC, 2002/100/EC as well as their amendments: No. 76/89/EC, No. 86/362/EEC, No. 86/363/EEC, No. 90/642/EEC.</p> <p style="text-align: right;"><b><u>Term of execution: June 2004</u></b></p>
8	<p>The Plant Protection Service presented an authentic translation of the Convention of the European and Mediterranean Plant Protection Organization (EPPO). It has gone through relevant procedures in the Ministry of Foreign Affairs of Georgia. Translation is attached by explanation about a positive outcome that will be brought to Georgia after enrollment in this organization. According to the employers of the Plant Protection Service it is still unclear when will the Ministry of Agriculture and Food of Georgia give further developments to enrollment in the EPPO.</p> <p style="text-align: right;"><b><u>Fulfillment: According to the Head and Deputy Head of Plant Protection Service, enrollment in EPPO depends on membership fee of EURO 8000</u></b></p>
9	<p>The Plant Protection Service has to discuss on the issue of enrollment in the International Plant Protection Organization. Here as well the problem is making translations and is still unclear when the issue of translation of the International Convention on Plant Protection will be revised.</p>

	<b><u>Term of execution: Translation of Convention text and its authenticity will be ready in October 2003. Enrollment in compliance with the IPPC procedures in December 2004</u></b>
	<i>Food and Processing Industry Department; Food Products Expertise and Monitoring Service</i>
1	To prepare and approve the rule of monitoring in compliance with the amendments and addenda made to the law of Georgia “On Food and Tobacco” with the order of the Minister of Agriculture and Food.  <b><u>Term of execution: 1 January 2004</u></b>
2	To elaborate and approve normative and technical regulations (including: use of modern analytical research methods) on the basis of the European Commission Directives and regulations in the sphere of the Codex Alimentations standards and food products.  <b><u>Term of execution: 2003-2006</u></b>
	<i>Agri-chemical and Soil Fertility Service of the Ministry of Agriculture and Food of Georgia</i>
1	Norms and regulations of import, storage, standardization and rational utilization of agri-chemicals. (Order of the Minister of Agriculture and Food of Georgia).  <b><u>Term of execution: Will be registered in the State Register of Normative Acts of the Ministry of Justice of Georgia on January 1, 2004</u></b>
2	Target Program of soil protection and fertility increase.  <b><u>Term of execution: Approved with the Instruction No. 39 of February 10, 2003 of the President of Georgia</u></b>
3	Charter of determination the level of soil fertility. (Order of the Minister of Agriculture and Food of Georgia)  <b><u>Term of execution: 1 December 2004</u></b>
4	Recommendations on complex activities of protecting the soil from erosion. (Order of the Minister of Agriculture and Food of Georgia)

	<b><u>Term of execution: 1 July 2004</u></b>
<b>5</b>	Charter of Monitoring soil conservation and fertility. (Order of the Minister of Agriculture and Food of Georgia)
	<b><u>Term of execution: 1 January 2005</u></b>
	<b><i>Legal Entity of Public Law – “Sakjishtsenti”</i></b>
<b>1</b>	Law of Georgia “On protection of new plant varieties”.
	<b><u>Note: is ready to be sent to the State Chancellery of Georgia</u></b>
<b>2</b>	“The rule of putting seeds of agricultural crop varieties into civil circulation”. Note: This rule includes seed standards and is to be approved with the Order of the Minister of Agriculture and Food of Georgia in agreement with “Sakstandarti”.
	<b><u>Note: According to the information of the “Sakjishtsenti” Director, the rule will be adopted on November 2003. This term may change if agreement procedures with the “Sakstandarti” will be extended.</u></b>
	<b><i>Quality Inspection of Seeds and Planting Materials</i></b>
<b>1</b>	Accreditation standard of ISTA Seeds Testing Laboratory has been elaborated.  This document was submitted to Mr. Otar Alavidze, the Deputy Head of the Quality Inspection of Seeds and Planting Materials, who is to determine possibilities of accepting ISTA accreditation at this stage for the Quality Inspection of Seeds and Planting Materials and its laboratories.  The Service is to work on “the rule of putting seeds of agricultural crop varieties into civil circulation”, which is not accomplished at all.
	<b><u>Term of execution: unknown</u></b>

	<b><i>Cattle Breeding Department</i></b>
1	<p>The following has been discussed in detail:  Council Directive 77/504/EEC of 25 July 1977 “on pure- bred breeding animals of the bovine species” and 84/247/EEC: Commission Decision of 27 April 1984 laying down “the criteria for the recognition of breeders’ organizations and associations which maintain or establish herd-books for pure-bred breeding animals of the bovine species”.</p> <p>For the Department, the following Document has been prepared: “Brief Overview of Cattle Breeding and Industry of the European Union and CIS Countries”. Structure of the activity is analyzed in the document at the example of different countries.</p> <p>A document about breeding activity at the example of Austria has been also obtained from the Cattle Breeding Department of the Ministry of Agriculture and Food of Georgia.</p> <p>Appropriate analysis of these documents develops an idea on prospective of cattle breeding in the country and reforming regulating system of the field.</p> <p>While reforming the filed legislative amendments are very important. Specifically, amendments should be made to the law of Georgia “On Cattle Breeding”. These amendments should promote establishment of [cattle breeding] associations and industrial legal entities and later to transfer the field to the private sector. For this purpose the role and significance of the state regulatory bodies of the field should be reduced and advantage has to go to the scientific side of cattle breeding that exists in today’s legislation as well (Article 16 of the Law of Georgia “On Cattle Breeding”[September 5, 1996]) and in fact, is of a very formal character.</p> <p style="text-align: right;"><b><u>Term of execution: unknown</u></b></p>
	<b><i>State Department of Mineral and Fresh Waters Production and Sale “Sakminkhiltskali”</i></b>
1	<p>Based on Council Directive 80/777/EEC of 15 July 1980 on the approximation of the laws of the Member States relating to the exploitation and marketing of natural mineral waters, Directive 96/70/EC of the European Parliament and of the Council of 28 October 1996 amending Council Directive 80/777/EEC on the approximation of the laws of the Member States relating to the exploitation and marketing of natural mineral waters and Commission Directive 2003/40/EC of 16 May 2003 establishing the list, concentration limits and labeling requirements for the constituents of natural mineral waters and the conditions for using ozone-enriched air for the treatment of natural mineral waters and spring waters amendments and addenda have been prepared to the law of Georgia “On Water”. Amendments are being prepared also to the Charter “About The Rules of production and Sale of Water Trade Products”.</p>

*Translated by: Nino Beradze  
25 September 2003*

**ANNEX 5. SHEVARDNADZE INSTRUCTION ON TRANSLATION OF EUROPEAN UNION  
TECHNICAL REGULATIONS**

**INSTRUCTION  
OF THE PRESIDENT OF GEORGIA  
Number 848**

10 July 2003

Tbilisi

**On the Acceleration of the Introduction of European Technical  
Directives related to Legislation in Georgia**

In order to accelerate the fulfillment of obligations undertaken when Georgia joined the World Trade Organization, recommendations of the World Bank, the European Union and Order No. 75 of September 28, 2002 of the State Minister of Georgia:

1. The enclosed schedule of adoption of Georgian versions of European Directives is approved.
2. The concerned Ministries and Agencies should stage-by-stage present to the State Department of Standardization, Metrology and Certification of Georgia technical regulations harmonized with the European Directives considering priorities in compliance with the schedule in specific terms.
3. The State Department of Standardization, Metrology and Certification of Georgia (M. Janikashvili):
  - a) In order to fulfill the second paragraph of this Instruction, should coordinate the appropriate Ministries and Agencies and in case of need, provide methodical assistance.
  - b) Should prepare draft acts on the introduction of the technical regulations presented by the Ministries and Agencies and present to the President of Georgia by October 1, 2003.
4. Deputy State Minister of Georgia A. Zoidze is to monitor fulfillment of this instruction.

**Eduard Shevardnadze**

[Signed and sealed]

### The Ministry of Labor, Health and Social Security

<b>5</b>	About quality and safety of products	80/590/EEC 88/388/EEC 89/107/EEC 89/109/EEC 89/396/EEC 89/397/EEC 89/398/EEC 90/496/EEC 93/43/EEC Regulation No. 3954/87 79/112/EEC	The Ministry of Labor, Health and Social Security	2003 01.10
<b>5.7</b>	About safety of foodstuff color substances	94/36/EC	The Ministry of Labor, Health and Social Security	2003 01.10
<b>5.8</b>	About production and utilization of food additives	89/107/EEC 95/2/EC	The Ministry of Labor, Health and Social Security	2003 01.10
<b>5.9</b>	About safety of aromatized substances used in foodstuffs	88/388/EEC 89/107/EEC 94/36/EC 95/2/EC 73/437/EEC Regulation No. 315/93	The Ministry of Labor, Health and Social Security	2003 01.10
<b>5.10</b>	Potable water	80/778/EEC	The Ministry of Labor, Health and Social Security	2003 01.10
<b>5.11</b>	Requirements for production and sale of beer	89/396/EEC	The Ministry of Labor, Health and Social Security	2003 01.10
<b>5.15</b>	Requirements to phytogetic considering their preparation and utilization	76/621/EEC 90/642/EEC	The Ministry of Labor, Health and Social Security	2003 01.10
<b>5.26</b>	About child foodstuffs	96/5/EC	The Ministry of Labor, Health and Social Security	2003 01.10
<b>5.30</b>	About treatment, preventive and diet nutrition	93/43/EEC 89/398/EEC	The Ministry of Labor, Health and Social Security	2003 01.10
<b>5.31</b>	About gene-modified foodstuffs	93/43/EEC	The Ministry of Labor, Health and Social Security	2003 01.10
<b>7</b>	Preparation and control rules of treatment means (quality, safety, packaging and marking)	65/65/EEC 75/319/EEC 75/318/EEC 91/356/EEC 92/25/EEC 92/26/EEC 92/27/EEC 92/28/EEC 89/105/EEC	The Ministry of Labor, Health and Social Security	2003 01.10
<b>6</b>	About medical equipment and devices of medical designation (except preparations)	93/42/EEC 98/79/EEC	The Ministry of Labor, Health and Social Security	2003 01.10

**Ministry of Agriculture and Food of Georgia**  
**Central body of certification system of agricultural and food industry products**  
**(Quality Inspection of Grain and Flour, the Ministry of Agriculture and Food)**

<b>5.1</b>	About state control over quality and economic use of grain	86/362/EEC 71/947/EEC 74/348/EEC	The Ministry of Agriculture and Food	2003 01.10
<b>5.2</b>	Requirements on preparation and sale of meat and meat products	90/496/EEC 91/495/EEC 92/45/EEC 91/494/EEC	The Ministry of Agriculture and Food	2003 01.10
<b>5.3</b>	Requirements on preparation and sale of milk and dairy products	92/46/EEC 94/70/EC 89/437/EEC 94/85/EC 94/278/EC Decision of the European Commission 89/363/EEC 91/449/EEC Regulation No. 3954/87	The Ministry of Agriculture and Food	2003 01.10
<b>5.4</b>	Requirements on preparation and sale of sugar	78/358/EEC 79/796/EEC 73/437/EEC	The Ministry of Agriculture and Food	2003 01.10
<b>5.6</b>	Requirements on preparation and sale of spirits and spirits-containing products	1576/89/EEC 3199/93/EEC 76/765/EEC 1014/90/EEC 1238/92/EEC	The Ministry of Agriculture and Food	2003 01.10
<b>6.12</b>	Requirements on preparation and sale of juices and juice-containing beverages	93/77/EEC 93/45/EEC 79/693/EEC Regulation No. 2251/92 Regulation No. 2001/112	The Ministry of Agriculture and Food	2003 01.10
<b>5.16</b>	Requirements on preparation and sale of sea products	91/492/EEC 91/493/EEC 95/328/EC	The Ministry of Agriculture and Food	2003 01.10
<b>5.17</b>	Starch, starch products and their semi-products		The Ministry of Agriculture and Food	2003 01.10
	Requirements on non-alcoholic beverages and mineral waters considering their preparation and utilization		The Ministry of Agriculture and Food	2003 01.10
<b>5.20</b>	Requirements on frozen products considering their preparation and utilization	89/108/EEC 92/2/EEC	The Ministry of Agriculture and Food	2003 01.10
<b>5.21</b>	Requirements on bread and bread products considering their preparation and utilization	71/347/EEC 86/362/EEC	The Ministry of Agriculture and Food	2003 01.10
<b>5.22</b>	Requirements on poultry meat and its processed products considering their preparation and utilization	71/118/EEC 77/99/EEC	The Ministry of Agriculture and Food	2003 01.10
<b>5.23</b>	Requirements on food eggs and their products, about their utilization	89/437/EEC	The Ministry of Agriculture and Food, other interested	2003 01.10

			government organizations	
5.27	Perfumes and cosmetics	76/768/EEC 07/93/EEC	The Ministry of Agriculture and Food	2003 01.10
5.28	Requirements on tobacco, its products considering their preparation and utilization	93/43/EEC	The Ministry of Agriculture and Food	2003 01.10
13.2	About pesticides, agri-chemical safety	84/291/EEC 81/187/EEC 78/631/EEC 83/291/EEC 97/63/EC 89/530/ 89/284/ 95/8/EEC 88/188/	The Ministry of Agriculture and Food	2003 01.10
8	Veterinary preparations	81/85/EEC 81/852/EEC 81/851/EEC 91/412/EEC Regulation No. 2309/	The Ministry of Agriculture and Food	2003 01.10

**The Ministry of Transport and Communications**  
**Central body of certification system in auto-transport**

**The Department of Auto-transport, the Ministry of Transport of Georgia**

4	Safety of transport means Safety of moving parts considering sanitary, hygiene and fire requirements. Safety of alarm devices of communication network premises	70/156/EEC 92/61/EEC 92/23/EEC 92/97/EEC 2001/43/EC	The Department of Auto-transport, the Ministry of Transport and Communications	2003 01.10
4.1	About railway shipments safety (introduction of the European system of train safe driving)	96/48/EC 93/465/EEC 2001/16/EC	The Ministry of Transport and Communications, Georgian Railway	2003 01.10
4.2	About safety of aircrafts	Codex ИКАО	The Ministry of Transport and Communication, Aviation Department	2003 01.10
4.3	About safety of funicular ways	98/37/EC 2000/9/EC	The Ministry of Transport and Communication, Aviation Department	2003 01.10
4.4	About safety of marine and fluvial ships	96/98/EC 98/85/EC	The Ministry of Transport and Communication	2003 01.10
10	Special substances of transportation means	93/12/EEC 98/70/EC 99/31/EC	The Ministry of Transport and Communication	2003 01.10
2	Safety of agricultural and road-construction technical equipment	2000/14/EC	The Department of Road Communication	2003 01.10
5.29	Requirements on oil fats, their processed products considering their preparation and utilization	93/43/EEC 2001/EC		2003 01.10

### Regulatory Commission of Communication

<b>1.10</b>	Latest radio- and telecommunication equipment	99/5/EC 98/13/EC	Regulatory Commission of Communication	2003 01.10
<b>3</b>	Electric-magnet compliance	89/336/EEC 82/3/EEC 93/68/EEC	Regulatory Commission of Communication	2003 01.10

### The Ministry of Economy, Industry and Trade

<b>14</b>	On Security of equipment designated for chemical industry	98/37/EC	The Ministry of Economy, Industry and Trade	
<b>15</b>	On Security of equipment designated for food industry, trade and catering	98/37/EC	The Ministry of Economy, Industry and Trade	2003 01.10
<b>14</b>	On Security of equipment designated for chemical industry	98/37/EC	The Ministry of Economy, Industry and Trade  The Ministry of Agriculture and food	2003 01.10
<b>19</b>	Packing for transportation and use (tare), packing residues (metals, polymer materials, combined materials of cordon, paper, wood)	92/62/EEC 80/590/EEC 82/711/EEC 82/500/EEC 89/109/EEC 90/128/EEC 91/498/EEC 92/2/EEC 93/10/EEC 93/111/EEC	The Ministry of Economy, Industry and Trade  The Ministry of Agriculture and food	2003 01.10

### The Ministry of Urbanization and Construction of Georgia

#### The central body of certification system in construction – Economy and Reforms

#### Department under the Ministry of Urbanization and Construction of Georgia

	On Security of Construction	89/106/EEC	Technical Supervision State Inspection under the Ministry of Construction	2003 01.10
--	-----------------------------	------------	---	---------------

### Anti-monopoly Service

<b>5.25</b>	On Labeling of food products	87/250/EEC 89/396/EEC 90/496/EEC 80/590/EEC	Anti-monopoly Service	2003 01.10
<b>17</b>	Toy Safety	88/378/EEC 93/68/EC	Anti-monopoly Service	2003 01.10
<b>22</b>	Protection of Consumers' Interests (directive concerning responsibility of producer if the defective output is produced, allowed limits of radioactive poisoning, supervision over explosives, playthings security, regulation of financial relations between trade and service and	85/374/EEC 87/3954/EEC 88/378/EEC 92/59/EEC 93/15/EC 98/79/EC 87/598/EEC	Anti-monopoly Service	2003 01.10

	consumers.			
<b>21</b>	Security of light industry output	71/307/EEC 83/627/EEC 87/140/EEC	Anti-monopoly Service	2003 01.10
<b>18</b>	On Security of consumer commodity output <ul style="list-style-type: none"> <li>• Industrial output</li> <li>• Non-industrial output</li> <li>• (Preparation process, storage, shipment, sale)</li> </ul>	71/118 EEC 79/693 EEC 79/796/EEC 81/432/EEC 81/712/EEC 87/180/EEC 88/320/EEC 89/397/EEC 93/5/EC 93/99/EC 98/53 EC	Anti-monopoly Service	2003 01.10

**The Ministry of Internal Affairs**

**Certification system within fire safety sphere (central body – Head Administration of Fire Safety Service under the Ministry of Internal Affairs)**

<b>16</b>	On Fire Safety		The Ministry of Internal Affairs	2003 01.10
-----------	----------------	--	----------------------------------	---------------

**The Regulatory Commission of Energy of Georgia**

**Certification system within energy and natural gas sphere (central body –The National Regulatory Commission of Energy)**

<b>16</b>	On Security of equipment utilizing gas, liquid and solid fuel	90/396/EEC 93/68/EC	The Ministry of Environment and Natural Resource Protection	2003 01.10
-----------	---	------------------------	---	---------------

**The Ministry of Environment and Natural Resource Protection**

<b>133</b>	On Security of superficially active substances and synthesizer washing means	73/404/EEC 73/405/EEC	The Ministry of Environment and Natural resource Protection	2003 01.10
<b>131</b>	On Security of varnish-colorants and dissolvent	89/109 EEC	The Ministry of Environment and Natural resource Protection	2003 01.10

**“Sakpatenti”**

<b>27</b>	Producer right (intellectual property) (Directive on application of certification and trade brands, protection of intellectual property rights)	89/104/EEC 91/250/EEC	“Sakpatenti”	2003 01.10
-----------	--	--------------------------	--------------	---------------

*Translated by: Nino Beradze  
Tiko Janashvili  
July 18, 2003*

*Revised on: July 19, 30, 2003*

**ANNEX 6. MAMALADZE LETTER TO SHEVARDNADZE CORRECTING LIST OF EUROPEAN  
TECHNICAL REGULATIONS TO BE ADOPTED**

2-1/2439  
August 15, 2003

To Eduard Shevardnadze,  
President of Georgia

Mr. President,

We would like to inform you that in accord with the instruction No. 848 of July 10, 2003 of the President of Georgia “On Acceleration of the process of adoption of European technical directives in order that they can be applied in Georgia” the Ministry of Agriculture and Food of Georgia has been assigned to work out Georgian versions of 56 directives, regulations and decisions.

During fulfillment of these assignments, it has been found that 18 of the 56 directives, regulations and decisions have been annulled by the European Commission itself, that some directives are repeated, that some are designated only for European Union countries and so do not relate to Georgia, and some are within other ministries’ competence.

The list of tasks included in this instruction only partly coincides with the plan of measures, which are to harmonize the legislation of agriculture of Georgia with European Union legislation, and the period set for accomplishing these measures. Implementation of those measures has been successfully begun by the Ministry of Agriculture and Food of Georgia along with the Georgian-European Policy and Legal Advice Center (GEPLAC) founded by TACIS.

A number of the problems in the instruction derives from the fact that the draft instruction was not agreed with the Ministry of Agriculture and Food.

So the part of the attachment to the instruction concerning the Ministry of Agriculture and Food needs to be revised. Therefore, I am providing the attachment herewith carefully worked out in the Ministry of Agriculture and Food. It includes those European directives and regulations that should serve as the basis for elaboration and adoption of sector regulatory documents in the sector in Georgia.

We request your decision.

Attachment 3 pages

With respect,  
Nugzar Mamaladze [signed]  
First Deputy Minister

**ANNEX 7. REPORT ON CODEX ALIMENTARIUS COMMISSION MEETING AND  
SUGGESTIONS FOR FURTHER CODEX-RELATED ACTIVITIES IN GEORGIA**

**TRAINING/TRAVEL REPORT**

Prepared for World Learning START Project  
July 30, 2003

From June 30 through July 7 of this year, the Codex Alimentarius Commission (CAC) held its 26<sup>th</sup> Session at FAO Headquarters, Rome, Italy.

The CAC was established in 1963, as a joint Commission of FAO and the World Health Organization (WHO). Its main purpose is to develop international standards for food products and so to enhance food safety throughout the world. Simultaneously, CAC aims to support the expansion of international trade with food products through the actual unification of standards. According to Codex Alimentarius requirements certification procedures are applied to boost certified production.

Today, 168 countries are members of the Commission. Several international organizations, intergovernmental and non-governmental organizations participate in Codex activities as observers. The Codex budget comes mainly from the founder organizations. FAO's contribution is 75-80 percent of the whole budget.

Georgia has been a member of Codex since 1997 (CIS countries that are not members of Codex are Azerbaijan, Ukraine, Belarus, Tajikistan, Turkmenistan and Uzbekistan). However, financial constraints have severely limited the participation of Georgian experts in CAC activities. Therefore, Georgia has not been involved in execution of processes related to development and adoption of international standards for various food products. At best case, government agencies of Georgia receive the appropriate information from Codex Secretariat on accomplishments of CAC.

In order to ensure the active engagement of Georgia in the on going work of the CAC, the development and adoption of codex standards, and to establish a national system appropriate to international norms, USAID, through two contractors, World Learning and Development Alternatives, Inc., funded attendance by a four-person delegation at the CAC 26<sup>th</sup> Session.

More than 500 delegates from more than 120 countries participated in the 26<sup>th</sup> Session of Codex. More than 100 advisors and observers from various international organizations (WTO, UNCTAD, WHO, FAO, etc.) participated. 27 delegates came from the United States, 21 from China, 15 from Japan, 13 from Indonesia, 12 each from Italy and South Korea, 11 from Mexico, France and Brazil, 10 from Thailand, 9 from Canada and Egypt, 8 from Denmark, Norway, India, Nigeria and Spain. Because of the substantial cost of sending delegates, developing countries were mainly represented either by Embassies in Italy or FAO local experts. From CIS countries, only delegations from Russian Federation, Georgia, Armenia, Lithuania and Estonia participated (Kazakhstan, Kyrgyzstan and Latvia are also CAC members).

The session was opened by David Harcharick, FAO Deputy Director General and Gro Harlem Brundtland, WHO Director General (through video tape). Sessions were chaired by Thomas J. Billy, the Chairman of Codex (USA).

The participating delegations supported the idea that it would be much better if the session will be held each year and not once in two years, as has been normal. Consequently, the next, 27th, session of the CAC will be held from June 28 through July 2, 2004 in Geneva, Switzerland.

One of the most important points was election of new chairman of Codex. Two candidates were considered — Gonzalo Rios Kantorovich (Chile) and Stewart Slorach (Sweden), Codex Vice Chairmen. After a secret vote, Stewart Slorach received the preference and was elected. Kaludi Mosha (Tanzania), Hiroshi Yoshikura (Japan) and Paul Mayers (Canada) were elected vice-chairmen.

Six regional coordinators (Africa, Asia, Latin America and Caribbean, North America and Oceania, Near East and Europe) presented detailed reports on measures applied to ensure food safety within the regions. Coordinator of Europe (Slovakia republic) underlined the necessity of organizing a pan-European conference on “Food safety and quality” in Budapest in 2002 as well as considered it essential to render assistance for transition countries in establishment of a modern system of food control and coordinate health security, agriculture and other state agencies.

Establishment of CAC’s so called “Fund Credence” was discussed and approved during the Session. This fund is to start activities as of January 1, 2004, once at least USD 500 thousand is accumulated. The funds are to be used to increase the involvement of low-income countries in Codex and its committees as well as to fund seminars and training programs. These measures are to implemented according to the following criteria:

- The state must be a member of Codex;
- It must have Codex contact service;
- The state must approve the program and agenda. They shall envisage coordination and clear separation of competences between the state agencies.
- Coordination between appropriate state structures shall be demonstrated.

Countries were divided into three parts in terms of aid volume. Low-income countries (I category) will receive 60 percent of accumulated funds duration of eight years. This group includes Georgia, Armenia and Moldova in Europe and a total of 71 countries throughout the world.

Technical issues discussed at the Session covered the following topics:

- Codex Regional Commission Reports (six Committees)
- Possible membership of regional economic integration organizations. The proposal of the European Union to be an independent membership into Codex was considered. The major part of members did not agree with this point of view, thus the proposal was not adopted at a vote.
- Discussion of draft standard and attached texts related to various food products (dairy products, canned fish, chocolate, apple juice, olive oil, etc). During the debate on the composition of olive oil, the European countries disagreed with

Australia and New Zealand where the acidity level is more variable. Serious discussions were held on the appropriate level of preservatives in yoghurt, etc.

- Adoption of HACCP manual for future application;
- Determination of maximum allowed level of cadmium in food, as well as the maximum allowed levels of residues of veterinary medical preparations;
- Addenda and amendments to titles and definitions;
- Application of geographical stamps on labels, etc.

The participation of the Georgian delegation has attracted certain interest from other “constant member countries” during the work of session. Despite heavy agenda of the session, very fruitful, bilateral meetings that will help to extend future relations were held with the USA, Italy, New Zealand, the Czech Republic, Russian Federation, Austria, other countries’ delegations, and also with FAO and WTO experts. At the meetings, the importance of the active participation of Georgian experts in the work of Codex and range of its committees was especially unambiguously emphasized by the representatives of USA, New Zealand and Italy. Discussions touched such interesting themes for us as milk and milk products (host country New Zealand), the inspection and certification systems of food import and export (Australia) and food-labeling committees (Canada).

The establishment of a coordination body able to discuss all issues connected with Codex was a major themes at the meetings with foreign colleagues. It was noted that establishment of such a body would be necessary to avoid conflicts of interest during distribution of functions between government agencies. Moreover, similar practice already exists in the developing countries; there are national committees, state departments of “Codex Alimentarius” where members are from organizations of scientists, entrepreneurs and consumers. Such a body will facilitate in accomplishing obligations to the WTO and afterwards requirements about the reform of food conformity sphere.

The USA (the head of delegation was Dr. Elza Murano, Under Secretary for Food Safety USDA), New Zealand, Germany, the Czech Republic, Austria and other countries delegations expressed their willingness to assist Georgia in establishing a unified system of standardization, food safety and quality control. To achieve this goal, modern, well-equipped labs that meet international requirements have to be established first of all.

In parallel, during the session period, Georgian delegation held intensive dialogs every day about real opportunities to establish Codex-based standards and the Codex system in the country and concrete mechanisms to resolve related problems.

In our view, the following measures should be taken in the short term:

1. Establishment of a voluntary, unpaid advisory body—a national committee—under the aegis of the Ministry of Agriculture and Food of Georgia and the Ministry of Health, Labor and Social Protection of Georgia, which will coordinate activities of ministries and institutions, scientific-research, non governmental and consumers organizations engaged in this sphere, in which each organization will be represented.
2. Development of “technical regulations” for food production and their adoption, which will accelerate integration with World Trade Organization.

3. Translation of Codex Alimentations standards, codes of practices and guidelines materials from English into Georgian and development of national standards on their basis, distribution of these materials to Georgian businesses and afterwards harmonization with international voluntary standards in accordance with the obligations to the World Trade Organization.
4. Accurate separation and distribution of functions and roles of government agencies that carry out overall control of food safety and quality standards;
5. Implementation of the international Hazard Analysis and Critical Control Points (HACCP) methodology by food and food processing enterprises of Georgia for controlling production quality which will be supported by revised HACCP system. These measures will encourage application of this system in small and medium-sized enterprises.
6. Refinement of food safety and controlling activities of food production quality in accordance with the practice of leading European countries;
7. Establishment of an independent accreditation system;
8. Amendments to legislation as needed to accord with appropriate international standards and requirements taking into account the recommendations of international organizations;
9. Authorization of only internationally recognized, properly equipped testing labs to conduct food conformity assessment;
10. Organization of training and seminars on these themes as appropriate for Georgian specialists, entrepreneurs and consumers and familiarization trips to examine international best practice;
11. Arrange press-conferences via TV, use web-sites of the ministries to improve the information level among population and publication of special articles in the newspapers;
12. Active engagement of Georgian specialists within the work of the Codex Alimentarius committees, assistance for their travel to committee meetings, development and adoption of national, regional and other world standards for Georgian products (Matsoni, Georgian cheese, Nadughi, Tkemali, Adjika and other). This work is likely to need more than six years (Korea managed to include in the Codex national dish Kimchi and continues working on Ginseng and soy sauce).

These issues cannot be resolved without active assistance from international organizations and donor countries. We hope that USAID and other international agencies will support the Georgian government and society in establishing an effective system of food production, food quality control in correspondence of international standards.

We are ready to take an active part along with foreign experts in developing and implementing concrete proposals for resolving said problems.

Sincerely yours,

Zurab Tskitishvili  
Member of the Parliament of Georgia,  
Member of the Academy of Agricultural Sciences of Georgia

Alexander Didebulidze  
Chairman, Department of Mountain Agriculture, Georgian Agrarian University  
Member of the Academy of Agricultural Sciences of Georgia

Nikoloz Shavdia, M.D.  
Head, State Sanitary Supervision and Hygiene Department, Ministry of Labor, Health and Social Protection

Levan Chiteishvili  
Head, WTO relations unit, Ministry of Agriculture and Food of Georgia

*Translated by Tiko Janashvili and Natia Gabelia  
July 30, 2003  
Edited by Don Van Atta, August 1, 2003*

**ANNEX 8. COVER LETTER AND DRAFT LAWS PREPARED BY MAF TO CHANGE CUSTOMS DUTIES AND VAT COLLECTION ON WHEAT GRAIN IMPORTS**

**Explanatory Note**

**Draft Laws Amending Law of Georgia “On Custom Tariffs and Duties” and the Tax Code of Georgia**

[July 2003]

Under current legislation a customs duty of 12 percent and value-added tax (VAT) of 20 percent are paid on wheat imported into Georgia in the process of clearing customs.

However, under the CIS free trade agreement, exception is made for wheat imported from the CIS countries, which is exempt from customs duty.

Due to the present difficulties in protecting the economic area of Georgia and the complicated management of this area, the amount of wheat imported into the country has dropped to a minimal level equals to the amount of wheat received through humanitarian aid and grants.

At the same time, consumption of wheat and wheat products has not fallen but has actually increased in the country. Severe difficulties in supplying the country with bread products and the growing scale of smuggling show that the existing legislation is not only incapable of securing revenues but contributes to the development of shadow economy.

Since smuggling of wheat has practically destroyed the legal production of wheat, which has in turn halted the operations of the milling industry except for illegally operating small mills and shifted consumption to smuggled flour, it is reasonable to undertake legislative measures to decriminalize the sector and revive the large production and processing plants.

So it is reasonable to amend the laws in order to ensure the development of equal competition for neighboring, as well as more distant, wheat exporting countries (USA, European countries etc.).

- It is reasonable to exempt wheat import from custom duties in order to stimulate the importers to bring in high quality wheat at low prices which in turn will ensure production of high quality flour.
- VAT payment shall be fixed in the economic area. VAT shall be paid upon marketing of flour. This measure will promote the operation of local plants with limited finances.
- A seasonal (July-October) customs duty of 12 percent shall be set in order to protect local wheat production

Should these draft laws be approved, the budgetary revenues will not be reduced. As noted above, most legal imports are of humanitarian-aid wheat, whereas the revenues from the insignificant quantities of registered imports will be easily recovered from revenue from decriminalized wheat import and production.

Adoption of these draft laws will make possible a significant simplification of tax administration, which, in turn, due to current costs and requirements, will make possible the collection of millions of GEL in additional revenue for the budget.

*Draft*

## Law of Georgia

On Amendments and Addenda to the Tax Code of Georgia

Tbilisi

June “ ,” 2003

**Article I.** The following amendments and addenda are made to the Tax Code of Georgia (*sakartvelos parlamentis utskebani*, number 32, July 24, 1997):

1. Subclause “y” of Article 101, part I, should read as follows:

y. Wheat import and supply (delivery).

**Article 2.** This Law shall come into force on publication.

Eduard Shevardnadze  
President of Georgia

*Draft*

## Law of Georgia

On Amendments and Addenda to the Law of Georgia “On Custom Tariffs and Duties”

Tbilisi

June “ ,” 2003

**Article I.** The following amendments and addenda are made in the Law of Georgia “On Customs Tariffs and Duties” (*sakartvelos parlamentis utskebani*, numbers 13-14, 1998).

1. Subclause “t” shall be added to Article 18 as follows:

t. Wheat import.

**Article 2.** This Law shall come into force on publication.

Eduard Shevardnadze  
President of Georgia

*Translated by Lika Margania  
July 11, 2003  
Edited by Don Van Atta  
October 19, 2003*

## ANNEX 9. COMMENTS ON THE PRESIDENTIAL DECREE ON THE TEA PROGRAM

Rati Shavgulidze

September 26, 2003

President Shevardnadze signed decree number 336, “On creating conditions to promote and support the development of a market environment in the tea industry” on March 27, 2003. This note assesses the measures proposed in that decree from the point of view of Georgia’s WTO obligations.

WTO Membership obligations limit Georgia’s domestic support to (1) Green Box and (2) *de minimis*-level measures.

(1) Green Box measures declared by Georgia are as follows: (i) general research services, (ii) pest and disease control services, (iii) training services, (iv) extension and advisory services, (v) inspection services, (vi) infrastructural services (irrigation), and (vii) disaster relief (for tea industry and viniculture to assist post Civil War recovery).

(2) *De minimis*-level support can be product and/or non-product specific. Each product and non-product specific *de minimis* support threshold is five percent of the total value of the production of the commodity in question, and the value of total agricultural production respectively. The *de minimis* threshold is a “safe harbor,” meaning that other WTO members cannot challenge this measure unless it exceeds 5 percent (Art. 6, Par.4.a, Agreement on Agriculture) and unless injury is found or the threat of injury is evident (Art. 13, Par. (b), Agreement on Agriculture).

### Paragraph 1.

“Rehabilitation of the sector” requires clarification or and/or breakdown, whether it is just rehabilitation of tea plantations, or includes upgrading tea factories’ equipment, etc. To ensure Georgia’s compliance with WTO obligations and for reporting purposes to WTO.

### Paragraph 2.

It should be clarified whether “sector rehabilitation” includes the listed measure of support “implementation of scientific achievements”; The same applies to “inventory of tea factories and tea plantations.” For reporting purposes the former might be classified as “general research or extension and advisory services.” If I understand the second proposed measure correctly—I am guessing that the objective is to find out the condition of tea plantations and factories, in which case the question would be how the Government came up with the level of support needed—I am not sure how spending (if any) on this activity should be reported to WTO.

### Paragraph 3.

I do not see any contradiction with WTO commitments.

Comment not relevant to WTO obligations: In-kind honoring of Government international debts, to put the matter politely has always lacked transparency, and I do not consider it wise for MAF to get involved in that, although it is tasked to do so along with other ministries.

**Paragraph 4.**

The listed support measures, “production and processing of tea leaves” and “other works” should be clarified and explained. At this stage I think that they should be reported as *de minimis*, and not green box, measures, and should not be reported as “tea plantation rehabilitation measures.”

**Paragraph 5.**

I do not know the established procedure for spending the 3 million lari. However, I know that the tea processors have not received this support.

**Paragraph 6.**

Tea factory debt restructuring, if any, should be reported to the WTO as a *de minimis* and not as a green box measure.

**Paragraph 7.**

This is acceptable to WTO. It might be reported as a green box measure. Forgone revenue from land taxes should also be estimated and reported.

**Paragraph 8.**

This is acceptable to the WTO. It might be reported as “extension and advisory services.”

**Paragraph 9.**

This measure, if it envisions funding, should be reported either under “general research services” or “extension and advisory services.”

**Paragraph 10.**

This suggestion [to charge domestic producers lower rates for TV advertising time than foreign firms must pay] violates Georgia’s WTO commitments on its face, since according to Article 3 of the Agreement on Subsidies and Countervailing Measures, WTO members are prohibited from provision of subsidies that favor domestic over imported goods.

**Paragraph 11.**

The possible establishment of a Tea House in Tbilisi should be reported either as “general research services” or “extension or advisory services.”

**ANNEX 10. SUMMARY OF FOOD FOR PROGRESS REQUIREMENTS FOR REPORTS FROM  
RECIPIENTS**

GOG Obligations to CCC on Records and Reporting

Compiled by Rati Shavgulidze  
August 27, 2003

According to the general requirements on Records and Reporting (§14999.16) GOG shall maintain records for a period of three years from the date of export of wheat grain. These records should accurately reflect the receipt and use of the wheat grain and proceeds realized from monetization.

- Logistics Report

GOG is required to submit a semiannual logistics report to the CCC Program Support Director. The first report (Form CCC-620) should be submitted by November 16<sup>20</sup>. It must cover time period from the date of signing and subsequent reports must be provided at six months intervals covering the period from the due date of the last report until all commodities have been distributed or sold and such distribution or sale reported to CCC. Table 1 illustrates content of logistics report.

Table 1. Logistics Report Components

#	Type and Content of Reports
1	Receipt of agricultural commodities including (1) name of each vessel, discharge ports or ports of entry, (2) the date discharge was completed, (3) the condition of the commodities on arrival, (4) any significant loss or damage in transit, (5) advice of any claim for, or recovery of, or reduction of freight charges due to loss or damage in transit on US flag vessel
2	Estimated commodity inventory at the end of reporting period
3	Quantity of commodity on order during the reporting period
4	Status of claims for commodity losses both resolved and unresolved during the reporting period
5	Quantity of commodity damaged or declared unfit during the reporting period
6	Quantity and type of the commodity that has been directly distributed by GOG comprising (1) distribution date, (2) region of distribution, (3) estimated number of individuals benefiting from the distribution

- Monetization Report

Since this particular Agreement authorizes GOG to monetize wheat grain, GOG is obliged to submit a semiannual reports to the Director of CCC Program Support Division. Monetization report should cover the deposits into and disbursements from the special account for the purposes specified in Agreement.

<sup>20</sup> According to Item VI of Part II, for Agreement signed April 1 through September 30, the first report is due by following November 16. Since this particular agreement was signed on August 19, GOG should submit the first report by the above-mentioned deadline.

The first monetization report (on Form CCC-621) should be submitted by November 16<sup>21</sup>. It should cover time period from the date of signing and subsequent reports must be provided at six months intervals covering the period from the due date of the last report until all funds generated from commodity sales have been distributed and such distribution reported to CCC. Table 2 depicts elements of Monetization Report provided both in GEL and US dollar equivalents.

Table 2. Monetization Report Elements

#	Type and Content of Reports
1	Quantity and type of commodity sold
2	Proceeds generated from the sale
3	Proceeds deposited to the special account including the date of deposit
4	Interest earned on the special account
5	Disbursements from the special account, including date, amount, and purpose of the disbursement
6	Any balance carried forward in the special account from the previous reporting period
7	Applies only to 416 (b) program

- Audit Requirements

GOG should conduct audit at least annually until all wheat grain has been distributed and sales proceeds expended. GOG should ensure that both auditor and auditing standards be acceptable to CCC. GOG is all responsible for auditing the activities of recipients that receive more than USD 250K of provided commodities or sale proceeds. This responsibility may be satisfied by relying upon independent audits of the recipient agency or upon review conducted by GOG.

Table 3 demonstrates GOG reporting schedule to CCC by month.

Table 3. GOG Overall Reporting Obligations

M/Y	Logistics Report	Monetization Report	Quarterly Financial Statement <sup>22</sup>	Annual Audit
November 2003	X	X		
December 2003			X	
January 2004				
February 2004				
March 2004				
April 2004			X	
May 2004	X	X		
June 2004				
July 2004 <sup>23</sup>				X

<sup>21</sup> Applies the same deadline requirements as one to the logistics report.

<sup>22</sup> Indication of the base period for reporting purposes is absent. Agreement signing month, August, was assumed to be the base period.

<sup>23</sup> According to the Section 5 (h) of the Attachment A, GOG should endeavor completion of sales prior to local harvest, July 2004.

**ANNEX 11. AUGUST 26, 2003 ARTICLE IN ALIA ASSERTING THAT US FFP WHEAT IS  
GMO AND UNFIT FOR HUMAN CONSUMPTION**

**ARE THE 50,000 TONS OF WHEAT DONATED BY AMERICA SAFE?**

Tamar Rostiashvili

On August 19, 2003, the Ministry of Agriculture and Food of Georgia signed an Agreement under which the US government will donate 50,000 tons of wheat to Georgia. Since the *Codex Alimentarius* is under review in Georgia, which does not mean the labeling of genetically modified products, there arises a logical question: what kind of wheat is America donating to Georgia, when there is a significant wheat crisis worldwide?

It is necessary to label the products manufactured through genetic engineering throughout the world — in Europe, Japan, Australia and New Zealand etc. But the US government still firmly rejects the requirement introduced by the International Security Council and one cannot blame it as the USA is in the first place in production of genetically modified products. Just by the end of 2000 more than half of the soybean and corn of American produce, and 40% of wheat as well, turned out to be genetically modified.

Early in the spring of 2003 African countries sent a Note of Protest to the US government and refused to accept humanitarian aid since the presence of genetically modified products in it is no longer a secret from anybody. It was then that Mr. Bush addressed his demand to European governments that they allow genetically modified products onto the European markets, just to convince the African population to do so. Such products were allowed onto the European markets on condition that all modified products should have a adequate labels.

This did not turn out to be a favorable way out for the USA. Monsanto, the largest corporation producing genetically modified products, has spent one million dollars advertising the safety of these products, and furthermore, renamed the corporation “Pharmacia.”

Sooner or later, America will have to label genetically modified products. Until that time the US should take care in distributing quantities of agricultural crops that are actually condemned to be surplus.

In this regard, **Irakli Javakhishvili**, head of the marketing department of the organic farming development service “ELKANA” gave very interesting and alarming information to *Alia*:

At one time our service raised the alarm with regard to case of Monsanto’s attempts to introduce its products to the Georgian market. The result was that Georgia now is the one and the only CIS country where the introduction of genetically modified products—whether labeled or not—is prohibited by law.

***On August 19, 2003, the Ministry of Agriculture and Food signed an agreement under which the US government donated 50,000 tons of wheat to Georgia. Is there proof that this wheat is not genetically modified?***

There is no such proof. As a rule America donates only genetically modified products to us. This was the case when providing humanitarian aid and it keeps going on. In America this wheat, as a rule, is either subject to recall or discarded.

***What is the basis of your claim?***

Since the public Monsanto scandal, in making agreements, almost all countries require indication of the manufacturer firm or company name. If the agreement does not contain such indication, it is necessary to carry out a laboratory analysis of the product covered by the agreement.

***But, there is no laboratory in Georgia that can determine the presence of genetically modified changes in a product.***

I do not want to be misunderstood, but despite the fact that the introduction of genetically modified products into Georgia is prohibited by law, they enter our market in enormous quantities because the law does not implement any mechanism of control. Therefore the products received from America are poor-quality, which in the producing country is subject to recall or discard as mentioned earlier. These include products imported earlier as humanitarian aid such as soybean, wheat, green beans, sugar, etc. I would be quite surprised if the Ministry accepted it without an adequate analysis, since doing so would violate national law.

*Alia* interviewed **Omar Kacharava**, head of the Department of the Food and Processing Industry of the Ministry of Agriculture and Food.

***Mr. Kacharava, what is included in the agreement made with the USA on August 19, 2003?***

This Agreement is about the donation of 50,000 tons of wheat to Georgia. This amount of wheat will be transported to our country without charge. Then it will be sold on the commodity exchange at auction.

***So the US government gives this lot of wheat for the Georgian government to sell?***

Yes. This money, as a rule, should go to the budget and furthermore will be used for agricultural programs.

***Mr. Kacharava, what quality of wheat are we talking about?***

This is good-quality American wheat. It will in no way interfere with the local market since we will add the American wheat to our wheat to improve its quality.

***Are you going to improve the quality of Georgian wheat or American wheat?***

We will improve the quality of the Georgian wheat.

***Will the wheat delivered be tested in a local laboratory?***

You know, there is International Quality Association “CGC,” from which a certificate will be enclosed with the donated wheat.

***With whom was the agreement concluded? Are the name and requisites of the producer indicated in the agreement?***

I have not seen the final version of the agreement. We have sent a draft...

***You have not seen the agreement?***

I have not seen the final version of the agreement.

***But it is already signed!***

Yes, but I have not seen it. Mr. Minister arrived on Friday and brought this agreement.

***Mr. Kacharava, is there any guarantee that the “donation” is not genetically modified?***

What kind?

***Genetically modified. Abroad, for example, being appropriately labeled...***

We do not have this kind of information. You know, the Minister will give you a precise answer to this question.

**David Kirvalidze**, the Minister of Agriculture and Food of Georgia

***Mr. Kirvalidze, as far as we know, the agreement concluded on August 19 does not indicate the name of the producer company...***

The agreement was concluded with the US Department of Agriculture.

***Is the wheat producing state and company indicated?***

No. The wheat is accompanied by the appropriate USDA license and meets all standards.

***Will the wheat be tested by a local laboratory in Georgia?***

No. Not until distribution.

***That means that you fully trust to the USDA license.***

Of course I do. We agreed on every parameter of quality while I was in America.

***Mr. Kirvalidze, is there any guarantee that this lot of wheat is not genetically modified? Maybe, it is produced by Monsanto itself?***

No way. We would not arrange such a deal.

***Don't you share the idea that there is a wheat crisis in the world?***

The world faces a crisis. Moreover, the USA exports a small amount of wheat. Therefore I consider conclusion of the agreement as progress. Incidentally, negotiations started in March, not just now.

***If I am not mistaken, in March George Bush called on European countries to let the genetically modified products onto their markets just to serve as an example for the population of Africa.***

Yes, I remember. But this was actually a political concern then.

The problem is still ticklish. “Elkana” is sure that the 50,000 tons of wheat is genetically modified since America gives away only such products. The Ministry of Agriculture and Food of Georgia assures us that, irrespective of the world wheat crisis and the fact that the agreement concluded with the USA does not mention the name of the corporation that produced the wheat, the product is not genetically modified. But none of the parties have definite proof.

*Alia* presents the declaration of the genetically modified products world security council, which consists of nine articles:

1. *Genetic engineering fundamentally differs from the production of new varieties and species. Artificial adding of genes of alien origin causes destruction of control of normal cell regulated during centuries.*
2. *Today genetic engineering is not perfect. Knowledge of and information about DNA are not sufficient to predict in advance the fateful consequences of such interference with nature.*
3. *Manipulation by artificial methods at the genetic and chromosomal level can lead to the appearance of toxic substances: toxins, allergens, metabolic disease and genetic pathologies...*
4. *There is no reliable method for verifying the safety of genetic products in the world. The suspicion that genetically modified products are hazardous to health is already 45 percent proved.*
5. *Genetically modified products do not have the nutritional value needed by the body. These products can satisfy only the commercial interests of producers.*
6. *It is not yet known how dangerous genetically modified products are for the environment. Ecologists speak about various possible complications that will be impossible to eradicate since the genes disseminated cannot be “recalled.”*
7. *New and very dangerous viruses can appear. Experiments make it evident that viruses in the product may “recombine» with infectious ones to give birth to new viruses.*
8. *Information about the inheritance of DNA is very poor. Only three percent of its functional operation is known. It is very dangerous to manipulate genes about which we have very insufficient information.*
9. *Genetic engineering can never solve the problem of hunger in the world. This hope is just a myth and nothing else.*

*Translated by Lika Margania  
and Tiko Janashvili  
August 27, 2003*

**ANNEX 12. LETTER FROM GREEN MOVEMENT OF GEORGIA REQUESTING DETAILS ON  
US FFP WHEAT**

The Greens Movement of Georgia  
FoE Georgia

Friends of the Earth International

*Letter number 03-021*

*September 05, 2003*

**To:** David Kirvalidze, Minister of Agriculture and Food of Georgia

Mr. Kirvalidze,

The Green Movement of Georgia has learned from the mass media that in October-November 2003, 50 000 tons of wheat is to be delivered to Georgia from the USA.

We kindly ask you to send us information on the following matters:

1. Wheat variety (name, brief specification)
2. Company-producer (indicating contact information)
3. Importing company (indicating contact information)
4. Measures to be implemented to ensure appropriate quality control
5. For what purposes the donated wheat will be used.

We appreciate your cooperation and help.

Respectfully,

Rusudan Simonidze /signed/  
Director Executive

*Translated by Tiko Janashvili  
September 8, 2003*

**ANNEX 13. SUGGESTED ANSWERS TO GREEN MOVEMENT QUESTIONS FROM USDA  
MOSCOW**

(September 9, 2003)

1. Hard Red Winter wheat grown in the Great Plains region of the United States and California will be donated. This wheat is a high protein bread wheat with excellent milling and baking characteristics. It is used to make pan breads, Asian noodles, hard rolls, flat breads, and general-purpose flour.
2. The exact producer of the wheat will be unknown. The United States Government through the Commodity Credit Corporation (CCC) has opened a tender to purchase the required wheat directly from the domestic market. In other words, this wheat is now part of general U.S. supply and if it were not to be sold for donation to Georgia, it could either be consumed domestically or sold commercial to another country. The wheat must meet the specifications laid out in the agreement between our two governments. After the tender closes the CCC will make a decision on which offer to accept.
4. The United States generally exports about half of its wheat crop and has developed an excellent inspection and quality control system. The Federal Grain Inspection Service (FGIS) is the agency in the United States Department of Agriculture charged with officially inspecting and weighing all exported grain, including grain for donation. FGIS performs five operations to ensure quality when grain is being loaded onto a ship: stowage examination, weighing, sampling, inspection, and certification. FGIS laboratories and personal are located at every export facilities and will ensure that all of the wheat being sent to Georgia corresponds exactly to the specifications contained in the agreement between our two Governments and will provide documents to this effect.
5. The donated wheat will be used to augment the short domestic crop and reduced regional supplies. The wheat will be sold locally to stabilize domestic prices and increase local supplies of bread and other wheat based products.

**ANNEX 14. NOTE FROM USAID CAUCASUS LAWYER ON NEW US PENALTIES FOR  
TAXATION OF FOREIGN ASSISTANCE**

**From:** owner-usaid\_partners@postman.usaid.org.ge [mailto:owner-usaid\_partners@postman.usaid.org.ge] **On Behalf Of** Bereschak, Ann Marie  
**Sent:** Friday, August 29, 2003 3:06 PM  
**To:** USAID\_PARTNERS@usaid.org.ge  
**Cc:** [deleted]  
**Subject:** [USAID PARTNERS] Section 579 Prohibition on Taxation of US Assistance — Preliminary Procedures

Dear Partners,

In April, I circulated a copy of a new provision added to this year's Foreign Operations Budget. Section 579 of the FY 03 Appropriations Act prohibits the taxation of US Assistance. The intent of the provision is to withhold foreign assistance dollars from governments improperly collecting VAT and customs duties on US assistance otherwise exempt. The statutory language is found below. [...]

**PROHIBITION ON TAXATION OF UNITED STATES ASSISTANCE**

**SEC. 579. (a) PROHIBITION ON TAXATION-** None of the funds appropriated by this Act may be made available to provide assistance for a foreign country under a new bilateral agreement governing the terms and conditions under which such assistance is to be provided unless such agreement includes a provision stating that assistance provided by the United States shall be exempt from taxation, or reimbursed, by the foreign government, and the Secretary of State shall expeditiously seek to negotiate amendments to existing bilateral agreements, as necessary, to conform with this requirement.

**(b) REIMBURSEMENT OF FOREIGN TAXES-** An amount equivalent to 200 percent of the total taxes assessed during fiscal year 2003 by a foreign government or entity against commodities financed under United States assistance programs for which funds are appropriated by this Act, either directly or through grantees, contractors and subcontractors, as of the date of the enactment of this Act, shall be withheld from obligation from funds appropriated for assistance for fiscal year 2004 and allocated for the central government of such country and for the West Bank and Gaza Program to the extent that the Secretary of State certifies and reports in writing to the Committees on Appropriations that such taxes have not been reimbursed to the Government of the United States.

**I DE MINIMIS EXCEPTION-** Foreign taxes of a de minimis nature shall not be subject to the provisions of subsection (b).

**(d) REFUND TO THE TREASURY AND REPROGRAMMING OF FUNDS-** Of the funds withheld from obligation for each country or entity pursuant to subsection (b), one-half may become available for reprogramming for other purposes (pursuant to section 515 of this Act and consistent with the purposes for which such funds were originally appropriated) and one-half shall be deposited in the General Fund of the Treasury on, or within 5 days after, September 1, 2004, pursuant to the certification required under subsection (b).

(e) IMPLEMENTATION- The Secretary of State shall issue rules, regulations, or policy guidance, as appropriate, to implement the prohibition against the taxation of assistance contained in this section.

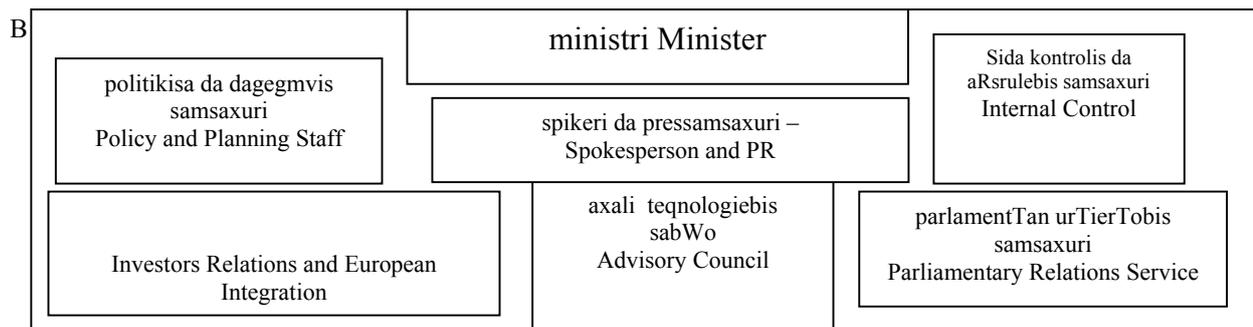
(f) REPORT- Not later than February 1, 2004, the Comptroller General of the United States shall submit a report to the Committees on Appropriations which assesses the following—

- (1) the extent to which existing bilateral agreements provide exemption from taxation;
- (2) the status of negotiations of new framework bilateral agreements or modifications of existing framework bilateral agreements;
- (3) the reasons why new framework bilateral agreements or modifications of existing bilateral agreements, entered into within the previous 5 years, have (as appropriate) failed to include exemption from taxation; and
- (4) the administrative procedures that foreign governments use to ensure that United States assistance commodities are not taxed or, if they are, that such taxes are reimbursed to the United States Government, and the adequacy of those procedures.

(g) DEFINITIONS- As used in this section—

- (1) the terms `taxes` and `taxation` refer to value added taxes and customs duties imposed on commodities financed with United States assistance for programs for which funds are appropriated by this Act; and
- (2) the term `bilateral agreement` refers to a framework bilateral agreement between the Government of the United States and the government of the country receiving assistance that describes the privileges and immunities applicable to United States foreign assistance for such country generally, or an individual agreement between the Government of the United States and such government that describes, among other things, the treatment for tax purposes that will be accorded the United States assistance provided under that agreement.

## ANNEX 15. PROPOSED STRUCTURE FOR A COMPLETELY REFORMED MAF OF GEORGIA



\* Agency names in italic are new structures with new functions

\*\*In red color- new Department to be consolidated

## ANNEX 16. SAKTEVZI'S CONCEPT FOR DEVELOPING GEORGIAN FISHERIES

### Concept of the Rehabilitation and Development of the Fish Industry and Fisheries in Georgia

[Prepared by "Saktevzi" Department of MAF]  
[June 2003]

In the past, the fish industry and fisheries were thought to be one of the most traditional and challenging sectors of the country.

The management system of the field covered the main directions of fishery activities as follows:

- Fish capture within oceans and Black Sea territorial waters of Georgia
- Processing and sale of fish products
- Ship repair and shipbuilding
- Production of fresh and live fish and their capture within internal bodies of water and fish farms.
- Implementation of activities connected with fish protection, regulation of fish capture, reproduction, acclimatization, and selection and fishery improvement within Black Sea territorial waters of Georgia and in internal bodies of water.
- Field system included Batumi fishery scientific research Institute, design, construction and ichthyologic-pathological service and final production quality controlling organizations.

In recent years, processes connected with the necessity of transforming a centralized economy into a market one, have caused some problems within the fish industry and fisheries. Consequently, the take of fish and other biological resources has decreased to a minimum.

Oversight of the capture and processing of fish and other biological resources, registration of imported fish and fish food product remains impossible. Therefore, the state budget at present receives no revenues from these activities.

The implementation of the functions of state policy regarding fisheries have been fragmented since demonopolization, decentralization and privatization occurred. Fishery functions are allocated among different agencies and organizational structures according to personal priorities.

The "Saktevzi" Department, the legal successor of "Saktevzmretsvi," is an agency subordinate the Ministry of Agriculture and Food of Georgia. The Department has extremely limited functions so that it does not even examine right to analyze field activity. "Saktevzi" has no leverage to influence the field. It is not authorized to determine priorities or to implement policy aimed at integration into world fisheries within the sector.

Fragmentation of functions has led to a situation when the function of protecting fish stocks is undertaken by the Ecological Police of the Ministry of Internal Affairs.

The Ministry of Environmental Protection determines quotas for the volume of fish captured and their species and also licenses fishermen.

Fish processing plants are able to function only after they are authorized by the Veterinary Service. Sakstandarti issues licenses (conformity certificates) for the final output produced by these facilities.

At the same time, no specific agency is responsible to supervise the following complicated and important activities: fishery improvement, selection, ichthyologic-pathological supervision, observance of norms and technological procedures for production of fish food commodities, quality monitoring and the improvement of the fishing fleet.

It should also be noted that in Georgia a “Law on fisheries” has not yet been drawn up.

In order to eliminate these shortcomings, the personnel of the MAF Department “Saktevzi” have worked out, with the active participation of leading specialists of the Institute of Fisheries Research of Ukraine, a draft Law of Georgia On Fisheries that is based on the fishery legislation of the post-Soviet countries and some European ones.

It is well known that internal natural bodies of water of Georgia (lakes, pond, rivers and reservoirs), Black Sea territorial waters and their inhabitant are state property. Therefore, any action violating state property rights is prohibited.

Thus it seems necessary to establish a state unit, which will ensure the execution of state fisheries policy.

The function of state policy within fish industry and fishery is to be unified with the function of supervision over fishery activities. The issue of increasing the responsibility of “Saktevzi” as the regulatory body for fishery activities should be emphasized and considered as soon as possible.

We consider it reasonable that the Department “Saktevzi” under the Ministry of Agriculture and Food of Georgia, with status of a State Department, shall expand its rights and liabilities.

The Department would not be authorized to interfere with activities carried out by private owners.

At the same time, every fishery organization and legal or natural entity, irrespective of their form of property (including firms involved within fish raw materials and the import of fish food products), should be recorded in the register of the Department “Saktevzi.” Licenses authorizing all fishery facilities (including fishing vessels) to implement entrepreneurial activities are to be issued by Department “Saktevzi.”

Fishery organizations and legal entities, registered with the Department “Saktevzi,” shall be required to regularly submit information to the Department on their activities. Should they not do so, appropriate legal sanctions are to be applied.

The Department “Saktevzi” is to include a Fish Protection Inspection. This service, with its full time positions and funding, is to be transferred from the Ecological Police of Ministry of Internal Affairs to “Saktevzi.”

The Ministry of Environmental Protection shall return the right of issuance of licenses for fishing organizations to the Department “Saktevzi.”

The following services are to be established within the State Department “Saktevzi”:

1. Ichthyologic-pathologic service
2. Fish and fish production technological norms observance and quality inspection
3. Fish capture regulation and fish protection inspection.

At the same time, the permanent representative body “Fishery Scientific Council” including representatives from the Ministry of Environment Protection, Department “Saktevzi” and other interested scientific institutions, will advise the Department “Saktevzi.”

The obligations of the “Fishery Scientific Council” will be as follows:

- Determination of territories for fish capture within bodies of water of Georgia, Black Sea territorial waters or their specific parts
- Annual determination of quotas for the volume of fishing (in line with species) within internal bodies of water of Georgia and Black Sea territorial waters. The said quotas are to be submitted to Department “Saktevzi” to be licensed
- Determination of the amount, in each case, of amelioration, selection, acclimatization and reproduction activities and sources for their funding.

The Department “Saktevzi” is to implement ichthyologic-pathological research, find diseases and liquidate them throughout the whole territory of Georgia.

The Inspection of technology, procedures, observation of norms and quality control for fish production of the Department will monitor technological procedures and norms as well as monitor product quality within fishing, fish processing and retail fish-sale units.

Fishing regulation and fish capturing service, with the appropriate legal rights, will prohibit illegal fishing, find poachers, determine damage and apply the corresponding sanctions.

The apparatus of the Department “Saktevzi” (15 full-time positions) shall be financed through the budget.

The Department will have a current and a special account in the bank. Twenty percent of the funds received from licensing, fines, ichthyologic-pathologic service, registration fees, grants and any assistance will be deposited to the special account.

Activities determined by Fishery Scientific Council shall be financed from the funds in the special account. They will also be used to equip fish stock reproduction facilities and labs, to purchase chemicals, etc.

If necessary, we can present the Draft Law “On Fisheries” and the Draft Statute of “Saktevzi.”

Chairman of “Saktevzi” Department  
R. Tsintsadze /signed/

*Translated by Tiko Janashvili  
July 3, 2003*

**ANNEX 17. DRAFT LAW OF GEORGIA “ON FISHERIES” AND AMENDMENTS TO LAW OF GEORGIA “ON THE BASES FOR LICENSING AND ISSUING PERMITS FOR BUSINESS ACTIVITY” PREPARED BY MAMUKA MATIASHVILI**

Explanatory Note

**DRAFT LAW OF GEORGIA  
ON FISHERIES**

[July 2003]

This Draft Law is formulated for the purpose to create the legislative base enabling the state to regulate fishery and to assist its sustainable development.

Georgia lacks legislative acts those regulating fishery and its related activities. This leads into backwardness of the field, insufficient absorption of rich natural resources of Georgia or inappropriate (mostly illegal) absorption.

While developing of the Draft Law, our main purpose was to consider the actual situation within Georgia simultaneously accounting the best international practice. Today we insist on harmonization of Georgian legislation with the European one; thus, development of this Draft through neglect of European regulation would be absolutely senseless.

The practice of countries (Rumania and Albania) in an almost identical situation serves as fundament for Draft model. We have also considered Ukraine as an example in terminological and field’s peculiarities point of view.

We looked through European Commission regulation, especially regulation number 2371 (2002).

Adoption of this Draft Law will lead into creation of legislation, which will regulate fishery, will stimulate its sustainable development providing propagation of live aquatic resources and maintenance of their stock so that to keep natural balance.

## **DRAFT LAW OF GEORGIA ON FISHERIES**

### **SECTION I. GENERAL PROVISIONS**

#### **Article 1. Purpose**

This Law is formulated to determine norms regulating legal and economic relations necessary for implementation of fishery activities as well as for ensuring rational utilization of aquaculture within internal waters, marine territorial waters, continental shelf, marine economic zone of Georgia, special economic zones of foreign countries and open ocean waters throughout the world, as stipulated by the international agreements of Georgia.

#### **Article 2. Scope**

The Law shall regulate relations linked with fishery activities, propagation of aquatic crops, multiplication of their quantity, reproduction, etc.

#### **Article 3. Legislation of Georgia On Fishery Activities**

Legislation includes Constitution of Georgia, this Law, Law of Georgia “On Water”, Law of Georgia “On environment and natural resource protection”, Law of Georgia “On Environment Protection Permissions”, Marine Code of Georgia, International Negotiations and Agreements, other legislative and law-subordinated acts.

#### **Article 4. Definition of Terms**

Terms used in this Law have the following meanings:

- a. Fishery – any kind of economic activity implemented within especially arranged conditions within fresh and marine waters for artificial production and rearing of aquatic live resources.
- b. Fishery activities – targeted activity (fishing, fishery, rearing, propagation, etc.) implemented by the appropriate technical facilities within a definite territory (sea, river, pond), the aim of which is to obtain and process live aquatic resources, to supply the population with sufficient production and to get benefits.
- c. Fishery subject – physical and legal entities authorized to implement fishery activities those possessing definite technical parameters and appropriate equipment as determined by the government.
- d. Fishery object – definite territory (sea, river, pond) used for fishery activities;
- e. Live aquatic resources – fish, shellfish, etc.
- f. Reproduction – artificial or natural augmenting of live aquatic resources to maintain, monitor and regulate them.
- g. Agreement on fishery activities – agreements concluded with other countries authorizing fishing within territory of Georgia or some other country
- h. Floating fishing facilities – any kind of fishing facilities (ships, boats, etc) obtaining live aquatic resources within territorial, neutral and other waters of Georgia. These facilities may be owned either by physical or legal entities registered in Georgia.

- i. Territorial waters of Georgia – seas, rivers, ponds, etc. within the official territory of Georgia as recognized by International Agreements.
- j. Obtaining quota – safe biological limit, allowed volume of live aquatic resources to be obtained, as determined by the state;
- k. Limit – definite unit of quota obtained, applied for maximal taking of live aquatic resources, regulation, utilization and monitoring of fishery activities.
- l. Aquaculture – targeted application of aquatic resources within controllable or definite environment, their increase and propagation. Aquaculture is divided into two parts: limnoculture (aquaculture within fresh water) and mariculture (aquaculture within marine waters).
- m. Aquaculture facilities – land, other structures and additional facilities located within the territory of Georgia and applied within aquaculture (objects those used for multiplication of aquatic resources and other production purposes).
- n. Responsible fishing – Application of live aquatic resources such a way to ensure their long time preservation;
- o. Ministry – the Ministry of Agriculture and Food of Georgia.
- p. Regulatory body – the Ministry;
- q. License – authorization to implement fishing activities;
- r. Register – registration of fishery subjects by the legally authorized body;
- s. Live aquatic resources user – any physical or legal entity engaged in professional usage of live aquatic resources;
- t. Long-term plan – plan approved by the Ministry including reproduction and management benchmarks. Plan is to be drafted for each stage of fishery development.
- u. Reproduction plan – plan drafted for each specie or species to maintain their stable stocks;
- v. Management plan – plan including complex of fishery activities as well as determination of recommended level of conservation and reproduction volume;
- w. Recommended level of conservation – level of stock of live aquatic resources that shall be taking into account while implementation of fishery activities;
- x. Stock – definite amount of live aquatic resources within determined area of fishery activities;
- y. Stable development – policy-making and establishing regulatory norms, which shall provide systematically increased effect.

## SECTION II

### STATE POLICY AND MANAGEMENT WITHIN FISHERY SPHERE

#### **Article 5. Main Directions of State Policy**

1. The main directions of state policy within fishery are as follows:
  - a. Maintenance of live aquatic resources and their regulation according to environmental conditions preserving their biodiversity;
  - b. Effective use and maximum protection of live aquatic resources;
  - c. Targeted policy-making to supply the population with live aquatic resources and appropriate production and related state supporting measures;
  - d. Issuance of references, technical assistance and consultations for those involved within fishery activities;
  - e. Maximally rational extraction of live aquatic resources on the basis of scientific research;
  - f. Supporting and encouragement to those involved within fishery activities;

- g. Encouragement of fair competition between those involved within fishery activities;
  - h. Implementation of activities to ensure stable development.
2. The Parliament of Georgia is the state authorized body to determine state policy and its main directions.
  3. The Ministry is the central authorized body to regulate fishery activities as well as to implement policy determined by the Parliament of Georgia.
  4. Some other institutions under the executive branch of Georgia also participate in regulation process of issues related to fishery activities when it becomes necessary to consider field peculiarities and diversity.

#### **Article 6. Tasks and functions of the regulatory body**

The Ministry, in coordination with other agencies of the executive branch, has the following tasks and functions:

- a. Implementation of state policy aimed at development of fishery sector;
- b. State monitoring of regulation, protection, reproduction and rational utilization of live aquatic resources;
- c. State regulation of live aquatic resources to maintain their stocks, enactment of legislative and regulatory normative acts and control over their execution;
- d. Monitoring of live aquatic resources;
- e. Registration of fishery objects and subjects;
- f. Control over reproduction of live aquatic resources, licensing for commodity fishing production as well as execution of licensing terms.
- g. Regulation of sport and amateur fishing;
- h. Distribution of obtaining quota within economic zones of foreign countries and open waters of the world (for legal and physical entities of Georgia);
- i. Representation of Georgia and protection of its interests and rights within other countries and international fishery organizations.
- j. Cooperation on international level aimed at investigation of live aquatic resources;
- k. Protection of fishery objects and permanent state monitoring and supervision over observance of international agreements regulating fishery sphere;
- l. Determination of general priorities aimed at fishery development throughout Georgia;
- m. Development of fish and other resources cadastre;
- n. Development of live aquatic resources reproduction activities and plans;
- o. Elaboration of management and other long-term plans;
- p. Planning and coordination of targeted programs those supporting functioning of the sector;
- q. Determination and coordination of targeted programs necessary for functioning of the sector;
- r. Determination and coordination of live aquatic resources application rules and procedures;
- s. Monitoring over aquatic objects and subject in order to ensure their rational and sanitarly safe exploitation;
- t. Investigation and expertise on conditions of live aquatic resources within definite aquatic area of economic zones of Georgia and conventional districts through considering level of influence upon nature by different leverages;
- u. Control and regulation over responsible fishing;
- v. Special control and supervision for the purpose to maintain local scarce resources;

- w. Execution of activities aimed at maintenance of live aquatic resources within Black Sea basin and open waters of the world, participation in establishment of international system of management, development of relations with subjects and scientific organizations involved within fishery sphere in foreign countries.
- x. Ensuring stable development of the sector.

#### **SECTION IV. FISHERY ACTIVITIES**

##### **Article 7. Participants**

1. Fishery activities are to be implemented through rational use of live aquatic resources, on the basis of establishment of the corresponding processing enterprises. The special infrastructure is to be developed thereon.
2. The infrastructure, necessary for obtaining and processing of live aquatic resources includes controllable aquatic objects and subjects.

##### **Article 8. Fishery Object**

1. Fishery objects are divided into objects of general state and local importance.
2. Fishery objects of general state importance are as follows: marine territorial waters and internal waters, aquatic objects partly or entirely located within the natural reserve fund territory of general state importance.
3. The aquatic objects of local importance are as follows: ponds, rivers and their inflows located within the territory of one region, which is not considered as state importance category.
4. Fishery objects of local importance are as follows: ponds, rivers and their inflows, located within one region, which is not recognized as territory of general state importance.

##### **Article 9. Fishery Subjects**

1. Legal or physical entity, having the appropriate equipment to implement fishery activities, can be considered as the fishery subject.
2. In order to implement fishery activities, the subject shall have the specific license.

##### **Article 10. Implementation Of Aquaculture**

1. The fishery subjects, once they obtain the license issued by the Ministry, can implement activities related to aquaculture.
2. Activities related to aquaculture can be implemented only through application of aquaculture facilities.

#### **SECTION IV STATE CONTROL, MONITORING AND SUPERVISION OF FISHERY**

##### **Article 11. State Control over Fishery**

1. State control over fishery is carried out by the Ministry.
2. Within its competence the Ministry controls:
  - a) issues of reproduction of live aquatic resources, regulation and protection of their stocks, also arrangement of aquacultures and proceedings of their activity.
  - b) any process related to fish acclimatization or catch (of fish).
  - c) any issue related to artificial fish reproduction.

- d) any activity to be carried out or already carried out for arrangement of a (reorganization) fishery unit.
  - e) inter-balance between those having stocks of work power and live aquatic resources and regulation of number of fish with the mentioned.
  - f) protection and rational use of live aquatic resources.
  - g) protection of legal interests and rights of those physical and legal entities of Georgia that are involved in fishery.
3. To perform state control and regulation, an agency is created within the Ministry, which has the direct authority and responsibility:
- a) To regulate extraction of live aquatic resources.
  - b) To distribute extraction limits of live aquatic resources.
  - c) To license fishery activity and to fulfill license requirements.
  - d) To register fishery subjects.
  - e) To protect and inspect the rules of reproduction and extraction of live aquatic resources.

#### **Article 12. Fishery Subject Register**

1. The Ministry keeps a mandatory Register of fishery subjects.
2. Fishery activity is prohibited without registration in a Register.

#### **Article 13. Licensing**

1. Fishery activity is only allowed in case of appropriate license.
2. License is issued by the Ministry.
3. The rule of issuing a license and other necessary requirements are determined by the Law of Georgia “On Principles of the Rule of Issuing Licenses and Permissions for Entrepreneurial Activity” and by by-laws of the Ministry issued in compliance with the legislation in force.

#### **Article 14. Activities subject to Licensing**

According to this law fishery activity is subject to licensing.

#### **Article 15. Inspection of Fishery Activity, Extraction of Live aquatic Resources**

In order to follow and fulfill the rules of this Law, also to ensure complete and effective execution of state control functions of fishery activity and extraction of live aquatic resources, the Ministry carries out state inspection control.

#### **Article 16. Service Expenditures for Fishery Activity**

Fishery subjects pay taxes for service performed by the State, amount and rule of determination of which are considered with the special legislation.

#### **Article 17. Objectives of Inspections**

Inspections are carried out with the following objectives:

- a) Regular control of fishery objects, subjects, fishery activity and extraction
- b) Eradication of violations and interruption of violator, imposing appropriate sanctions to violators
- c) Gathering information about violators
- d) Taking appropriate measures toward arrested violators and their introduction to appropriate agencies
- e) Making appropriate penalty minutes on violation
- f) Imposing intermediation on license interruption or cancellation.

- g) Applying emergency measures to cease fishery activities within definite zone or region for determined period of time, if necessary.

#### **Article 18. Public Control over Fishery**

1. People, public organizations (union, association) and other physical or legal entities involved in fishery participate in public control over fishery activity.
2. Public control over fishery activity is carried out in accordance with the Georgian legislation in force.

#### **Article 19. Scientific Maintenance**

1. Fishery activity proceeds with the appropriate scientific maintenance.
2. Scientific maintenance is one of the most important parts of state policy and it is basically carried out at the expense of the State.
3. Scientific maintenance is provided by the Ministry-regulated target programs and specific scientific institutions.
4. Scientific maintenance may also be carried out by physical and legal entities of public law, but in this case any kind of research activity is subject to state control.
5. Scientific research includes:
  - a) Monitoring of live aquatic resources and fishery units of Georgia.
  - b) Accumulation of biological and fishing-statistical materials, general and possible forecast processing on volumes of extraction of main resources in live aquatic resources.
  - c) Elaboration of effective and ecologically sound safe methods of fish disease treatment and prevention.
  - d) Processing of optimal utilization and scientific provisions of management of live aquatic resources.
  - e) Processing of utilization and scientific provisions of management of live aquatic resources.
  - f) Determination of possible utilization limits of live aquatic resources.
  - g) Creation of new high productive fishery units on selection-genetic basis.
  - h) Processing of new technologies.
  - i) Elaboration and improvement of production methods of food, treatment and preventive preparations, biologically active substances, food and food additives for population and agricultural animals.

#### **Article 20. Prohibition of Extraction of Live aquatic Resources**

1. The Ministry determines and defines live aquatic resources, extraction of which is prohibited or limited at most.
2. The Ministry determines and strictly controls term in which extraction of live aquatic resources is prohibited deriving from their biological characteristics.

#### **Article 21. State Monitoring, Accounting and Cadastre**

1. State monitoring of live aquatic resources and fishery activity units is a constituent part of natural environment state monitoring and is implemented in accordance with the appropriate legislation.
2. State monitoring of live aquatic resources considers implementation of scientific achievements related to defining their amount in general and in separate reservoirs, also to controlling justified information or to their execution.
3. Creation and operation system of state monitoring is funded through state budget according to pre-determined rules.

## **SECTION V EXTRACTION OF LIVE AQUATIC RESOURCES**

### **Article 22. Types of Extraction of Live Aquatic Resources**

1. Live aquatic resources are extracted following general (sports and amateur) and professional rules of extraction.
2. General extraction of live aquatic resources are carried out for esthetic, sanitary, scientific, cultural-educative, didactic purposes, without isolating them from natural environment (except participants in amateur and sportive fishery) in the reservoirs of common use.
3. Professional extraction of live aquatic resources is carried out for economical and beneficial purposes.

### **Article 23. The Rule of Professional Extraction of Live Aquatic Resources of General State Significance**

1. Professional extraction of live aquatic resources of general state significance in fishery units is carried out within the framework of pre-determined extraction quotas considering the principles of fair and equal competition.
2. Professional extraction of live aquatic resources of local significance in fishery units is carried out in accordance with the decision of local self-governing and governing agencies.
3. The Ministry in agreement with the appropriate state agencies determines the rule of delivering to local self-governing agencies of fishery units.
4. Tax on professional extraction of live aquatic resources of general state significance is defined by the Tax Code of Georgia.

### **Article 24. Determination of Quotas for Extraction of Live Aquatic Resources of General State Significance**

1. Quotas are defined on extraction of live aquatic resources (resource groups) providing an opportunity to determine maximum extraction volume of live aquatic resources that is possible at fishery water economy unit.
2. Quotas are approved by the Ministry of Natural Resources and Environment Protection and the Ministry of Agriculture and Food jointly.
3. Quotas are defined according to the rules determined jointly by the Ministries of Natural Resources and Environment Protection and Agriculture and Food of Georgia.

### **Article 25. Distribution of Quota Limits for Extraction of Live Aquatic Resources**

1. Considering existing situation of fishery subjects and generally, current infrastructure in this sphere, approved extraction quota is divided into limits.
2. Limits are selected in between fishery subjects through appropriate competition and winner reveal process.
3. Quotas are divided into limits and distributed by the Ministry.
4. The Ministry determines the general rule of competition and limit distribution.
5. Advantages for special use of live aquatic resources and selection of limits determined by the competition goes to a fishery subject who:
  - a) is licensed by the Ministry to carry out fishery activity;
  - b) has more technical advantages in one and the same condition rather than his competitors;

- c) will bring less damage to populations of live aquatic resources and will carry out activities that will improve condition of fishery units;
- d) will fully and with maximum efficiency use limits volume;
- e) were fully using limits volume in the past and were fulfilling every term that was determined by the competition conditions.

**Article 26. Rules for Extraction of Live Aquatic Resources**

1. Maintaining the extraction rules of live aquatic resources is necessary for extraction regulation and control.
2. The Ministry determines extraction rules of live aquatic resources.
3. Fishery rules should determine:
  - a) Regions of live aquatic resources;
  - b) Extraction methods, terms and periods of live aquatic resources for each resource;
  - c) Types, dimensions of swimming fishery facilities, fishing instruments and requirements on their protection, also terms for use of fishery plots.
4. According to the Ministry decision it is possible to define personal regime for specific water economy units.

**Article 27. Extraction of Live aquatic Resources Out of Georgia's Jurisdiction**

The right of extraction of live aquatic resources out of Georgia's jurisdiction has only fishery ships licensed by the Ministry that are obliged to follow international contracts and agreements.

**Article 28. Extraction of Live aquatic Resources by Foreign Fishery Subject**

Extraction of live aquatic resources by foreign fishery subjects is carried out in accordance with the Article 10 of this Law.

**Article 29. Sports and Amateur Extraction of Live aquatic Resources**

1. Sports and amateur extraction of live aquatic resources at water units of common use is carried out without taxes or any specific permission.
2. Otherwise, amateur and sports fishing is carried out with taxation.

**Article 30. Rights and Obligations of Fishery Subjects**

1. Fishery subject is obliged:
  - a) To protect terms of license while fishing live aquatic resources.
  - b) To protect fishery rules.
  - c) Not to allow deterioration of conditions for live aquatic resources as a result of their activity.
  - d) To protect appropriate sanitation terms.
  - e) To provide the Ministry with information immediately on fishery activity, veterinary, sanitary-epidemical condition and revealed diseases in live aquatic resources.
  - f) To carry out reproduction, fish breeding, under control fishing with the participation of a representative of the Ministry or its appropriate agency.
  - g) To take disease preventive measures of live aquatic resources.
  - h) Not to allow facts of resettlement and acclimatization of live aquatic resources.
2. Fishery subject has the right:
  - a) To conduct fishery within the framework of the license.
  - b) To protect water economy unit area exploited by the subject.
  - c) To present proposals about additional use of water economy unit.

## **SECTION VI RESTORATION AND REPRODUCTION OF LIVE AQUATIC RESOURCES AND INTRODUCTION OF AQUACULTURE**

### **Article 31. The Rule of Reproduction of Live aquatic Resources**

1. Live aquatic resources are reproduced through insemination, shifting, acclimatization, also through fishery units of live aquatic resources and industrial sections that are transferred for extraction, fishing reproduction and utilization.
2. The Ministry determines general rule and terms of reproduction of live aquatic resources.

### **Article 32. The Rule of Aquaculture Reproduction**

1. Aquaculture reproduction is allowed to fishery subject in special conditions or for consumption or in case of appropriate license on mortgaged fishery units (sections).
2. Registration rules and terms for the use of fishery units are determined by reproduction plan approved by the Ministry.
3. Reproduction plan includes proposals directly connected with some specie. It shall stipulate:
  - Specific limitations of capture of definite species to maintain their stocks
  - References related to conservation
  - References connected with fishing stability and maintenance of level
  - Other references which might also stipulate maintenance and increase of fish stocks through artificial facilities.

### **Article 33. Management plan**

1. If necessary, the Ministry designs management plans aimed at maintenance of stock of aquatic alive resources within determined limits
2. Management plan shall include points according to which it will become possible to keep live aquatic resource stock within determined limits.
3. Management plan shall include reproduction plan points.
4. While developing of management plan, the Ministry considers live aquatic resources conservation status, biological indicators of stocks and economic indicators of place.

## **SECTION VII GOVERNMENT SUPPORT OF FISHERIES AND INTERNATIONAL FISHERIES**

### **Article 34. Government Support of Fishery**

1. Fishery activity in Georgia is carried out with government support.
2. Forms of government support are as follows:
  - a) Tax liberalization
  - b) Subsidizing from the state budget
  - c) Target Programs for the development of Georgia's fishery.

### **Article 35. International Cooperation**

International cooperation in fisheries is carried out in accordance with the legislation of Georgia on the basis of existing international treaties and agreements.

**Section VIII**  
**RESPONSIBILITY FOR VIOLATIONS DURING EXTRACTION OF LIVE**  
**AQUATIC RESOURCES AND CONDUCT OF FISHERY ACTIVITIES**

**Article 36. Responsibility for Violation of this Law**

1. Violation of the rules determined by this Law causes administrative and criminal responsibilities.
2. Specific measures of responsibility are determined by the appropriate legislation of Georgia.

**SECTION IX**  
**TRANSITIONAL AND CONCLUDING PROVISIONS**

**Article 37. Transition Provisions**

Within six months after the enactment of this law the Ministry is to elaborate and publish the following regulations:

- a) On approval of the general procedure for licensing fisheries
- b) On approval of the procedure for competitions for distribution of limits for the extraction of live aquatic resources.

**Article 38. Concluding Provisions**

This law goes into force on the fifteenth day after it is published.

**Draft**

**Law of Georgia**  
**On Addenda to the Law of Georgia “On the Bases for Licensing and Issuing Permits  
for Business Activity”**

**Article 1.**

The following addenda are to be made to the law of Georgia “On the bases for licensing and issuing permits for business activity:

1. Sub-paragraph “ae” to Article 6 as follows:

ae) on fishery – the Ministry of Agriculture and Food of Georgia.

2. Sub-paragraph “x” to the first paragraph of Article 19 as follows:

x) For extraction of live aquatic resources – the Ministry of Agriculture and Food of Georgia.

**Article 2.**

This law goes into force on the fifteenth day after its publication.

*Translated by: Tiko Janashvili and Nino Beradze*  
*July 3, 2003*

**ANNEX 18. INTERNAL CONTROL UNIT REPORT ON PAYMENT FOR AGRICULTURAL  
EQUIPMENT SUPPLIED UNDER THE JAPANESE 2KR PROGRAM**

**To:** David Kirvalidze, the Minister of Agriculture and Food of Georgia  
**From:** Gia Kobakhidze, Head of the Internal Control Unit  
**Date:** July 17, 2003

**Memorandum**

Mr. Kirvalidze,

Your order number 38-M (May 14, 2003), assigned us to investigate conditions concerning agricultural equipment delivered to both physical and legal entities under the 2KR program, as well as how obligations under the contracts concluded after the tenders have been executed. For this purpose, we have examined the condition of machinery delivered and the fulfillment of payment obligations.

The Main Administration of Input Supply under the Ministry of Agriculture and Food of Georgia manages this program. According to information received from this organization, the following equipment has been delivered under the 2KR program:

Under the 2KR-I Program – 97 units, with a value of GEL 4,233,666.71. This sum was to be paid in 2002, although only GEL 271,992.27 had been paid as of July 1, 2003. Fulfillment: 6.41%.

Under the 2KR-II Program – 115 units, with a value of GEL 3,468,652.0, although only GEL 148,575.00 had been paid as of July 1, 2003. Fulfillment: 4.28%.

Under the 2KR-III Program – 39 units, with a value of GEL 5,531,593. Only GEL 350,784.00 had been paid as of July 1, 2003. Fulfillment: 6.34%.

Under the 2KR-IV Program – 196 units, with a value of GEL 5,702,271.94. GEL 244,569.46 had been paid as of July 1, 2003. Fulfillment: 4.29%.

Under the 2KR-V Program – 597 units, with a value of GEL 5,404,202.80. GEL 365,084.74 had been paid as of July 1, 2003. Fulfillment: 6.76%.

Under the 2KR-VI Program – 434 units, with a value of GEL 4,918,030 (including spare parts, with a value of GEL 218,201). Equipment with a value of GEL 4,560,092 was distributed. GEL 1,375,677.00 had been reimbursed as of July 1, 2003. Fulfillment: 30.17%.

Funds due to be paid into the Counterpart Fund from the 2KR Program amounted to GEL 29,258,416.45. As of July 2003, GEL 2,756,682.47 had actually been paid. Fulfillment: 9.66%.

During the period of our investigation (from May 14, 2003 through July 15, 2003), GEL 67,435 was paid into the Counterpart Fund.

According to the information received from the Main Administration of Input Supply, equipment has been repossessed from purchasers that failed to fulfill contractual payment obligations, cases have been brought to court against them and fines were imposed once the amortization expenses were calculated.

#### 2KR-I

1. "Aragvi" LTD – GEL 31962
2. Zestafoni "Sopteknika" – GEL 21920
3. Co-operative "Pshaveli-1" – GEL 139688
4. Kareli "MTP" – GEL 62260
5. Dmanisi "Agricultural service" – GEL 45148
6. "Panorama" LTD – GEL 22358
7. "Satave" LTD – GEL 41471
8. "Detektivi" LTD – GEL 70160
9. Agricultural firm "Mukhiani" LTD – GEL 18293

Total: GEL 453,260

#### 2KR-II

1. "Vejini – 95" LTD – GEL 53081
2. "Birtvisi" LTD, V. Bekauri – Suit has been filed.

#### 2KR-III

1. "Aisi" LTD – GEL 128020
2. "Nuningi" LTD – GEL 10000

Total: GEL 634 361

Funds cannot be reclaimed due to ineffective operation of executive agencies and illiquidity of collateral. The Main Administration of Input Supply sent the appropriate letter (number 3-02/320; October 2, 2002) to the Chairman of the Executive Department under the Ministry of Justice of Georgia describing the unsatisfactory operation of executive agencies. A letter was sent to General Prosecutor's Office of Georgia concerning "Detektivi" LTD, which violated the agreement stipulating the terms of delivery of agricultural machinery.

We have found cases where the new purchaser fails to fulfill payment obligations before delivery of equipment that has been repossessed. The following case has been also observed: Robizon Sreseli, a physical person, who lived in Jariasheni, Gori district, received 7 units of various types of equipment under the 2KR-V program with a value of GEL 50568. He paid nothing in 2002. However, he has received additional machinery under the 2KR-IV program. On May 28, 2003, he paid GEL 1500 for machinery received under the 2KR-V program.

“Saksoplteknika” JSC received spare parts under the 2KR-III with the value of GEL 634,393 and sold them at a 20 percent markup. According to the Main Administration of Input Supply, this resale was not agreed with them. Therefore, it would be reasonable if the markup were to be reduced to 5-10 percent. We think that this matter should have been discussed earlier.

Below we list of entities that failed to fulfill payment obligations or paid a very small amount on the balance due:

### 2KR-1

Alexander Khatiashvili (Sagarejo; Agreement number 4, dated June 4, 2003) received combine, wheeled tractor, planter under the 2KR-I Program. Payable GEL 31379 – not paid, the machinery has been repossessed.

Mikheil Tsiklauri (Dedoplistskaro, Zemo Kedi village; Agreement number 14, dated June 14, 2002) received planter under the 2KR-I Program. Payable GEL 1918 – not paid.

Katsila Tsiklauri (Dedoplistskaro, Zemo Kedi village; Agreement number 17, dated October 25, 2002) received a tractor (without an engine) and plough under the 2KR-Program. Payable GEL 10,888 – not paid.

David Archuadze (Sagarejo; Agreement number 26, dated February 20, 2003) received a combine under the 2KR-I Program. Payable GEL 22,334 – not paid.

Tariel Buchukuri (Dedoplistskaro, Zemo Kedi village; Agreement number 16, dated February 5, 2003) received a combine, a planter and a fertilizer sprayer under the 2KR-I Program. Payable GEL 26547 – not paid.

Givi Chincharashvili (Telavi, Pshaveli village; Agreement number 54, dated March 31, 2003) received a combine, 2 tractors, 2 ploughs, a harrow, a planting-machine, and a cultivator under the 2KR-I Program. Payable GEL 45883 – not paid preliminary.

Besik Chavelashvili (Telavi, Pshaveli village; Agreement number 51, dated March 31, 2003) received a combine, 2 tractors, 2 ploughs, a harrow, a planter and a cultivator under the 2KR-I program. Payable GEL 45883 – not paid preliminary.

Tamaz Burdiashvili (Telavi, Pshaveli village; Agreement number 53, dated March 31, 2003) received a combine, 2 tractors, 2 ploughs, an harrow, a planter and a cultivator under the 2KR-1 Program. Payable GEL 45883- not paid preliminary.

Teimuraz Ramazashvili (Telavi, Pshaveli village; Agreement number 55, dated March 31, 2003) received a combine, 2 tractors, 2 ploughs, 2 harrows, a planter and 2 cultivators under the 2KR-I Program. Repayable GEL 49122 – not paid preliminary.

Zurab Zurabashvili (Signagi, Bodbiskhevi village; Agreement number 29, dated February 21, 2003) received a combine under the 2KR-I Program. Repayable GEL 22334 – not paid preliminary.

Zaza Robitashvili (Dedoplistskaro; Agreement number 28, dated February 21, 2003) received a combine under 2 KR-I Program. Repayable GEL 22334 – GEL 500 has been paid—in the first quarter of this year.

Levan Motiashvili (Dedoplistskaro, Zemo Kedi Village; Agreement number 84, dated April 17, 2003) received a combine under Program 2KR-I. Due to be paid: GEL 22,334 – not paid preliminary.

Ltd “Mekanizatori,” Tenguli Kuliashvili (Dmanisi, Vardisubani village; Agreement number 15G, dated June 21, 2002) received an SK-5 combine, 2 “Niva” combines, 3 DT-75 tractors, a wheeled tractor, a three-wing plough, 3 four-wing ploughs and 3 seeders under the 2 KR-I. Program. The total value is GEL 301,961. GEL 90,588 was payable over 4 years. Only GEL 2,300 has been paid.

Alexander Loladze (16 Mazniashvili Street, Zestafoni; Agreement number 46, dated March 12, 2003) received an SK-5 “Niva” combine with a total value of GEL 74,446. Of the GEL 5,584 due nothing has so far been paid.

Zurab Sharabidze (Zestafoni, Tamar Street 112; Agreement number 39, dated February 28, 2003) received three units of equipment with a total value of GEL 31,409. GEL 100 has paid from the GEL 2,356 due in 2003.

Gocha Khetsuriani (Khobi district, Sajijao village; Leasing Agreement number 15, dated February 03, 2003) received two units of agricultural equipment with a total value of GEL 27,792. This person has paid nothing.

## 2KR – II

Gia Kardanakhishvili (Gurjaani; Agreement No 40 g; June 12, 2002) – received a tractor, a trailer, a plough and a combine under the 2KR-II Program with a total value of GEL 30,288. This person failed to fulfill payment obligation; therefore, the equipment has been repossessed and transferred to Alexander Medulashvili (Gurjaani).

“Imedi-94” LTD, Mirian Mirianashvili (Gardabani, Sartichala village; Agreement No 3, dated June 04, 1999) – received two combines, a two-wheel drive tractor, a four-wheel-drive tractor, a three-wing plough, a four-wing plough, 2 wheeled harrows, a fertilizer sprayer, 2 seeders, 2 cultivators and 2 trailers with a total value of GEL 286,463. GEL 85,939 was due over four years, but only GEL 1,110 has been paid as yet.

JSC “Autotransport” (Tskaltubo, Maghlaki village; Agreement No 10, dated June 15, 1999) received 15 units of agricultural equipment with a full value of GEL 283,381. Only GEL 4,200 had been paid by 2002.

Ltd. “Promete” (Kutaisi; Agreement No 93, dated April 30, 2003) received three units of machinery with a total value of GEL 25,431. GEL 2,932 is due during the third and fourth quarters of 2003. Only GEL 300 has paid as yet.

Severian Bukia (Khobi, Kheta village; Agreement No 10, dated January 17, 2003) received 4 units of agricultural equipment with a total value of GEL 20,307. 30 percent of equipment received under the 2KR-II Program amounts to GEL 949, 30 percent of

equipment received under the 2KR-IV program – GEL 18,195; 50 percent of equipment received under the 2KR-V totals GEL 1,163. GEL 800 has been paid to the Counterpart Fund.

Revaz Kuchava (Khobi, Sajijao village; Agreement No 25, dated February 14, 2003) received a three wing plough, a KUBOTA-1 combine (GEL 41,340) and 8 units of agricultural equipment under the 2KR-IV program (GEL 100,195). This person has paid only GEL 500.

Vazha Bekauri, manager of “Birtvi” LTD (Tsalka district, Livadi village) has received 2 combines, a tractor, a three wing plough, 2 trailers, a tractor, a four wing harrow, a wheeled harrow, a fertilizer sprayer and a seeder. The total value of machinery is GEL 274,547. GEL 4,300 had been paid as of February 7, 2003. Instead of taking back the equipment, new Agreements were concluded with this person postponing payment to December 2006.

During an on-site inspection, we could not find the machinery. According to the manager’s explanation (enclosed), the machinery is temporarily in Russia for summer agricultural activities.

Bekauri sent a written appeal against the Main Administration of Input Supply to the Ministry on July 14, 2003. We have investigated the facts outlined in the letter. The spare parts are really expensive, some of them are not available at Service Agents – but it is not the fault of the Main Administration of Input Supply. The value of the wheat and USD 5,000 have been deposited into the Counterpart Fund. At present, “Birtvisi” LTD has paid GEL 17,800. The Main Administration of Input Supply has examined the property pledged as collateral and found that the property has lost its value. On July 14, this year a suit was brought in court.

### 2KR-III

Archil Jighauri (Sagarejo, Kandaura village; Agreement No 64, dated April 2, 2003) has received a combine. GEL 41,340 is to be paid – not paid.

Zurab Javakhishvili (Telavi, Shalauri district: Agreement No 66, dated on April 2, 2003) has received a combine. GEL 41,340 is to be paid – not paid.

Natural person, Zurab Kuliashvili (Dmanisi, Gorgasali 7; Agreement No 57G, dated July 01, 2002) received a KUBOTA-1 combine under the 2KR-III Program (GEL 137,800). GEL 41,640 was to be paid over 4 years but only GEL 1,000 has been paid as yet. The equipment is to be repossessed. The corresponding claim has been sent by the Input Supply Administration.

Zaur Tsomaia (Abasha, 33 Tsomaia Street; Agreement dated January 30, 2003) received a KUBOTA-1 combine. GEL 137,800 is to be paid – not paid.

Givi Jibladze (Abasha, 10 Kilasonia Street; Agreement No 13, dated January 30, 2003) has received a KUBOTA-1 combine (GEL 137,800 to be paid). GEL 10,335 is to be paid during the third and fourth quarters of 2003. This person has not paid anything yet.

2KR-IV

Vasil Zurabashvili (Signagi, Bodbiskhevi village; Agreement No 88, dated April 17, 2003) has received a combine under the 2KR-IV. GEL 26,532 is to be paid – not paid.

Giorgi Ramazashvili (Telavi, Laliskuri village; Agreement No 91/6, dated April 22, 2003) received a wheat-seeding machine. GEL 2,461 is to be paid – not paid.

Physical entity Alik Aliev (Gardabani, Kirov farm; Agreement No 37-g, dated June 12, 2002) received a tractor, a corn planter, a wheat-seeder, a plough, a trailer, a cultivator, and a wheeled harrow. GEL 90,879.57 is to be paid – not paid.

Temur Lomashvili (Dedoplistskaro, Arboshiki village; Agreement No 96, dated May 08, 2003) received a plough. GEL 1,030 is to be paid – not paid.

Merab Chutnishvili (Sagarejo; Agreement No 48, dated August 22, 2001) received a corn planter. GEL 3,769 is to be paid – not paid.

Geront Elashvili (Signagi, Tsnori; Agreement No 95, dated May 01, 2003) received a tractor, a trailer, a plough, and a wheat-seeding machine. GEL 21926 is to be paid – not paid.

Qvemo Alvani State Pedigree Farm of Tushetian Sheep, Nargiza Iluridze – manager of the farm (Akhmeta, Qvemo Alvani; Agreement No 80/6, dated April 17, 2003) received a wheat-seeder. GEL 2461 is to be paid – not paid.

Ltd. “Akhasheni,” Elguja Giorgadze (Gurjaani, Akhasheni village; Agreement No 16g, dated July 29, 2002) received a harvester. GEL 1,993 to be paid – not paid.

Zurab Tutarashvili (Zestafoni, Qvemo Saqara village; Leasing Agreement No 55, dated October 5, 2001) received three units of agricultural equipment with a total value of GEL 64,882. Only GEL 700 had been paid through 2002. Nothing has been paid from the amount due of GEL 4,866 in 2003.

Mamuka Bigvava (Zugdidi, Darcheli village; Leasing Agreement No 42, dated August 10, 2001) received 5 units of agricultural equipment with a total value of GEL 80,507. Of the GEL 24,152 due to be paid, nothing has been paid.

Rezo Kacharava (Tsalenjikha, 152 Stalin Street; Leasing Agreement No 70, dated April 07, 2003) received four units of agricultural equipments with a total value of GEL 73,084. Of the amount owed GEL 5,481 nothing has been paid in 2003.

Givi Jibladze (Abasha, 10 Kilasonia Street; Leasing Agreement No 13, dated January 30, 2003) received five units of agricultural equipment with a total value of GEL 85,647 – not paid.

Noe Iobashvili (Sachkhere, Perevi village; Leasing Agreement No 58, dated September 17, 2001) received four units of machinery with a total value of GEL 73,084. Only GEL 800 was paid in 2002.

Bidzina Sarjveladze (Lanchkhuti, Supsa village; Leasing Agreement No 47, dated June 18, 2001) received a harvester (GEL 6,643). The debt has not been paid. According to verbal explanation of Sarjveladze, the harvester is useless and therefore, he is ready to give it back.

Gocha Sakvarelidze (Zestafoni, Zeda Saqara village; Agreement No 17, dated February 11, 2003) received six units of agricultural equipment with a total value of GEL 87,818. Only GEL 600 has been paid.

Paata Iakobashvili (Sachkhere, Chikha village; Agreement No 32, dated July 20, 2001) received five units of agricultural machinery with a total value of GEL 70,115. Only GEL 400 was paid in 2002.

Physical entity Giorgi Mazmishvili (Shindisi; Agreement No 71, dated April 04, 2003) received a combine (GEL 88,439). 30 percent of the total to be paid is GEL 26,532. Nothing has been paid.

Physical entity Shalva Mazmishvili (Shindisi; Agreement No 72, dated April 04, 2003) received a combine (GEL 88,439). 30 percent of the total to be paid is GEL 26,532. Nothing has been paid.

#### 2KR-V

Archil Modebadze (Telavi, Akura village; Agreement No 88, dated Amy 17, 2002) has received a tractor, a trailer and a plough (GEL 18,630) under the 2KR-V program – not paid.

“Dalis Mta” LTD, Bidzina Gonashvili (Dedoplistskaro, Arboshiki village; Agreement No 22, dated May 16, 2002) received a seeder and a liquid fertilizer sprayer (GEL 11,759) under the 2KR-V Program – not paid.

Grisha Kiknadze (Kvareli, Eniseli village; Agreement No 42, dated March 5, 2003) received a tractor, a trailer, and a plough (GEL 18,630) under the 2KR-V Program – not paid (the tractor is out of order).

Tamaz Bakashvili (Signagi, Saqobo village; Agreement No 92, dated April 30, 2003) has received a tractor, a trailer, a plough a seeder and a fertilizer-sprayer (GEL 21,926) – not paid.

Shuma Jgushia (Zugdidi, 4 Meskhi Street; Agreement No 85, dated April 17, 2003) received three units of agricultural equipment with a total value of GEL 10,853. Only GEL 100 has been paid.

Jumber Pertaia (Chkhorotsku, Lesichine village; Agreement No 113, dated June 24, 2002) received three units of agricultural equipment with a total value of GEL 37,260. Only GEL 1,100 (2.95 percent of value) had been paid through 2002.

“Iviko 2000” LTD, Tamaz Beriashvili (Zugdidi, Narazeni village; Agreement No 104, dated June 18, 2002) received two units of agricultural equipment with a total value of GEL 3,926. Only GEL 139 (3.5 percent of total value) was paid in 2002.

Samson Chanturia (Abasha, 8 Kilasonia Street; Agreement No 24 dated February 14, 2003), received a liquid fertilizer-sprayer valued at GEL 3,746. Nothing has been paid from the GEL 468 due in 2003.

The Amelioration Association “Khodabuni” (Sachkhere; Agreement No 124, dated February 14, 2003) received three units of agricultural equipment with a total value of GEL 37,260. Only GEL 500 has been paid.

Mevlud Beruashvili, “Eredvi” LTD (Eredvi; Agreement No 51, dated May 20, 2002) received six units of agricultural equipment with a total value of GEL 47,803, 50 percent of which is GEL 23,902. GEL 2,390 had been paid through 2002. The arrears amount to GEL 21,512.

Physical entity Koba Tskhovrebashvili (Agara; Agreement No 33, dated February 25, 2003), received five units of agricultural machinery (including a combine), with a total value of GEL 113,508, 30 percent of which (GEL 34,050) is due to have been paid. But nothing has been paid yet.

Physical entity Nugzar Broladze (Akhalkalaki village; Agreement No 57, dated April 01, 2003) received three units of agricultural equipment with a total value of GEL 21,705, 50 percent of which (GEL 10,853) is due to have been paid.

Physical entity Nikoloz Khubashvili (Qvemochala village; Agreement No 11, dated January 22, 2002) received four units of agricultural equipment with a total value of GEL 13,623. Thirty percent of the value of machinery received under the 2 KR-II Program totals GEL 10,778 while 50 percent of the value of the equipment received under the 2 KR-V Program amounts to GEL 2,845. Nothing has been paid.

Physical entity Giorgi Mukhatgverdeli (Tserovani; Agreement No 67, dated November 17, 2001), received five units of agricultural equipment with a value of GEL 76,146. From the amount due (GEL 22,844 -30 percent of the total value) nothing has been paid.

Physical entity Mikheil Natenadze (Akhalkalaki, Azmana village; Agreement No 32, dated February 25, 2003) received five units of agricultural machinery with a total value of GEL 46787. From the amount due (GEL 23,394 - 50 percent of the total value) nothing has been paid. The Main Administration of Input Supply has entered a claim to repossess the equipment from this person.

We kindly ask you to inform us of your decision.

Enclosed file: 35 pages

Respectfully,

Gia Kobakhidze

*Translated by Tiko Janashvili  
September 18, 2003*

**ANNEX 19. REPORT OF COMMISSION TO EXAMINE HANDLING AND MONETIZATION OF  
ITALIAN HUMANITARIAN AID RICE, POTATO FLAKES, AND MACARONI AT LTD.  
“DIDGORI”**

Act of Comparison

Tbilisi

August 5, 2003

The commission created in accordance with order number 2-194 of the Minister of Agriculture and Food of Georgia (July 10, 2003) and composed of Head of the Food Processing Department Omar Kacharava, Chief Accountant of the Ministry Rezo Lomidze, Deputy Head of Marketing and Foreign Trade Administration I. Bibileishvili, Chief Specialist of Administration of Agrarian Reforms I Meparishvili, Lawyer and Auditor of the “Restructuring Assistance and Policy Advice for the Ministry of Agriculture and Food of Georgia” project Giorgi Misheladze and Otar Chigladze, together with Director of “Didgori” Ltd Mr. M. Chkhenkeli and Chief Accountant F. Beridze, inspected documented information related to receipt, storing, selling and turnover of sale proceeds of 1620.2 tons of Macaroni, 1602.6 tons of rice, and 338.2 tons of potato flake provided by the Italian Government as humanitarian aid, which led to the following:

Ltd. “Didgori” received 1,620.2 tons of macaroni in four shipments from January 23 through March 16, 2003 and stored in their warehouse. During February 25 – March 9, 1,602.6 tons of rice were delivered in 3 stages and stored in the warehouse. During July 28 – August 2, 338.2 tons of potato flakes were delivered in 4 stages and were also stored. Receipts for delivery were given.

On the basis of Presidential Decrees issued in 2002 and 2003 (number 616 of May 16, number 753 of June 14, number 1051 of August 4, number 1216 of September 24, number 1322 of October 20, number 92 of January 30 2003 and number 704 of June 9) the Ministry of Agriculture and Food of Georgia donated 1620.2 tons of macaroni and 170 tons of potato flakes to earthquake victims in Tbilisi, residents of the Kodori gorge, others victimized by disasters, IDP settlements, war veterans and vulnerable people.

In accordance with clause 2 of Presidential Decree number 753 (June 14, 2002), 1602.6 tons of rice and in accordance with clause 2 of Presidential Decree number 1322 (October 20, 2002) 168.2 tons of potato flakes were sold on the commodity exchange. The funds generated by monetization (minus expenditures) have been accumulated in a special account of the National Bank that was opened by the Ministry of Finance of Georgia.

The amount of money generated from the monetization of rice is Gel 786 239.5, which monthly breakdown is as follows:

Gel 73 800 in June 2002  
 Gel 50 000 in July 2002  
 Gel 75 250 in August 2002  
 Gel 82 410 in September 2002  
 Gel 127 680 in October 2002  
 Gel 131 340 in November 2002

Gel 182 770 in December 2002  
 Gel 62 989.5 in January 2003

The amount of money generated from the monetization of potato flakes is Gel 84 100, which the monthly breakdown is as follows:

Gel 2 500 in October 2002  
 Gel 2 000 in December 2002  
 Gel 1000 in January 2003  
 Gel 11 000 in February 2003  
 Gel 34 500 in March 2003  
 Gel 33 100 in April 2003

Therefore, the proceeds from exchange sales of rice and potato flakes total Gel 870,339.50.

“Didgori” Ltd received Gel 314,154.02 for services provided, out of which Gel 31,669.6 for loading, Gel 251,440.49 for storing goods, Gel 31,043.93 for overloading (difference between overloading and loading is caused by fluctuation of the official exchange rate on the interbank exchange). The monthly breakdown of amounts received is as follows:

Gel 2 986.44 in January 2002  
 Gel 9 697.26 in February 2002  
 Gel 31 022.76 in March 2002  
 Gel 51 418.68 in April 2002  
 Gel 36 003.9 in May 2002  
 Gel 35 990.62 in June 2002  
 Gel 35 159.02 in July 2002  
 Gel 31 697.95 in August 2002  
 Gel 25 096.84 in September 2002  
 Gel 22 195.42 in October 2002  
 Gel 12 776.77 in November 2002  
 Gel 9 345.73 in December 2002  
 Gel 4 235. 54 in January 2003  
 Gel 2 502.83 in February 2003  
 Gel 2 071.73 in March 2003  
 Gel 1 888.11 in April 2003  
 Gel 26.84 in May 2003  
 Gel 37.58 in June 2003

In that regard, the Ministry of Agriculture and Food of Georgia paid Gel 314,154.02 to “Didgori” Ltd for services they provided.

The following expenditures were incurred by “Didgori” Ltd for the purposes listed below: Gel 250 for cargo declaration, Gel 152 for computer service, Gel 268.8 for certificate of registration, Gel 14,735 for terminal services, Gel 6,682 for certifying the cargo, Gel 260 for filling out the declaration, Gel 5,222.86 in payment for stock brokerage services and Gel 726 –highway fee. In addition, VAT on sale paid to the central budget is Gel 145 058. All the expenditures listed above total Gel 173,354.66, of which:

Gel 1 026.8 in January 2002  
Gel 8 634.8 in February 2002  
Gel 4 231 in March 2002  
Gel 3 500 in April 2002  
Gel 62 in June 2002  
Gel 23 437.4 in July 2002  
Gel 15 004.6 in August 2002  
Gel 14 329 in September 2002  
Gel 22 871.06 in October 2002  
Gel 21 999 in November 2002  
Gel 33 544 in December 2002  
Gel 11 102 in January 2003  
Gel 1 900 in February 2003  
Gel 2 000 in March 2003  
Gel 367 in April 2003  
Gel 9 364 in May 2003

Actual expenditures (spent for loading, storing, overloading, cargo declaration, computer service, certificate of registration, terminal service, certification of cargo, filling up the declaration, stock brokerage service fee, highway fee, VAT) are Gel 487,508.68.

Gel 382,830.82 out of total proceeds (Gel 870,339.5) were to be transferred to the special account opened in Georgian National Bank, which was actually done. The funds were transferred to the special account on a step-by-step basis as follows:

Gel 71 497 in October 2002  
Gel 83 638 in November 2002  
Gel 148 202 in December 2002  
Gel 43 721 in January 2003  
Gel 4 800 in March 2003  
Gel 29 791 in April 2003  
Gel 1 100 in May 2003  
Gel 90 in August 2003

This act is drafted in four copies with attachments (25 pages), of which one copy was given to the Director of "Didgori" Ltd, M. Chkhenkeli, the others are held in the Ministry of Agriculture and Food of Georgia.

The authenticity of this act is attested by: [signatures]

O. Kacharava  
R. Lomidze  
I. Bibileishvili  
I. Meparishvili

G. Misheladze  
O. Chigladze  
M. Chkhenkeli  
F. Beridze

*Translated by Lisa Basishvili  
August 22, 2003*

**ANNEX 20. POLICE REPORT ON THEFT OF NOTEBOOK COMPUTER FROM MAF****G E O R G I A****The Ministry of Internal Affairs****Main Administration of  
Internal Affairs of Tbilisi****MTATSMINDA-KRTSANISI**  
Internal Affairs Administration  
27 Tabukashvili Street. Tel: 99 42 45**12/VIII 2003  
1192****NO 101/7-**

Given to citizen **KERDZEVADZE GENADI** to show on 12/VIII-03 he did in fact report in the Tbilisi Mtatsminda-Krtsanisi Internal Affairs Administration about the loss of a Notebook Compaq Armada E-500 s/n 1JOCJFB3T13J.

R. Gogoladze  
Head of the Chancellery  
Tbilisi Mtatsminda-Krtsanisi Internal Affairs Administration

[Signed and sealed]

*Translated by: Nino Beradze  
August 13, 2003*

**ANNEX 21. DOCUMENTS PREPARED BY THE PROJECT DURING THE REPORTING PERIOD**

<b>Series</b>	<b>Title</b>	<b>Author(s)</b>	<b>Date</b>	<b>Language(s)</b>
Draft Law or Regulation	Law on Fisheries	Mamuka Matiashvili	7/1/2003	Georgian
Draft Law or Regulation	Order of the Minister of Agriculture and Food “On agricultural issues in the PREGP”	Sandro Didebulidze	7/2003	Georgian, English
Draft Law or Regulation	Amendments and Addenda in the Georgian Law “On Veterinary Medicine”; Amendments and Addenda in the Georgian Law “On Agricultural quarantine”; Amendments and Addenda in the Georgian Law “On Plant Protection”	Mamuka Matiashvili	8/6/2003	Georgian
Letter	To the director of Anticorruption Bureau of Georgia	Mamuka Matiashvili	7/10/2003	Georgian
Letter	Letter to David Grigolia on MAF ITSH tender commission	Don Van Atta	9/19/2003	Georgian, English
Other	RAPA trade capacity-building expenses	Don Van Atta	7/18/2003	English
Other	Report of the participants in the 26th Session of the Codex Alimentarius Commission, Rome, Italy, 30 June-7 July 2003	Alexander Didebulidze, Levan Chiteishvili	7/22/2003	Georgian, English
Other	Letter to DM Tkeshelashvili about RARP Counterpart Fund	Mamuka Matiashvili	7/22/2003	Georgian
Other	Notes on Presidential Instruction 848 on harmonization with EU standards	Dangadze, Giorgi	7/24/2003	English
Other	Brief for suit to be filed in Krtsanisi-Mtatsminda court on Ltd. “Gulani”	Mamuka Matiashvili	7/30/2003	Georgian
Other	Training/Travel Report (Codex Alimentarius Commission Rome Meeting)	Zurab Tskitishvili, Alexander Didebulidze, Nikoloz Shavdia, Levan Chiteishvili	7/30/2003	English
Other	Administrative case in Ministry of the Economy on Ltd “Gulani”	Mamuka Matiashvili	8/1/2003	Georgian
Other	Notes on Codex Alimentarius	Alexander Didebulidze	8/3/2003	English
Other	Items from the regular MAF planning meeting and RAPA project matters	Don Van Atta	8/4/2003	English
Other	Draft briefing notes for Kirvalidze meeting with Gloria Steele, AID/W	Don Van Atta	8/12/2003	English
Other	Request for expression of interest and capability	Don Van Atta	8/15/2003	English
Other	Memorandum on Codex Alimentarius training	Don Van Atta	8/20/2003	English
Other	Import duty on wheat grain	Don Van Atta	8/21/2003	English
Other	Summary of Food for Progress Reporting Requirements	Shavgulidze, Rati	8/27/2003	English
Other	Memorandum on seed needs	Bidzina Korakhashvili	8/27/2003	English
Other	Genetically modified wheat on the world market, response to <i>alia</i> article	Alexander Didebulidze	8/27/2003	Georgian
Other	Tender Documents for FFP grain	Giorgi Misheladze	8/28/2003	Georgian
Other	Draft order on functions of Samtresti departments	Giorgi Dangadze	8/31/2003	Georgian, English

Other	Statistics of Georgia's Agriculture [power point]	Alexander Didebulidze and Zurab Kirvalidze, SDS	9/1/2003	English, Russian
Other	Auditing and Budget Training Project Terms of Reference and Budget for World Bank ADP	Vazha Tabatadze	9/10/2003	Georgian, English
Policy study	Note for National Security Council of Georgia on wheat and flour supplies	Bidzina Korakhashvili	7/18/2003	Georgian
Policy Study	Georgian grain stocks as of July 15, 2003	MAF; Don Van Atta; Bidzina Korakhashvili	7/22/2003	English
Policy Study	Revenue effects of elimination of 12% import tariff on wheat grain	Don Van Atta	8/5/2003	English
Policy Study	EU regulation 753-2002 on Wine Labeling	Alexander Didebulidze	8/6/2003	
Policy Study	Statistics of Georgia's Agriculture [paper]	Alexander Didebulidze and Zurab Kirvalidze, SDS	9/1/2003	English, Russian
Policy Study	Comments on the Presidential Decree on the Tea Program	Rati Shavgulidze	9/26/2003	English

**ANNEX 22. PROJECT TRANSLATIONS DURING THE REPORTING PERIOD**

<b>Date</b>	<b>Title</b>	<b>Translator</b>	<b>Target language</b>
Daily	Press review	Rusudan Arveladze	English
Weekly	MAF press bulletin	Rusudan Arveladze	English
July 1, 2003	Kirvalidze's speech	Rusudan Arveladze	Georgian
July 2, 2003	Strategy for Sustainable Development of Agriculture and Food Security in Georgia	Tiko Janashvili, Nino Beradze, Natia Gabelia, Lisa Basishvili	English
July 3, 2003	Veterinary Department report on trip to India to check sanitary condition of slaughterhouses	Natia Gabelia	English
July 3, 2003	Charter of the Fishery Department "SAKTEVZI"	Nino Beradze	English
July 3, 2003	Monday report	Rusudan Arveladze	English
July 3, 2003	Draft Law On Fishery (revised)	Tiko Janashvili	English
July 3, 2003	Rehabilitation-development conception of fish industry and fishery in Georgia	Tiko Janashvili	English
July 7, 2003	Explanatory Note on Amendments and Addenda to the Law on Custom Tariffs and Dues and Tax Code of Georgia	Lika Margania	English
July 7, 2003	Press Review	Lisa Basishvili	English
July 7, 2003	Structural Arrangement of Plant & Animal Protection ....	Nino Beradze	Georgian
July 7, 2003	Proposed Structure for the MAF Food Safety and Inspection Service	Tiko Janashvili	Georgian
July 9, 2003	Press Review	Lisa Basishvili	English
July 10, 2003	Letters to Indian Companies "Allanasons Limited" and "Arabian Export"	Nino Beradze	English
July 10, 2003	Monday report	Rusudan Arveladze	English
July 11, 2003	The letter of D. Grigolia to Mr. Depaak Vohra	Lisa Basishvili	English
July 12, 2003	Weekly Report of Parliamentary Representative (End of June, 2003)	Tiko Janashvili	English
July 15, 2003	Letter to Igor Tkebuchava	Natia Gabelia	English
July 15, 2003	Procurement Regulations for the Ministry of Agriculture and Food of Georgia	Nino Beradze	English
July 15, 2003	Procedures for State Procurement	Tiko Janashvili	English
July 16, 2003	Notification Form (WTO Seminar Document)	Lika Margania	Georgian
July 16, 2003	World Trade Organization-Committee on Sanitary and Phytosanitary Measures	Lisa Basishvili	Georgian
July 16, 2003	Committee on Technical Barriers to Trade	Lisa Basishvili	Georgian
July 16, 2003	Procurement regulations for the Ministry of Agriculture and Food of Georgia	Lisa Basishvili	English
July 16, 2003	WTO / Notification 02-3187	Natia Gabelia	Georgian
July 16, 2003	WTO / Notification (03-0780) and Notification (03-0776)	Nino Beradze	Georgian
July 16, 2003	WTO notification G/SPS/N/EEC/206	Tiko Janashvili	Georgian
July 16, 2003	WTO notification G/SPS/N/USA/704	Tiko Janashvili	Georgian

July 18, 2003	Statement for the Press	Lika Margania	English
July 18, 2003	Procurement Regulations for the Ministry of Agriculture and Food of Georgia	Natia Gabelia	English
July 18, 2003	Weekly Report of Parliamentary Representative (July 15-18, 2003)	Tiko Janashvili	English
July 19, 2003	Instruction No 848 of July 10, 2003 of the President of Georgia about Acceleration of Introduction of the Technical Legislation-related European Directives in Georgia	Nino Beradze, Tiko Janishvili	English
July 21, 2003	Memo to the Minister by George Tkeshelashvili	Lika Margania	English
July 21, 2003	President Shevardnadze's Monday Radio-Interview (extract)	Lika Margania	English
July 21, 2003	"The Chairman of the Parliament has shown who is Nino Burjanadze. We have seen it" / Article	Nino Beradze	English
July 21, 2003	RESOURCES / Operational data as of July 15, 2003 (Registered) / Table	Nino Beradze	English
July 22, 2003	"The Bread has not become expensive[?!]. It had only reduced in weight" / Article in "Kviris Palitra" (21-27 July, 2003	Nino Beradze	English
July 22, 2003	Article in Kviris Palitra /2003, July 21-27/	Tiko Janashvili	English
July 23, 2003	article in Newspaper Mteli Kvira, "Different fractions request to dismiss different Ministers	Lisa Basishvili	English
July 23, 2003	Georgian MAF order on Internal Control audit of use of special funds by DAWE	Lisa Basishvili	English
July 24, 2003	Order On Addenda and Amendments to the Ministerial Order number 2-196 "On Approval of statutes of the subordinated units within the MAF Central Apparatus" /November 30, 2001/	Tiko Janashvili	English
July 25, 2003	"Who assigned "Sakartvelos Respublika" to publish the Article against the Burjanadzes'. Who informed the President against Kirvalidze – as though he cheated the President?" / Article published in "Alia" of 22-23 July, 2003	Nino Beradze	English
July 25, 2003	Letter to Tkeshelashvili from Matiashvili (July 22, 2003)	Tiko Janashvili	English
July 25, 2003	I. Gogava – biographical data	Tiko Janashvili	English
July 26, 2003	Sakstandarti documents	Lisa Basishvili	English
July 26, 2003	Assignment concerning the Amelioration Systems management	Nino Beradze	English
July 26, 2003	Reports and Letters about bread prices / SAKSTANDARTI Materials (part III)	Nino Beradze	English
July 26, 2003	Sakstandarti materials	Tiko Janashvili	English
July 26, 2003	Letter to Kirvalidze from Mamuka Matiashvili (July 23, 2003)	Tiko Janashvili	English
July 28, 2003	Bio data of Zurab Tkemaladze	Natia Gabelia	English
July 28, 2003	Biography Data of Roza Lortkipanidze	Nino Beradze	English
July 29, 2003	Biographical data of Mamaladze and Medzmariashvili	Tiko Janashvili	English
July 30, 2003	Conclusion of Chamber of Control	Natia Gabelia	English
July 30, 2003	Press Review 29.07.2003	Nino Beradze	English
July 31, 2003	Info for Carew on Codex Session	Natia Gabelia	English
July 31, 2003	The US defends Kirvalidze	Natia Gabelia	English

July 31, 2003	Press Review 30.07.03	Nino Beradze	English
July 31, 2003	Info for Carew on Codex Session	Tiko Janashvili	English
July 31, 2003	The US defends Kirvalidze	Tiko Janashvili	English
August 1, 2003	Weekly Report of Parliamentary Representative (July 16, 2003)	Tiko Janashvili	English
August 5, 2003	Memo about the Amendments and Addenda to Be Inserted into the Draft Tax Code and Draft Law on Customs Duties and Fees	Lika Margania	English
August 5, 2003	Letter of Grigolia	Natia Gabelia	English
August 6, 2003	Memo by David Kirvalidze to Jonathan Dunn	Lika Margania	Georgian
August 9, 2003	UPOV Letters and Agreement Model	Lika Margania	Georgian
August 11, 2003	Letter to David Kirvalidze by Jonathan Dunn (IMF) on the Approval of the Government Proposals	Lika Margania	Georgian
August 11, 2003	Explanatory Note: On the Draft Order of the Minister of Finance of Georgia "On Improvement of Coordination of Control by State Services over Goods and Vehicles in the Customs Control Zone"	Nino Beradze	English
August 12, 2003	Governmental meeting of July 2	Natia Gabelia	English
August 14, 2003	Agreement OGSM (Between the Georgia and the US Governments on Wheat)	Lika Margania	Georgian
August 15, 2003	Request for Expression of Capability and Interest	Lika Margania	Georgian
August 15, 2003	Foundation of the Joint Venture for Production of IQF fruits and vegetables	Lika Margania	Georgian
August 16, 2003	Draft Presidential Instruction on Goods and Vehicles Movement	Lika Margania	English
August 19, 2003	On signature of the "Agreement between the Government of the United States of America and the Government of Georgia for the donation of agricultural commodities under the Food for Progress Act"	Lisa Basishvili	English
August 19, 2003	Presidential Instruction number 408	Rusudan Arveladze	English
August 20, 2003	Presidential Instruction Number 844, July 10, 2003 about measures supported by IMF	Lika Margania	English
August 21, 2003	Law of Georgia on amendments and addenda to the "Law of Georgia on Food and Tobacco"	Lisa Basishvili	English
August 21, 2003	Letter of Tkeshelashvili about additional requests to US companies	Natia Gabelia	English
August 22, 2003	Act of Comparison	Lisa Basishvili	English
August 25, 2003	Press Review	Lisa Basishvili	English
August 25, 2003	Viewpoints of Anti-corruption Bureau of Georgia on some licenses and permissions those stipulated by the Law of Georgia "On basic principles to issue licenses and permissions for entrepreneurial activities"	Tiko Janashvili	English
August 26, 2003	Press Review	Lisa Basishvili	English
August 26, 2003	Farmers' Consulting Center Letter to BP Manager Ed Johnson	Tiko Janashvili	English
August 27, 2003	On delivery of winter wheat seed	Tiko Janashvili	English
August 27, 2003	Are the 50 Thousand Tons of Wheat Donated by America Reliable? (Alia, 27/08/2003)	Tiko Janashvili	English

August 28, 2003	Letter to David Kirvalidze by P. Mark Rowse	Lika Margania	Georgian
August 29, 2003	Tender Announcement	Lika Margania	English
August 29, 2003	Explanatory Note by Sandro Didebulidze with regard to the ALIA article	Lika Margania	English
September 1, 2003	Press Review	Lisa Basishvili	English
September 1, 2003	ORDER of the State Minister of Georgia Number 75 (September 28 2002) on ratification of strategy for introduction of conformity justification system in Georgia	Lisa Basishvili	English
September 1, 2003	“Janikashvili’s Letter to Kirvalidze About Marketing Permit For Agricultural Commodities”	Nutsa Amirejibi	English
September 2, 2003	note from Sakstandarti on EU directive translations	Giorgi Dangadze	English
September 2, 2003	Joint FAO/Who Food Standards Programme-Codex Alimentarius Commission-Proposed Schedule of Codex Meeting 2003-2005	Lisa Basishvili	Georgian
September 2, 2003	Harmonization of Codex Standards with Georgian Standards	Nino Beradze	Georgian
September 2, 2003	Functions of Certification Administration of State Vine and Wine Department “Samtresti”	Nutsa Amirejibi	English
September 2, 2003	Memo on Codex Alimentarius	Tiko Janashvili	Georgian
September 3, 2003	Letter to the President of Georgia by D. Kirvalidze on the FSP Matters	Lika Margania	English
September 3, 2003	President of Georgia DECREE number 568 (May 18 2003) on creating a Governmental commission for developing a draft agreement between the Executive Authority of Georgia and United Nations World Food Programme	Lisa Basishvili	English
September 3, 2003	President of Georgia DECREE number 552 (May 14, 2003) on future assistance, the communities of Tigvi, Eredvi and Kurta villages and inhabitants remained beyond the river Eregvi, suppose to be given in a form of agricultural equipment	Lisa Basishvili	English
September 3, 2003	Charter of the Main Administration of Logistics	Nino Beradze	English
September 3, 2003	Proposed Risk Assessment Exercise Project	Nino Beradze	English
September 3, 2003	GOG Obligations to CCC on Records and Reporting	Nutsa Amirejibi	Georgian
September 4, 2003	Letter to Mr. Van Atta, by D. Grigolia about the Invitation of the RAPA Representative to the Tender for Participation with the Voting Right	Lika Margania	English
September 4, 2003	Letter to Mr. Van Atta by D. Grigolia, Deputy Minister	Lika Margania	English
September 4, 2003	Order No. 2-98 (April 8, 2003) of the Minister of Agriculture and Food of Georgia about creation of a Commission in relation to reducing full time positions in the Central Apparatus of the Ministry of Agriculture and Food of Georgia	Nino Beradze	English
September 4, 2003	Statement sent from Mr. Don Van Atta to Ms. Nino Okhanashvili, Director of the TBC Bank Vera Branch to cancel contract of Ms. Tinatin Tivadze and hereinafter her facsimile later transferred to Ms. Natia Lipartiani	Nino Beradze	English
September 4, 2003	Order No 2-99 (April 14, 2003) of the Minister of Agriculture and Food of Georgia about results of complex revision of the Main Administration Inspection of	Nino Beradze	English

	“Saktekzedamkhedveloba”		
September 4, 2003	Van Atta’s Letter to David Grigolia on the Tender For Grain Handling Services	Nutsa Amirejibi	Georgian
September 4, 2003	Ministerial Order No 2-149 About Discussing the issues of State Property Privatization, Leasing, Writing off from the balance, as well as Restructuring and Liquidation of Enterprises and Units Within the System of the Ministry	Nutsa Amirejibi	English
September 4, 2003	Letter to Mikeladze (from N. Mamaladze	Tiko Janashvili	English
September 4, 2003	Ministerial Order number 2-132 on additional measures for strengthening veterinary sanitary control at agrarian markets and fairs operated in districts and towns as well as in other trade units(April 30, 2003)	Tiko Janashvili	English
September 5, 2003	Order No. 2-206 (July 29, 2003) of the Minister of Agriculture and Food of Georgia “About fulfillment of the Decree No. 11/2 of September 17, 2001 of the Chamber of Control of Georgia and financial-economic activity of the Veterinary Department	Nino Beradze	English
September 5, 2003	Letter of Rodrigues to Zaldastanishvili about Grigolia’s Letter and Georgian legislation in wine sector	Nutsa Amirejibi	Georgian
September 5, 2003	EC Letter to K. Zaldastanishvili on the Law of Georgia “On Vine and Wine”	Tiko Janashvili	Georgian
September 5, 2003	Ministerial Order number 2-133 “On renting of administrative building of the Ministry” (May 1, 2003)	Tiko Janashvili	English
September 7, 2003	President of Georgia DECREE number 336 (March 27 2003) on creating promotional and supportive conditions for development of market environment in tea industry	Lisa Basishvili	English
September 8, 2003	President of Georgia DECREE number 834 (June 9, 2003) on determining the membership of coordination board of Anticorruption Policy of Georgia	Lisa Basishvili	English
September 8, 2003	Ministerial Order No2-208 About the Results of Auditing Financial and Economic Activities of Quality State Inspection of Seed and Planting Materials	Nutsa Amirejibi	English
September 8, 2003	Ministerial Order 2-194 on Creation of the Commission For Studying the Activities of “Didgori” Ltd.	Nutsa Amirejibi	English
September 8, 2003	Letter from Greens Movement of Georgia to Kirvalidze on donated wheat (Sept., 5, 2003)	Tiko Janashvili	English
September 9, 2003	Resolution of the President About the fulfillment of Memorandum Provisions ensuring the reception of the Grant	Nutsa Amirejibi	English
September 9, 2003	Presidential Decree about “creating the governmental commission of ecological safety issues”	Rusudan Arveladze	English
September 9, 2003	Ministerial order number 2-197 “On perfection of legislative basis within veterinary sphere” (July 21, 2003)	Tiko Janashvili	English
September 10, 2003	Order No. 2-207 (July 29, 2003) about results of a complex revision of financial and economic activity of the Fishery Department – Saktevzi – from July 1, 2000 through September 1, 2002	Nino Beradze	English

September 10, 2003	Answers on the Greens' Movement Letter	Nutsa Amirejibi	Georgian
September 10, 2003	Tkeshelashvili's Response to FINCA Country Director	Nutsa Amirejibi	Georgian
September 10, 2003	FINCA letter about Food For Progress Proposal	Nutsa Amirejibi	Georgian
September 10, 2003	Letter of Tkeshelashvili to Van Atta About the draft of the Ministry's Statute	Nutsa Amirejibi	English
September 10, 2003	Letters to the Minister of Agriculture and Food About FSP Assessment Mission	Nutsa Amirejibi	English
September 10, 2003	Monday report	Rusudan Arveladze	English
September 11, 2003	Amendments and Addenda to the Law of Georgia on "State Procurement"	Nutsa Amirejibi	English
September 11, 2003	Addenda and amendments to the Law of Georgia "On State Procurement"	Tiko Janashvili	English
September 12, 2003	The Order of the Minister of Agriculture and Food number 2-192 (July 9,2003) on Changes in membership of the permanent commission of development and stabilization of input sphere of ago-industrial sector	Lisa Basishvili	English
September 12, 2003	Letter of D. Adams to Don Van Atta about letter to Kirvalidze from the Greens Movement of Georgia on donated wheat	Nutsa Amirejibi	Georgian
September 15, 2003	Order No842 of Vake-Saburtalo Regional Tax Inspection on Auditing RAPA Financial Documents	Nutsa Amirejibi	English
September 16, 2003	Measures Undertaken and to be Undertook for the purpose of Harmonization of Agriculture and Food Legislation of Georgia with the appropriate Legislation of the European Union (as of July 15, 2003)	Nino Beradze	English
September 16, 2003	Order No. 2-202 (July 21, 2003) of the Minister of Agriculture and Food of Georgia About amendment to be made to the Order No. 2-181 of 30 June 2003 of the Minister of Agriculture and Food of Georgia	Nino Beradze	English
September 16, 2003	Order No 2-181 of the First Deputy Minister of Agriculture and Food of Georgia "About arrangement of registration of state property under the balance of the Central Apparatus of the Ministry"	Nino Beradze	English
September 16, 2003	Absorption of Budget Funds of 2002 by the Ministry of Agriculture and Food	Nutsa Amirejibi	English
September 16, 2003	Draft Order on implementation of measures stipulated by Presidential Decree # 800 "On economic development and poverty reduction program in Georgia" (June 28, 2003)	Tiko Janashvili	English
September 17, 2003	Ministerial Order Number 2-203 (July 21 2003) on Approving the Results of Tender Announced For Leasing of Part of Administrative Premises of the Ministry	Lisa Basishvili	English
September 17, 2003	Approval of the Forms of Licenses and Permits in the Agri-food Sector	Nutsa Amirejibi	English
September 17, 2003	Monday report	Rusudan Arveladze	English
September 18, 2003	Order number 2-209 (July 29, 2003) of the Minister on activities to be undertaken through the Food and Agriculture Organization (FAO) project TCP/GEO/2902 (A) – Rehabilitation of the walnut and hazelnut seedling industry	Lisa Basishvili	English
September 18, 2003	Letter from Fettig & Donalty, Inc	Natia Gabelia	Georgian
September 18, 2003	Instruction No 488 (20 November 2000) of the President of Georgia "About cancellation	Nino Beradze	English

	of the Instruction No. 23 (21 January 1999) “About additional activities of supplying population with grain products”		
September 18, 2003	Instruction No. 23 (21 January 1999) of the President of Georgia “about additional measures of supplying population with grain products”	Nino Beradze	English
September 18, 2003	Biography of Aleksandr Tilgenkamp (Deputy General Director of DG Agriculture) – “Agriculture News Digest”	Rusudan Arveladze	Georgian
September 18, 2003	Letter to Fettig & Donalty Inc stipulating shipping documents	Tiko Janashvili	Georgian
September 18, 2003	Report of Kobakhidze, head of Internal Control Unit (2KR-related investigation)	Tiko Janashvili	English
September 19, 2003	Chamber of Control letter about results of complex revision of the Inspection Main Administration of Technical Supervision “Saktekzedamkhedveloba” of MAF	Nino Beradze	English
September 19, 2003	Don Van Atta’s Letter to D. Grigolia About Participation of RAPA Staff in Tender Commission	Nutsa Amirejibi	Georgian
September 20, 2003	Ministerial Order Number 2-10 “on Approval of the Statute of the Food Products Analysis and Monitoring Service of the Ministry of Agriculture and Food of Georgia, The Statute /January 18, 2002/	Tiko Janashvili	English
September 22, 2003	Monday report	Rusudan Arveladze	English
September 23, 2003	Order No.597 of October 18, 1998 about acceleration of the wheat realization purchased through US credit	Natia Gabelia	English
September 23, 2003	Ministerial Order No. 2-150 about amendments to be made to the Order No. 2-30 (February 11, 2003) of the Minister of Agriculture and Food of Georgia “About approval of the Charter of the Vine and Wine Department “Samtresti”	Nino Beradze	English
September 23, 2003	Letter to Jean Chrétien about wheat	Nutsa Amirejibi	Georgian
September 24, 2003	MAF structure /Sept., 24, 2003/	Tiko Janashvili	English
September 24, 2003	Ministerial Order # 2-186 on Addenda to the Ministerial Order # 2-10 “On Approval of the Statute of the MAF Food Analysis and Monitoring Service”	Tiko Janashvili	English
September 25, 2003	The Minister of Agriculture and Food of Georgia ORDER number 2-230 (August 26 2003) on creating a group to work on amelioration issues in the Department of Agricultural Production Service	Lisa Basishvili	English
September 25, 2003	Order 2-236 (August 26 2003) of the Minister ratifying plan of state procurement	Lisa Basishvili	English
September 25, 2003	Measures Undertaken and to be Undertaken for the purpose of Harmonization of Agriculture and Food Legislation of Georgia with the appropriate Legislation of the European Union (as of September 5, 2003)	Nino Beradze	English
September 25, 2003	Ministerial Order No. 2-235 (26 August 2003) about creation of Tender Commission for purchasing receipt and sale service of food grain donated to Georgia by the United States of America	Nino Beradze	English
September 25, 2003	Instruction # 303 of the Head of the State of the Republic of Georgia “On Immediate	Tiko Janashvili	English

	Measures to Privatize Grain Product Enterprises and Units (August 7, 1995)		
September 26, 2003	Letter to Mamaladze	Natia Gabelia	English
September 26, 2003	Letter of Davit Grigolia to Sabine Mau	Natia Gabelia	Georgian
September 26, 2003	Article From “Akhali Taoba” - THE US SAVED US FROM DEFICIT	Nutsa Amirejibi	English
September 26, 2003	Letter of Sabine Mau to David Grigolia on utilization of wheat monetization proceeds for buying white grapes	Nutsa Amirejibi	Georgian
September 27, 2003	Newspaper article –Rezonansi (August 29, 2003) Mariana Imnadze The Government of the United States of America Still Assists the Agrarian Sector of Georgia	Lisa Basishvili	Georgian
September 27, 2003	“Georgia is not threatened with a shortage of wheat” (Interview with David Kirvalidze, the Minister of Agriculture and Food of Georgia	Nino Beradze	English
September 27, 2003	Georgia is not threatened with a Shortage of Wheat , Article in “Mteli Kvira”, Sept. 8, 2003	Tiko Janashvili	English
September 29, 2003	Contract for freelance translators	Natia Gabelia	English
September 29, 2003	Presidential Decree No. 365 on “Establishment of Competitive (Tender) Commission For Selecting Wheat (Flour) Purchasers With the Aim to Form State Reserves”	Nutsa Amirejibi	English
September 29, 2003	Presidential Decree No.190 dated April 14, 1997 on “Completion of Activities of Competitive (Tender) Commission For Selecting Wheat (Flour) Purchasers With the Aim to Form State Reserves”	Nutsa Amirejibi	English
September 30, 2003	Letter to Silva Rodriguez _09.30.2003	Nutsa Amirejibi	English
September 30, 2003	Monday report	Rusudan Arveladze	English

**ANNEX 23. MAJOR MEETINGS AND TRAVEL DURING THE REPORTING PERIOD**

<b>Date(s)</b>	<b>Purpose</b>	<b>Place</b>	<b>Project participants</b>	<b>Other participants</b>
June 30-July 7, 2003	XXVI Session of the Codex Alimentarius Commission	Rome, Italy	Alexander Didebulidze – Senior Analyst	Nikoloz Shavdia, chief sanitary physician of Georgia, Levan Chiteishvili, MAF; Zurab Tskhitishvili, Ltd “Amaltea.” Delegations from Codex member countries.
July 2, 2003	Discussion of Saktevzi	Project office	Don Van Atta	Tomislav Petr, FAO fisheries expert
July 4, 2003	Georgia-EU legal harmonization issues	DM Tkeshelashvili office, MAF.	Giorgi Dangadze - Lawyer	Kako Janashvili - deputy Head of Wine and Vine department of MAF "Samtresti", Zaur Chanchibadze - Head of mineral and natural waters department of MAF "Sakminkhiltskali", Tengiz Chikvaide - Department of amelioration and water irrigation of MAF, T. Chelidze, T. Giorkhelidze - Food products expertise and monitoring service of MAF, Zaur Chikadze - Protection center of plant varieties selectionists "Saqjiscentri", Zura Lipartia and Otar Skhvitaridze - Head and deputy head of plant protection service of MAF, Levan Ramishvili and Tariel Kvavadze - Head and deputy head of Veterinary department of MAF, Otar Alavidze - deputy head of seed and seedlings inspection of MAF, Jimsher Loladze - Specialist in the cattle breeding department of MAF, Irina Tsomaia agrochemical and soil fertility service of MAF
July 11-12, 2003	Sustainable development of mountain areas: South Caucasian Conference:	Sheraton Metechi, Tbilisi	Alexander Didebulidze - Senior Analyst	Minister of Natural Resources and Environment of Georgia Nino Chkhobadze, officials and experts from Armenia, Georgia, Azerbaijan and Turkey
July 12, 2003	Visit of the Chairman of the Parliament to Kakheti region	Kakheti region, Dedoplistskaro district	Giga Kurdovanidze	Nino Burjanadze /Chairman of the Parliament/, David Shervashidze, Chairman of the Agrarian Committee, Bezhan Gonashvili, members of the Parliament, Presidential Representative to the region, Gamgeblebi
July 15-17, 2003	Seminar on WTO TBT and SPS agreements	Tbilisi Marriott		
July 23, 2003	Harvest work	Kakheti region, Dedoplistskaro and Signagi districts	Giga Kurdovanidze	David Kirvalidze

July 29, 2003	discussion of FINCA plans to monetize 15,000 tons of US wheat in Georgia for project support	Kirvalidze's office	Don Van Atta - Chief of Party	David Kirvalidze - Ministry of Agriculture and Food, Jeremy Strauss - Finca consultant, Heather Moncrieff - FINCA Chief of Party
July 30, 2003	Examine flood damage. The Minister appealed World Food Program for help and the damaged population was provided with one-time food aid.	Imereti region, Baghdati district, Villages damaged by the natural disaster	Giga Kurdovanidze	David Kirvalidze, Deputy Governor of Imereti region, district gameblebi, Head of Amelioration System Management Department, Tengiz Chikvaidze.
July 31, 2003	preparation for 2004 Georgia agricultural census	State Department of Statistics	Alexander Didebulidze - Senior Analyst	FAO advisor, SDS and MAF staff
August 1, 2003	Codex Alimentarius Rome debriefing	USAID Caucasus	Don Van Atta - Chief of Party, Alexander Didebulidze - Senior Analyst, Bidzina Korakhashvili - Senior Analyst, Giorgi Dangadze - Lawyer, Tiko Janashvili - Translator, Natia Gabelia - Translator	Al Williams - Business Development Advisor - USAID/Caucasus, Kevin Carew, Nino Kartoziya - program officer - World Learning Inc, Zurab Tskitishvili, Will Bateson - acting Chief of Party - SAVE Project
August 6, 2003	Codex Alimentarius planning	USAID Caucasus	Don Van Atta - Chief of Party, Alexander Didebulidze - Senior Analyst	Al Williams, Will Bateson, Graham Dale, Alex Zguladze
August 6-7, 2003	Present 200 tons of fertilizer donated by "ITERA" company to the refugees from Abkhazeti at the of request of the Ministry.	Imereti-Samegrelo-Abkhazeti (Gali district), Villages of Gali, Zugdidi districts and Imereti region	Giga Kurdovanidze	David Kirvalidze, David Shervashidze, Bondo Jiqia, gameblebi of districts and villages, Deputy Presidential Representative to Imereti region
August 8-9, 2003	unification of food inspections	DM Tkeshelashvili's office, MAF	Bidzina Korakhashvili - Senior Analyst, Mamuka Matiashvili - Lawyer	Giorgi Tkeshelashvili, DM, Koba Chekurishvili, Lawyer - anti-corruption bureau
August 12, 2003	Cooperation with	Sakstandarti offices	Don Van Atta - Chief of	Mikhail Janakishvili, Sakstandarti head, Shota

	Sakstandarti		Party, Giorgi Dangadze - Lawyer, Alexander Didebulidze - Senior Analyst	Kokhreidze, First deputy chairman, Alexander Burakhovich, Dept head
August 19, 2003	familiarization	project office	Don Van Atta - Chief of Party	Roger Bird, SAVE leasing manager, Tato Tskitishvili, Administrative assistant
August 22, 2003	DFID/ARET field day for livestock project	Sagarejo	Rati Shavgulidze - Analyst	
August 27, 2003	future of Livestock breeding department	MAF	Giorgi Dangadze - Lawyer	Giorgi Tkeshelashvili, Shukri Devnozashvili, Jimsher Loladze
September 1-5, 2003	Workshop on "Moving towards an Agricultural Statistics System for a Market Economy"	Chisinau, Republic of Moldova	Alexander Didebulidze - Senior Analyst	
September 1, 2003	letter from Agroinformi to President Shevardnadze	G. Tkeshelashvili's office, MAF	Mamuka Matiashvili - Lawyer	Giorgi Tkeshelashvili
September 4, 2003	farm insurance	project office	Don Van Atta - Chief of Party, Bidzina Korakhashvili - Senior Analyst	Giorgi Tkeshelashvili, DM
September 4, 2003	briefing on microfinance concepts, discussion of MAF interest in microfinance projects	Kunchulia's office, MAF	Rati Shavgulidze - Analyst	Tamaz Kunchulia, Shota Kilikalashvili
September 8	Meeting with grape-growers and representatives of gamgeobas.	Kakheti region, Sagarejo, Gurjaani and Kvareli districts	Giga Kurdovanidze	David Shervashidze, Kote Khutsaidze, Vazha Mamaishvili
September 17, 2003	meeting with FSP midterm review mission	DVA office	Don Van Atta - Chief of Party	Seamus O'Grady - team leader - European Commission Food Security Program (European Union), Peter Tasker, Francis Duprat
September 23-26, 2003	WB ARET Cooperative Grant Scheme conference	Sheraton Metechi, Tbilisi	Don Van Atta - Chief of Party, Bidzina Korakhashvili - Senior Analyst	
September 25, 2003	Discussion of "Fisheries Law"	Ministry of Economics, Industry and Trade	Mamuka Matiashvili - Lawyer	Roman Tsintsadze Zviad Tsertsvadze, Merab Sharabidze, Temur Kopaliani, Giorgi Zibzibadze,

				Marina Khavtasi and others
September 25, 2003	USAID agriculture coordination meeting	Tbilisi Marriott	Don Van Atta - Chief of Party	David Kirvalidze - Minister - Ministry of Agriculture and Food; David Shervashidze; Al Williams; Gerry Andersen; Richard Hurelbrink; Will Bateson; Jim Richardson; Randall Hager; Allan Lines; Rusty Schultz
September, 26, 2003	Discussion on selection issues	MAF	Don Van Atta - Chief of Party, Mamuka Matiashvili - Lawyer	David Shervashidze - Deputy Minister - Ministry of Agriculture and Food, Kote Khutsaidze, Zaur Chikadze
September 29, 2003	About advisability of creation of new tea sector administrative unit in Ministry	MAF	Mamuka Matiashvili - Lawyer	DM David Grigolia, Tamaz Kunchulia, representative of Ltd. "Beko"

## ANNEX 24. ABBREVIATIONS

ADP	World Bank Agricultural Development Project
ARET	World Bank Agricultural Research, Extension and Training Program
APU	Agricultural Policy Unit
BASIS	Broadening Access and Strengthening Input Market Systems (USAID indefinite quantity contract)
BP	British Petroleum
CASE	Center for Social and Economic Research (Polish NGO)
CERMA	Center for Enterprise Restructuring and Management Assistance
CUG	Citizens' Union of Georgia
DAI	Development Alternatives, Incorporated
DFID	UK Department for International Development
DM	Deputy Minister
EBRD	European Bank for Reconstruction and Development
EU	European Union
FAO	United Nations Food and Agriculture Organization
FFP	Food for Progress
FY	Fiscal Year
GEPLAC	Georgian-European Policy and Legal Advice Center
GESP	Georgia Enterprise Support Project
GMOs	Genetically-modified organisms
GTZ	Gesellschaft für Technische Zusammenarbeit
HACCP	Hazard Analysis and Critical Control Point [methodology]
IFAD	International Fund for Agricultural Development
ITSH	Internal Transport, Shipment and Handling (USDA)
MAF	Ministry of Agriculture and Food of Georgia
OECD	Organisation for Economic Co-operation and Development
OIE	Organisation Internationale des Epizooties
RAPA	Restructuring Assistance and Policy Advice for the Ministry of Agriculture and Food of Georgia
RARP	Regional Agricultural Revival Project
SAEPR	Polish Foundation for Support to Agriculture APU
SAVE	Support for Added-value Enterprises
SPS	Sanitary and Phytosanitary
SRB	State Regulatory Board Ltd.
TBT	Technical Barriers to Trade
UPOV	Union for the Protection of Varieties
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
VAT	Value-added Tax
WFP	World Food Programme
WIPO	World Intellectual Property Organization
WTO	World Trade Organization