



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Cooperation Office
South Caucasus

Rural Economic Development (RED) in the Southern Regions of Georgia



Project title

Rural Economic Development (RED) in the Southern Regions of Georgia

General information

Regions: Samtskhe-Javakheti and Kvemo Kartli (Georgia)
Duration: 01.05.2012 – 31.10.2016
Budget: CHF 12'690'000

RED program is a joint Danish-Swiss funded program aimed at contributing to inclusive and sustainable economic growth in the regions of Samtskhe-Javakheti and Kvemo Kartli in Georgia. It supports farmers and other actors of the potato and dairy value chains to enhance production and related service capacities, thus making the market work better for the benefit of the local population. The program will support enhancement of the competitiveness of two livestock and potato value chains. The support will include managerial and technical advice as well as improved access to capital for investments under reasonable rates and terms. The partner from the Danish side is the Danish Ministry of Foreign Affairs (DMFA) responsible for Denmark's bilateral program for EU's neighboring countries. DMFA delegated the execution of its program contribution to the Swiss Agency for Development and Cooperation (SDC).

Project partners

- Implementing partner: International consortium led by NIRAS A/S, with CNFA and Mercy Corps.
- Institutional partners: Ministry of Agriculture of Georgia; Ministry of Regional Development and Infrastructure; Regional and Local Authorities.

Project objectives

Contribute to the economic growth of the agriculture sector and reduce poverty in the regions of Samtskhe-Javakheti and Kvemo Kartli.

Background

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

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

Project activities

The RED program will provide technical assistance (TA) to the farmers and service providers related to the potato and dairy value chains. This assistance will be provided by the program team and experts to improve agricultural and business management practices of the target groups, and to enhance their productivity and profitability. The program will work with government Institutions and local authorities to strengthen direct contacts with important agricultural players in selected regions and to initiate a dialogue on agricultural development programs.

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

Project results

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



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

**Swiss Cooperation Office
South Caucasus**

Swiss Cooperation Office South Caucasus
Embassy of Switzerland

Radiani street 12, 0179 Tbilisi, Georgia
Phone: (+995 32) 225 36 82 / 83, 222 37 21
Fax: (+995 32) 225 36 84
E-mail: tbilisi@sdsc.net
Web - page: www.swisscoop.ge