



Major Groups and other Stakeholders Questions and Answers as part of the Voluntary National Review of Georgia at the High-Level Political Forum on Sustainable Development under the auspices of the Economic and Social Council

New York, 31 July 2020

Question 1 – How do we balance between using COVID lessons to recover current and further crises and the same time to go green, innovations, Circular, Inclusive and Blue economy, while trying to keep them competitive providing the Civil Society participatory approaches?

Answer – Striking the right balance between COVID-19 related healthcare crisis and ensuring continuation of sustainable development is the challenge that governments worldwide are facing. The backdrop of Covid-19 pandemic put the role of Georgian government into a sharp focus. It also highlighted the underlying inequalities and alerted the society to the need of resuming economic growth without leaving anyone behind. The whole-of-government response to the Covid-19 pandemic has been coordinated through the Administration of the Government, which is also responsible for mainstreaming and coordination of the SDGs.

From the onset of the pandemic, the Georgian Government’s decisions have been directed toward flattening the curve and ensuring compliance of economic activities with the highest safety standards, on the one hand, and toward mitigating the negative impact of the virus and, to that end, supporting the private sector and citizens.

Bearing in mind these two key principles, the Government of Georgia:

- During the lockdown phase (caused by the need to stop spread of the virus) ensured that the key areas of the economy are properly functioning in the country;
- Designed a 6-stage plan for restrictions lifting, that would ensure gradual resumption of the economy in a way to minimize the risk of the spread of the virus;
- In order to safeguard proper recovery of the key sectors of Georgian economy, developed anti-crisis plans that include measures to ensure continuation of the inclusiveness and circularity of the economy, on the one hand, and to take into consideration the challenges of pandemic. In particular detailed plans have been designed in the following areas:
 - Anti-Crisis Plan on Tourism Revival;
 - Anti-Crisis Plan on Agriculture;
 - Anti-Crisis Plan on Education;
 - Anti-Crisis Plan on Development Sector.

Detailed information about these plans are available in the following web-page

<https://stopcov.ge/en/Gegma>

Question 2 – In regard to the government policies to promote Rural Youth Entrepreneurship, Rural Women and smallholder Farmers' support in developing countries, which Food Systems and Business Models are more effective and sustainable should be focused on?

Answer – As the crisis, caused by the pandemic, put the governments in the extraordinary situation that has never been experience before, it is difficult to measure and identify ready-made policies. Therefore, Georgian government, is trying to firstly, assess the situation and challenges in each area and base on the identified needs come up with the tailored policy solutions.

Thus far, the Government policy in ensuring food safety and effective functioning of the food systems has been also dealt in two specific directions:

1. The Lockdown Phase

One of the four priority directions in the fight against COVID-19 included **Supplies and logistics**. Namely the management of an uninterrupted supply of food to the population. The Interagency Coordination Council led by the Prime Minister put the Ministry of Environmental Protection and Agriculture in charge of food supply management and logistics and transport supervision. An emergency command center was created at the Ministry of Environmental Protection and Agriculture, main food products were defined to be monitored on a daily basis—in particular, import indicators, available supplies in the country, and prices were monitored—to prevent illicit behavior and to ensure the population’s social protection.

Since the beginning of the crisis, prices were monitored at larger retail outlets. As part of the plan for ensuring food safety, a program for maintaining basic food product prices was implemented. The Government of Georgia insured prices against 9 basic food products caused by exchange rate fluctuations to secure that there is no significant rise: in order to mitigate the devaluation effects of the national currency, a program was developed that proved to be conducive to the stability of prices on staple food products at the 1st stage of the crisis when inflation risks increased significantly. On certain conditions, the State subsidized currency exchange difference for importer companies purchasing 9 basic food products

In addition, the Government approved the state program for subsidizing grain import. Under the program, to maintain sales prices of bread and wheat flour, the import of 40,000 tons of grain was subsidized in order to replenish supplies diminishing because of growing grain prices. Under the program for grain subsidizing, additional supplies were put in place and, in line with the program’s terms, a maximal flour price was defined, this way enabling bread makers to keep bread prices from growing.

Consequently, supplies of basic food products were secured in the country and, despite the situation in the regions, food provision in Georgia carried on without delays. Under the grain subsidy program, additional supplies were ensured in the country. These measures, on the

one hand, secured sufficient supplies in the country, and, on the other hand, protected the market from speculative price growth.

2. Recovery Phase

Agriculture is crucial to Georgia. It employs 39% of the country's workforce (2018). Therefore, supporting the industry in meeting the pandemic-related challenges is a must. For this reason, the agriculture incentive programs envisage increased state share in co-funding. Since in a crisis, finances are hardly available, the new components have been added to the State-run "Preferential Agricultural Credit" program. In particular:

- Loans of 5000-100 000 GEL are going to be issued for crop farming floating assets and the State will fully subsidize the 6 month interest rate of the secured credits, while that of the unsecured credits will be subsidized by the annual 17%. It is likely to stimulate farmers to cultivate land and grow the annual crops. The total loans to be provided to the farmers within the frameworks of the program are going to make up 50 M GEL. The annual interest rate co-funding budget amounts to 4.5 M GEL. 5 000 potential beneficiaries are expected to get involved in the program;
- Co-funding of the fixed assets is going to increase from 8% to 11% for the term of 48 months. As to leasing, instead of the present 9%, the co-funding will be 12%. Also, the bank interest cap for the fixed assets component and all its sub-components is going to be 18% instead of 15%. The total approximate amount of the loans issued to farmers will make up 25 M GEL. For 2 years, the annual interest co-funding budget amounts to 4 M GEL.
- Secondary collateral was created for the credits issued for the acquisition of floating assets for the meat production, cattle breeding and hazelnut cultivation. For 18 months after issuance of a State loan or its first tranche, not over 50% of the principal of each newly issued credit is going to be secured by the State secondary collateral.
- For 24 months, the State will co-finance the annual 10% interest rate of 1 500 001 - 5 000 000 GEL credit. Apart from the funding targets in place, the grape processing plants, bread, grain product and pasta production are going to be co-funded. As to the food industry, for 24 months, the State will be co-funding 12% of the credit taken out by the food manufacturing businesses. The approximate total of the loans to be issued to farmers under the program will amount to 20 M GEL. The secondary collateral budget: 0.5 M GEL.
- A technical support program for the beneficiaries of the State-run agricultural program is going to be launched. The program is targeted at the increased national agricultural potential. The program budget: 1.5 M GEL. The program beneficiaries will get co-funding in terms of the introduction of international food safety management system/standards and branding.

Question 3 – What strategies will you propose for efficiency measures in Supporting Rural Communities, Gender, Youth for greater profitability resilience of Social Infrastructure and the role of subnational & local governments, today and in the future, assuring the importance of nature conservation, Farmer's Rights, Advocacy and Sustainable development?

Answer - Responding to the pandemic, the Government developed the crisis combat plan in the agriculture sector. The plan puts enormous significance of the support to the farmers. For that reason, an unprecedented farmer support program has been developed, within the framework of which all the components of the agricultural value chain will get financial and technical support. The Government strives to minimize the damage done to the country by the global crisis. In particular:

- 37 M GEL has been allotted for the farmers to purchase fertilizers, pesticides and herbicides, seeds and seedlings and pay for tillage.
 - “The Agricultural Land Owners Stimulus” State-run program envisaging subsidizing the costs of the agricultural goods and land cultivation is going to be launched. In order to be eligible, the natural persons and legal entities have to own agricultural lands registered at the Public Registry. The subsidy per 1 ha land: 200 GEL (200 points charged to the agricultural card). The maximal subsidy for up to 10 ha land is 2000 GEL. Approx. 200 000 farmers are going to get involved in the 37 M GEL program.
 - The State subsidy also envisages support to the owners of 0.25-10.0 ha agricultural lands registered/to be registered with the Public Registry by December 21, 2020.
- A new agricultural production incentive State-run project envisages purchase at a favorable price of diesel by owners (the natural persons and legal entities) of 0.25-100 ha agricultural land registered with the National Agency of Public Registry. The fuel limit per 1 ha: 150 l. Up to 200 000 farmers eligible for the program are going to save up to 40 M GEL.
- The farmers’ debts of 8 M GEL caused by failed payment for the land improvement service in 2012- 2019, will be written off. This year, the State will subsidize up to 75 GEL per ha land improvement service fee of the total of 5 M GEL.
- For the purpose of support to the primary production, the “Agricultural Production Incentive” program envisaging co-funding the purchase of the agricultural equipment and acquisition/installation of the annual crop irrigation system, as well as purchase of the fixed assets required for setting up/upgrading/expanding the hothouse facilities is going to be resumed. The total State co-funding per a beneficiary is 50% but not over 50 000 GEL. The total co-funding program budget amounts to 10 M GEL. 200 tractors, 80 000m² hothouses are going to be funded and the irrigation system to be installed on 400 ha land.
- A technical support program for the beneficiaries of the State-run agricultural program is going to be launched. The program is targeted at the increased national agricultural potential. The program budget: 1.5 M GEL. The program beneficiaries will get co-funding in terms of the introduction of international food safety management system/standards and branding.

- The term of the agricultural insurance program has been prolonged up to 3 years. Therefore, in case of insurance of the perennial plants, the farmers would be able to ensure their harvest for 3 calendar years. The insurance policy covers the risks, such as hail, floods, hurricane, and autumn frost. The 2020 program budget: 9 M GEL. Over 15 000 insurance policies are going to be issued this year and over 12,000 ha agricultural land is going to be insured.
- The State “Dairy Industry Upgrading and Market Access” program is being launched. The initiative aims at the diversified and sustainable dairy industry by way of upgrading the equipment and infrastructure. The program also aims at stimulating small dairies, introduction of the international standards and practice; the dairy farms are going to be co-funded by 40-80%, i.e. 8000 GEL-195 000 GEL. The aggregate budget of the program: 42 M GEL.
- Support for the agricultural cooperatives is becoming a priority. The implemented program involves funding the equipment of the agricultural cooperatives so that the produce meets the market demand. Also, the program will help the cooperatives introduce international food safety standards and branding.
- For the purpose of support to the agricultural market and progress of the industry, in 2020-2022, the property right to 1.2 M land lots is going to be formally registered across Georgia.