

Small Business Initiative

Improving High-Value Trade Opportunities in Horticulture

Small Business Impact Fund

1 January – 31 December 2018

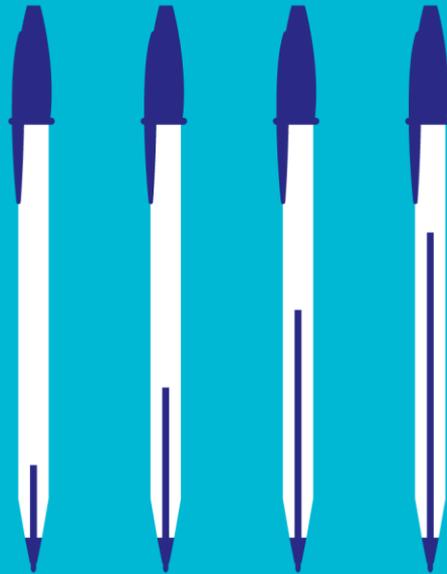


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1 Description

Title of the Programme	Improving High-Value Trade Opportunities in Horticulture - capacity development along horticultural value chains
Programme value	USD 572,578
Funded by	Small Business Impact Fund (SBIF)
Start date and end date of the reporting period	January 2018 – December 2018
Target countries	Georgia, Moldova, Tajikistan and Uzbekistan
Final beneficiaries / target group	SME producers growing nuts, fruits and vegetables

2 Executive Summary

The European Bank for Reconstruction and Development (the “EBRD” or the “Bank”) has been investing in the agri-food value chains of the Early Transition Countries¹ (“ETCs”) in operations ranging from primary agriculture, to processing, distribution and retail. The countries in question, in particular Georgia, Moldova, Tajikistan and Uzbekistan, present excellent opportunities to develop horticultural value chains, including growing nuts, early fruits and vegetables. However, these countries have limited land and water resources.

Efficient use of resources and focus on growing high value crops that could be exported or sold domestically is therefore imperative to support transition in these countries. Similarly, producers need support in identifying markets as well as business opportunities abroad to market their products.

This Programme aims to identify opportunities and potential for future investment in the horticultural sector across Georgia, Moldova, Tajikistan and Uzbekistan, while supporting the capacities of producers across the identified value chains. It is part of a larger project undertaken by the EBRD to do the following:

1. Conduct a value chain analysis to identify investment opportunities along horticultural value chains.
2. Provide capacity development along the horticultural value chains in support of the DCFTA implementation in Georgia.
3. Develop capacities of horticulture value chain actors in the four above countries and offer opportunities for knowledge exchange and trade linkages with other actors in the region.

The Programme and the funding from SBIF only cover component 3, while components 1 and 2 have been funded by the EBRD Shareholder Special Fund (the “SSF”) and the European Union (the “EU”), respectively. The total value of the project is USD 1,512,266, and the value of component 3 is USD 755,349. The contributors to SBIF were asked to extend only USD 572,578 while the remaining amount was secured from the SSF for non-SME stakeholders.

¹ Armenia, Azerbaijan, Belarus, Georgia, Kyrgyz Republic, Moldova, Mongolia, Tajikistan, Turkmenistan and Uzbekistan.

3 Activities and results during the reporting period

3.1 Economic and business environment

Three value chain studies - on herbs and table grapes in Georgia and on table grapes in Moldova – have identified the following:

Considering favourable climate conditions for production of herbs and a long-standing growing tradition, Georgia has a good basis to expand to the global market. So far, though, production and exports of fresh herbs are focused almost exclusively on the Russian market. The analysis of the value chain shows that sales in CIS countries return only c.10% of the final price to the Georgian producers-SMEs. Their European peers receive c. 25-30%. To take better advantage of the 500 million consumer market available thanks to the free trade agreement with the EU, investments should be channelled towards modern processing facilities to ensure high quality and compliance with advanced production and food safety standards in return for higher incomes for producers.

While Georgia has a well-developed production and export of wines and grows a variety of wine grapes, it remains a net importer of table grapes, and domestic consumption of table grapes is extremely low. The only reason for this is lack of high-quality grapes. Lack of knowledge and experience in table grape production, storage and marketing limits the development of the sub-sector in Georgia. A moderate increase in domestic consumption and replacing some imports could bring Georgian SMEs an additional USD 50 million in revenues.

Moldova is a leading producer and exporter of table grapes in Eastern Europe and it has more than doubled its exports in the past five years. However, there is a major downside – the value of Moldova’s exported grapes is the lowest than any other among top-40 exporters. Table grapes variety “Moldova” occupies over 70% of the total area of table grapes, including about 90% of the new plantations. Consumers in higher income countries require standard high quality of produce, good packaging and sorting as well as reliable supply of known grape varieties. If the country would improve the quality and introduce high-value varieties, it could gain four to five times as much export revenue from the same volume of grapes exported - USD 400 million instead of the USD 80 million.

Further value chain studies, also covering Uzbekistan, will be developed in the course of the project in 2019, as well as specific technological audits for the retail sector.

3.2 Small business investment

Investment activities were not foreseen for this Programme.

3.3 Small business advice

Five workshops on fruits, greenhouse produce and table grapes were organised in Georgia, Moldova and Tajikistan to communicate the findings of the studies mentioned above, demonstrate new modern technologies and opportunities for 470 stakeholders. In all three countries workshops on table grapes were organised in November and December 2018. The events supported an exchange of knowledge and experience in the traditionally grapes-growing countries as well as sharing expertise on marketing of fruits by international consultants.

The main point of the discussion during the conference in Moldova in November 2018 was the oversupply in the world market with low-quality apples and berries, an increasing apple production and a shrinking demand while importers of Moldovan apples have started to grow their own products. Moldovan producers therefore can only move towards new markets by investing in quality and marketing.

Experts from Israel speaking at a conference on greenhouse produce in Georgia in May 2018 stressed the high quality of herbs grown in the country and the limited use of pesticides. With the right post-harvest handling procedures Georgian herbs could appear in European supermarkets soon.

The lively discussions during the events helped to set a solid and sustainable vector for the future development of the sector.

Six trainings were held on modern production and post-harvest handling of table grapes, culinary herbs and apples and pears and soft fruits sub-sectors, in particular:

1. May 2018, Kutaisi, Georgia - Seminar for culinary herbs producers
2. November 2018, Tbilisi, Georgia - Seminar on modern technologies of table grapes production
3. November 2018, Chisinau, Moldova - Seminar on modern technologies of table grapes production
4. November 2018, Chisinau, Moldova - Seminar “Apples and pears of export quality- how to produce?”
5. November 2018, Chisinau, Moldova - Seminar “Berries technologies - from planting to export”
6. December 2018, Dushanbe, Tajikistan - Seminar “Modern technologies of table grapes production”.

Trainings were focused on modern technologies of production, storage, packaging and marketing of respective fresh produce, which would open higher value production and trade opportunities for farmers. 365 farmers participated in the six seminars and the feedback was very positive²: about 95% of participants have evaluated seminars as very useful and 75% reported that they have improved their knowledge on modern production techniques.

There was a lot of interest from the local stakeholders in the findings of the value chain studies, and the workshops were very well attended. Also, since the trainings were scheduled close to the workshops, the participants were well mobilised. This resulted in a much better attendance than expected: 470 representatives of private sector (mainly SMEs), policy makers, input suppliers and development partners participated in the events.

3.4 Policy dialogue

Policy dialogue activities were not foreseen by this Programme.

4 Lessons learned

No implementation issues have been encountered so far. The interest of stakeholders to participate in the EBRD activities under the Programme is high, as is evident in the training participation numbers so far. Sustainability of activities is ensured by sharing articles describing investment opportunities along the value chains based on studies outcomes were shared via web-platform east-fruit.com, which has over 3000 users daily.

5 Communications and donor visibility

Consultants and participants in workshops and training have been made aware of the donor support.

6 Conclusion and next steps

The Programme is well on track with several significant achievements already evident. This includes accomplishing high interest in the Programme among local stakeholders in Georgia, Moldova and Tajikistan, as is evident by the participation numbers in the trainings organised by the EBRD. So far, three value chains studies have been presented with several more due in 2019 and 2020. There are also study tours, trainings on production and handling, and business-to-business forums planned for 2020 and 2021.

² Based on the telephone survey

Annex: Results framework – progress to date

Specific objective	Outputs	Target	Result (31 Dec 2018)	
Strengthened role of SMEs in economy through enhancing their competitiveness and innovation	A Number of SMEs supported with EBRD business advice	80	32	
	B Number of value chain studies conducted and shared with SMEs	13	3	
	C Number of capacity building events for SMEs on production and technologies in horticulture	27	11	
	D Number of investment promotion conferences (including B2B trade forums) for SMEs	3	Too early to assess	
	Outcomes			
	% of assisted SMEs in the selected countries improve their knowledge on modern production techniques and trade	75	75 ³	
	% of assisted SMEs invest in new technology/production method	10	Investment phase	

³ Based on survey of training participants