

# LOCAL ECONOMIC DEVELOPMENT PLAN

## Chokhatauri Municipality

### Georgia



This Plan was prepared with technical support from the Mayors for Economic Growth initiative of the European Commission. It was reviewed by staff of the World Bank and considered in line with the principles of the Mayors for Economic Growth initiative. Its content is owned by and remains sole responsibility of Chokhatauri municipality.

**September 2018**

## **Preface from Mayor**

We welcome and appreciate that Chokhatauri municipality has an opportunity to participate in an important project, such as the EU initiative the Mayors for Economic Growth. The economic development for the municipality largely depends on the success of the growth-oriented private sector. The purpose of this Local Economic Development Plan is to support the private sector in achieving those goals. This is the unique purpose document, based on the M4EG's principles and focuses on private sector development. Implementing the LED Plan gives the municipality an opportunity to attain the necessary experience and competencies in the field of EU projects management, develop the private sector, and create new jobs.

The plan development process had involved representatives from the local government, the private sector, non-governmental organizations, and educational institutions, for which I would like to thank them very much. Also, I want to thank the Mayors for Economic Growth Initiative's Tbilisi Secretariat for the support provided on all stages of the plan development.

The Mayor of Chokhatauri Municipality and the Local Government is ready to be actively involved in the Local Economic Development Plan implementation process.

Irakli Kuchava

The Mayor of Chokhatauri Municipality

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## 1. Executive Summary

Chokhatauri is one of the most famous parts of the Guria region. 65% of its territory is mountainous. Near Chokhatauri, there are railway stations, seaports, and airports. In the municipality, there are several important enterprises that operate in sectors like, mineral and fresh water, fruit processing, timber manufacturing, and hydropower generation. Last year, private sector constructed one hydropower plant and this year two new hydropower plants will be built. In recent years, there have been growth and development of traditional agricultural fields, such as Hazelnut farming, tea producing, beekeeping, viticulture of endemic varieties etc. The growth was due to international and governmental projects supporting sustainable rural development. In terms of tourism, the municipality has a growing potential enabled by long-established healing and recreational resorts, such as Bakhmaro and Nabeghlavi. The municipality is also rich with various historical and cultural monuments and tourist sites.

In partnership with the private sector and civil society in accordance to the Mayors for Economic Growth standards, On November 13, 2017, Chokhatauri Municipality joined the Mayors for Economic Growth initiative which envisages the broad involvement of all stakeholders in the process.

To fully use Chokhatauri Municipality's rich touristic and in general economic potential, we need to make an investment opportunities presentation in tourism, agriculture and the municipality's economy in general. Amortized and often non-existent infrastructure in resorts and landmarks need to be developed. To meet the growing tourist flow, it is necessary to support the development of a weakly developed hospitality business by attracting investors in this field and making local populace interested in pursuing family hotel business.

As a result of the analysis, the Chokhatauri Municipality vision was formed-Chokhatauri is attractive municipality for living and for tourists, where there is favorable investment environment and small and medium business is developed.

There are following measures set for achieving vision and goals: Conducting festivals and cultural events, improving tourism infrastructure, aiding private sector in accessing finance, improving beneficiaries' agricultural skills and promoting the municipality's investment potential. The Plan envisages the amount and possible sources of funding. Local and central budgets financially support the plan, but some of the activities require support from donor organizations.

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### Abbreviations

M4EG - Mayors for Economic Growth

LED - Local Economic Development

SWOT analysis - strategic planning technique

ENPARD - European Neighborhood Programme for Agriculture and Rural Development

#### **4. Introduction to the Plan**

Chokhatauri municipality joined the initiative Mayors for Economic Growth in November 13, 2017. Chokhatauri municipality is located in the southern part of the Kolkheti lowland in the Guria region, western Georgia. The administrative center of the municipality is the town of Chokhatauri. 65% of its territory is mountainous. Its economic development is strongly dependent on rail, and marine transportation carried out by Ozurgeti and Samtredia municipality's railway lines and Poti and Batumi city seaports. The municipality is 60 km away from the second largest city Kutaisi. Kutaisi is western Georgia's one of the most important economic centers and is a unique tourist destination. There two free industrial zones are located. The closest airport is Kutaisi international airport, which is located 35 km away from the municipality. It is the only international airport in the region that offers services provided by low-cost airlines. The airport can serve 600 passengers simultaneously.

Significant seaports are located in Batumi and Poti at 80 – 70 km distance away from the municipality. Historically Batumi port is a logistics center in the Caucasus region. The port consists of the passenger terminal, container, dry cargo and oil terminals. By performing an active role in oil transportation for decades, Batumi port became an international transport corridor

The Poti port is the primary hub of Europe-Caucasus-Asia Transport Corridor "TRACECA," which aims to strengthen economic relations, trade and transport in the regions of the Black Sea basin, South Caucasus and Central Asia. The distance between the municipality and the capital city, Tbilisi is 296 km, which can be covered in 4 hours by motor transport. Samtredia-Kobuleti - 25 km section of the national significance road passes through the territory of the municipality. The municipality's working age population is 12,000 people, which is 64% of the entire population. Of these 6200 are men and 5800 are women.

Chokhatauri municipality consists of 23 territorial units: Administrative territorial unit Chokhatauri, 61 villages and Administrative territorial unit Bakhmaro resort. According to the census taken by the National Statistics Office of Georgia in 2016, the population is 18,900 people. 1800 people live in the town of Chokhatauri, while 17,100 people are living in villages. The average density of the population is 29,86 persons per sq. km. The average age is 42 years. The average age for men is 40 years, for women 45 years. The municipal population in 2016 decreased by 17% compared to 2006, resulting mainly from the migration processes. 22800 People were recorded in 2006, while in 2014 there were 18900 inhabitants. The migration process is continuing. There are two types of migration in the municipality: From mountainous villages to lowlands and from the municipality to cities and abroad. Economic factors mainly cause this.

The Local Economy Development is of utmost importance for our municipality, which strengthens and develop the private sector, create new jobs, and reduces unemployment. The initiative from the Mayors for Economic Growth allows the municipality to improve the economic situation at the expense of analyzing its capabilities; to make positive changes by the development of its capacities and skills through private sectors and civil society cooperation. In 2016, Chokhatauri Municipality with the Ministry of Regional Development and Infrastructure developed the Municipal Vision and Medium-Term Priorities document. One of the main priorities of this document is the priority N2 - to promote the local economic development, and it comes in coincidence with the M4EG goals. The (LED) Plan also relates to the chapter VI (Goals and Priorities of Regional Development) of the Regional Development Program 2018-2021, which was developed by the Ministry of Regional Development and Infrastructure of Georgia.

It should be noted that the plan was developed specifically for inclusion into the initiative Mayors for Economic Growth. It is not a comprehensive strategic development plan of the municipality and does not replace other plans. It is the special purpose document that is carried out in accordance with the principles of the M4EG. It focuses on the development of the private sector in order to achieve growth, development, employment and will be used in practice. The Plan was developed in partnership with the private sector and civil society in accordance with the Mayors for Economic Growth standards, which envisages broad involvement of all stakeholders in the process. The (LED) Plan is going to be partly provided by the municipal budget of 2019-2020.

## **5. Process of Local Economic Development Plan.**

In Chokhatauri Municipality, according to the Mayors for Economic Growth initiative principles, the local public-private sector partnership was established to allow representatives from Local Authorities, Business Sectors such as wholesale and retail trade, construction, agriculture, manufacturing, financial, hospitality and tourism, NGOs and Educational Institutions such as educational resource center and schools, are represented on the principle of equality and professionalism Partnership members agreed upon candidates to work on the plan and formed a four-member LED planning group headed by an Economic Development Officer. The planning group consisted of representatives of the local government, civil society, and the private sector and was certified by the Mayor. The Plan was developed as a result of the planning group and the partnership cooperation, which involved a wide spectrum of all stakeholders and the community. The group held up to 10 meetings with 90 representatives of the private sector, 10 representatives of the banking sector, 15 representatives of non-governmental organizations and 50 representatives of the Municipal Hall and the City Council, on which the development of a local economic plan was based. While working on the plan, work meetings were held between the planning group and the partnership.

Involvement of various stakeholders has contributed significantly to the development of the plan because each of their views and experiences gave us the opportunity to address the challenges that the growth of the local economy faces and implement the ways for their solution. Meetings were based on specific questionnaires, discussions, information gathering and analysis.

## **6. Local Economic Analysis**

### **6.1 Analysis of Local Economic Structure**

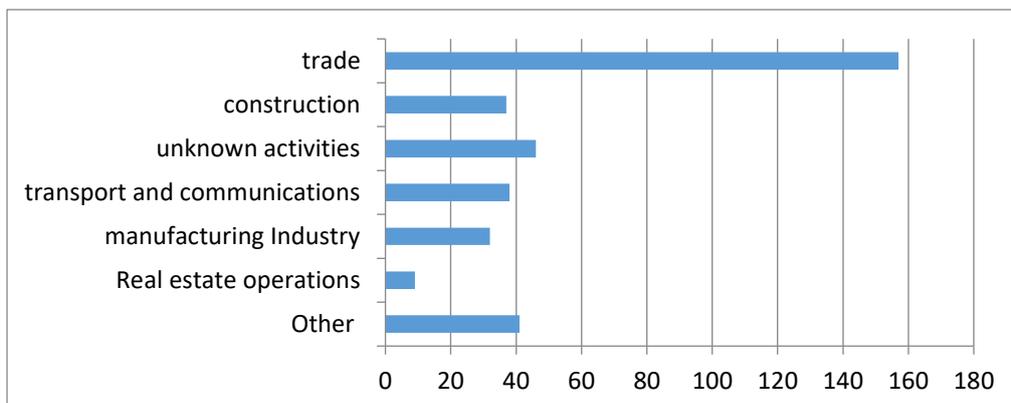
In Chokhatauri Municipality, agriculture is the leading sector of the economy. The area of the agricultural land of the municipality is 17,326 ha; 21% of the total area of the municipality which is 82,509 ha. Out of these, 2,947 ha are allocated for perennial crops, for one-year crops - 2,532 ha, the remaining 11,847 ha is intended for livestock hay and pastures. 43% of the agricultural land is privately own, and the remaining 57% are state property.

At present, leading sectors of the agriculture are hazelnuts production, winemaking, livestock farming, and beekeeping. The municipality has a growing potential in this regard, and it is necessary to equip people with up-to-date knowledge, technique, and technologies in this field to get high quality and competitive products. In the municipality, fruit growing, grain farming (maize), citrus and tea farming are being developed. The largest share of annual crops comes from corn culture, with 2,485 ha of the agricultural land occupied by maize. Vegetable crops take up 48 hectares of land, mainly in the mountain villages, where 27 ha of the agricultural land is used for potato farming, while 17 hectares of the land is used for a variety of crops.

The total number of ungulates in the municipality in 2014 was 9,950, with 6,200 cattle, 1,700 goats and more than 1,300 pigs. Livestock farming is not used for production purposes, and it is mainly for family purposes and consumption. However, it should be noted that land resources allow for more development of the sector. There are 225 farms recorded in the municipality. Among them, 43 farms are engaged in livestock farming (more than 30 pieces of livestock in each farm), in beekeeping 35 Beekeepers (more than 30 beehives in each farm), in Fisheries 2 farmers, in hazelnut farming 157 farms (more than 1 ha land in ownership). It should be also noted that most of the farmers are also engaged in annual crops farming.

Due to topographical and other factors most, agricultural land plots are fragmented and separated from each other that makes it difficult to consolidate lands and unite farms to strengthen them. Consolidation of fragmented plots of lands for achieving optimum size and shape of farmland affects productivity. Most of the agricultural products produced are for local consumption. Over 50% of the agricultural products are imported from abroad. Local manufacturers cannot compete with the imported products due to lack of technical knowledge about modern farming and limited access to new technologies. 8,500 people are engaged in farming their small household land plots, which is 80.6% of the working age population. This field is not sufficiently modernized and technically equipped. Most agricultural products produced are not for sale and used for household consumption. There is a significant disproportion between the number of people engaged in this field and the volume of agricultural products produced.

Based on data from the National Statistics Office of Georgia, the municipality’s economic analysis covers 2014-2016 years period. An extended period data is not available. According to the National Statistics Office of Georgia’s data in 2015 production output of the private sector in Chokhatauri municipality amounted to 21.2 million euro, which is 27% of the region-wide production output. Municipality’s manufacturing and services industries turnover was 25.2 mln euro in 2015 which exceeds the previous year's data for the Municipality by 8% and is 21% of the region-wide turnover. The value added created by the industries was 10.6 mln euro. The total number of employed population was 2300 persons (the public sector - 1200, the private sector- 1100). The central part of the workforce was employed in the public sector and relatively few in the private sector. The number of unemployed population was 9700 people, including 8500 people who were engaged in farming their small household land plots. The Investments in fixed assets were 0.8 ml. euro. The Average annual number of people employed in the private sector was 650, and the average yearly number of people employed in the public sector was 740. Their average monthly salary was 300 euro. According to the official statistics in the 2015 year 360 enterprises where in operation, 30 of them were medium and two large.



**chart 1:** The number of active businesses in Chokhatauri Municipality 's business sector by types of activities in 2015.

Between 2014 and 2017 the total number of newly registered business entities in the municipality amounted to 100 enterprises. Such an increase is mainly due to the state program "Produce in Georgia" - funded businesses.

Natural resources of the municipality create opportunities for economic and business development. It should be noted that the municipality has substantial hydropower resources which are provided by fast mountain rivers. Mainly, in the village of Khevi construction of a small hydroelectric power plant Nabeghlavihesi, completed in 2017. The plant produces 2 MW of electricity and employs ten locals. At present, one more power plant is undergoing construction, and there are plans for two more power plants construction on two different rivers. The overall planned capacity of hydroelectric power plants is 65 MW, and the overall volume of investments will reach 78 mln euro. As a result, 30-40 new jobs are going to be created and mostly filled by locals.

The leading enterprise in the municipality is JSC "Healthy Water" which employs around 100 people, where 98% of employees are locals.

The analysis revealed that the most efficient company judging by its annual turnover and profits adjusted for size, growth rate, which is part of the most significant number of local value chains and is representative of the territory's unique products and services, is JSC "Healthy Water." Since 2016 the company began to expand its business. In 2017, "RAUCH," one of the leading fruit juice and non-alcoholic beverage companies in Europe, has commenced the cooperation with JSC "Healthy Water." In 2017, a new multi-profile non-alcoholic beverage factory opened in village Nabeghlavi, Chokhatauri municipality. As a result, the company's production capacity has increased several times. "Healthy Water" is producing not only Mineral water "Nabeghlavi" and Spring Water "Bakhmaro" but also "RAUCH" Juices and other non-alcoholic beverages. Besides success in Georgia, Nabeghlavi and Bakhmaro gained appreciation on the international market as well. Currently, the company exports to about 30 countries worldwide Including states of EU, CIS, Middle East, Asia, and North America.

The company which is relying on local providers and resources while building their value chain the most is Ltd Kakheti Traditional Winemaking – Agro Chokhatauri fruit processing enterprise "Nena." Construction of its fruit processing plant started in 2013 with 0.8 ml. euro investment and is now in operation. The plant processes local fruits supplied from within the municipality and other regions of Georgia and employs 30 domestic workers. It produces Up to 30 types of jams, compotes and plum sauce. At the moment its Products are sold countrywide and exported to Chine, Czech Republic, and Russia. In 2018 the company is planning to open its retail store in Chokhatauri. The Municipality City Hall has already issued the construction permit.

In the central town of Chokhatauri during 2014-2018 years necessary road infrastructure rehabilitation and town gasification projects have been completed. The town also has a new water supply system. The municipality is provided with electricity. All those factors stimulate economic growth and development in the area and facilitate further development of production and trade in the municipality.

In the municipality regarding tourism there is distinctive and unique, Europe's highest resort Baxmaro. The resort is in the hollow of Guria Mountains covered by pine and fir trees at an elevation of 2,050 meters on the Adjara-Guria mountain range. Its air has a healing effect. The unique climate of Bakhmaro is the best means of strengthening immunity and reinvigorating oneself and gives excellent results in the treatment of tuberculosis and other respiratory diseases.

The character of Bakhmaro climate is caused first and foremost by its location. The resort is open to the west and thanks to that, the gorge is invaded by warm sea winds that ensure the formation of the best combination of sea and mountain climate. It should be noted, that there are plans by the Government to develop Baxmaro as a ski resort. The number of annual tourists is high, and it ranges from 15,000 to 18000 visitors. In 2018, Czech company LTD "Mountain Ski" plans to build a 40-room hotel with the 90-seat restaurant there. The company has already requested needed territory from the municipality administration.

In the municipality's Gubazeuli valley at 470 meters altitude is located the beautiful balneological resort Nabeghlavi. Characterized by unique climatic, balneological conditions and mineral healing waters. Nabeghlavi mineral water is successfully used for the treatment of gastrointestinal tract, liver, kidneys, bone joints, skin, and nervous system diseases.

Currently, not fully realized is the municipality's tourism potential. To ensure the municipality's tourist attractiveness and competitiveness, implementation of essential infrastructural works are necessary at the tourist destinations, as well as, reflection of relevant zones in tourist maps and routes, information campaign and the tourism potential positioning on domestic and international tourism markets.

The municipality has potentials in the economic development based on growing sectors and opportunities, Such as Bakhmaro resort and other tourist attractions development, utilization of natural resources of the municipality, (forest resources (timber)), mineral and still water, balneological water - Sulfide Mineral Waters, hydro resource for small hydropower plants), development of viticulture of unique endemic varieties of the vine in the municipality, more development of beekeeping, tea, hazelnut, and livestock farming.

In the municipality access to finance is limited for both the public and the private sectors. Poor infrastructure at the tourist destinations discourages potential entrepreneurs from investing and operating in this field. Lack of investments prevents the development of promising areas of agriculture and the utilization of natural resources. Therefore local human resource is not in demand, which leads to unemployment and migration from the municipality.

**Table 2: Presentational Table for Private Sector Companies**

Type of economic activities	Number & % of businesses (per classification)			
	Micro	Small	Medium	Large
Industrial Manufacturing		45 - 9,9%	8 - 21%	1-100%
Agricultural Production	2200 - 98%	233 - 51,2%	2 - 5,3%	
Retail		102 - 22,4%	5 - 13,1%	
Wholesale				
Business Services (training, consulting, marketing research, PR, advertising, publishing)			1 - 2,6%	
Medical Services		6 - 1,3%	2 - 5,3%	
Legal Services (notary, lawyer)	1 - 0,04%	1- 0,2%		

Services to Population (hair dresses, laundry, car repair services, minor repair services)	10 - 0.4%	5 - 1,1%	2 -5,3%	
Restaurants, cafes, bars etc.		4 - 0,9%	2 -5,3%	
Hotels, hostels etc.	15 - 0.7%	4 - 0,9%	1 -2,6%	
IT Services	5 - 0.2%			
Transport		30 - 6,6%		
Construction, Development		25 - 5,5%	12 -31,5%	
Communication Services			3 -7,9%	
Creative Services (design, photography, videography, web design, social media, event)	5 -0.2%			
Waste Management				
Tourism	2 -0.01%			
Cultural Heritage (Non profitable at this stage)	6 -0.%			
Etc.				

## 6.2 Local Cooperation and Networking

There are successful forms of local cooperation in the municipality. The designated municipal department assists applicants of micro and small business support programs in developing and registering business ideas, preparing business plans and subsequent reporting. In the City Hall there is a council working on challenges faced by persons with disabilities. The Council cooperates with NGOs and governmental sectors to ensure their rights are protected, and equal opportunities are provided, implements and coordinate the unified policy on issues of disability in the municipality, works on community integration for persons with disabilities, and protects the rights of persons with disabilities within its competence. There also actively functions the Mayors Advisory Board, which meets once a month and discusses the municipality's existing challenges and ways of overcoming them. The Municipal Assembly sessions are open and live streamed on the Facebook page of the Assembly. Provided are services from the municipal services to citizens according to "single Window" Principle. There is important cooperation between relevant structural departments of the City hall, the state agricultural project "Plant the Future" and "ENPARD" the European Neighbourhood Programme for Agriculture and Rural Development in a successful implementation of the programs aimed at supporting micro and small enterprises and agricultural cooperatives with grants.

Chokhatauri Municipality is actively cooperating with non-governmental sector, which has been demonstrated by many projects implemented in the past. At present, the municipality is collaborating with "Adult Education Center" and "Ozurgeti Young Scientists Club." Both of them are non-governmental organizations. With the Ozurgeti Young Scientists Club, the municipality is implementing the EU project Participatory CHARETTE for the Tourism Development Strategy of Guria. The project represents a process based on public, transparent and close cooperation, which aim to promote the sustainable and inclusive development of the Guria tourism sector and unites all Guria municipalities. The Adult Education Center has been given a municipal building in temporary use to provide training, where interested persons can acquire a variety of skills. (Producing felt, IT, accounting, driver's license training, etc.) It is also possible to use the conference room for free.

**Table 3: Assessment of Local Cooperation**

Title and/or Function (area/theme on which it works)	Institutions/ Persons involved	Achievements (also indicate how it works – e.g. “plans”, implements projects, provides services, is permanent or ad hoc/occasional)	Assessment: useful or not useful
Small Business Support	Municipal Department of Economy and Property Management; Government program “Produce in Georgia”; Grant recipient entrepreneur.	During 2015-2017 years 40 beneficiaries of which 25 have been financed with 50000 euro in total. This is a government program. The program’s objective is to promote an entrepreneurial culture throughout the country by stimulating the establishment of new enterprises and supporting the expansion of existing operations.	Cooperation is useful because 80-90% of funded enterprises continue to work and develop.
Agriculture Development Support	ENPARD in Georgia; a local branch of the Agricultural Projects Management Agency. Grant recipient beneficiaries.	In 2014-2017, 6 agricultural cooperatives were financed with 137000 euro in total. The total budget for ENPARD in Georgia, covering the period of 2013-2022 is €179.5 million.	Based on the fact that all six cooperatives are successfully functioning and growing, we can say that this program is useful.
Wide involvement of citizens in decision-making process	Mayors Advisory Board; Council working on challenges faced by persons with disabilities	Councils meet monthly and carry out the tasks set by the regulations.	Cooperation is useful.
the Non Governmental Sector (Joint projects with the municipality and community)	Chokhatauri Municipality City Hall; The Adult Education Center; the Ozurgeti Young Scientists Club;	Chokhatauri Municipality is actively cooperating with non-governmental sector, which has been demonstrated by many projects implemented in the past. At present, the municipality is collaborating with "Adult Education Center" and "Ozurgeti Young Scientists Club." With the Ozurgeti Young Scientists Club, the municipality is implementing the EU project Participatory Charrette for Tourism Development Strategy of Guria. The Adult Education Center has been given a municipal building in temporary use to provide training, where interested persons can acquire a variety of skills	Cooperation is useful.

As a result of abovementioned cooperations, the municipality’s community has received financial resources attracted from various programs and implemented and ongoing projects. Despite that, the weak collaboration between businesses and administration has been revealed. Although there are some contacts between the municipality and the private sector, however, it is not systematic and needs more cooperation.

### 6.3 Business-friendly, Transparent and Corruption-Free Administration

Municipal Department of Economy and Property Management and Unit of Investment Environment Development are in active cooperation with the Georgian Chamber of Commerce and Industry, which aims to support the economic growth of the country with the support of entrepreneurial entities. About 30 entrepreneurs are members of the Georgian Chamber of Commerce and Industry in the municipality, who joined the chamber this year and as a result, can participate in various business forums and seek and establish contacts with foreign partners. The chamber also helps members in overcoming their entrepreneurial challenges and difficulties, delivering and addressing their problems to the appropriate recipients.

The Chokhatauri Municipality City Hall operates a transparent online platform for municipal procurement, which is managed by the municipal procurement department. The Municipality City hall through the department provides rational expenditure of the funds intended for public procurement, develops healthy competition in the field of procurement and provides fair non-discriminatory approach and publicity to participants in the process.

Municipal Department of Economy and Property Management’s Unit of Investment Environment Development is actively engaged in supporting the population of the municipality and the small and medium business representatives to participate in several government programs aimed at entrepreneurship support and development. Within the government program “Produce in Georgia” in 2015-2017, 52 business ideas were financed in the areas of beekeeping, cheese and dried fruit manufacturing, mushrooms and strawberries greenhouse farming, refrigerated warehousing, car washing and servicing, etc. with the total of 114000 euro. In spite of the above mentioned, successful examples in the municipality, there is no permanent cooperation between the municipality administration and the private sector. No meetings were organized that enable a discussion on the needs and challenges of the private sector. There is a lack of training for the private sector representatives to improve their skills, capacities, and qualifications. However, in the administration, there is a high level of willingness to seek out the private sector development opportunities. For that reason, there is a free business environment and less bureaucracy in the municipality.

The municipality maintains some degree of dialogue with the local business community. Discussions are centered on discussing of common interests, but there are few results-oriented initiatives.

**Table 4: Growth Sectors (Sub-sectors) & their Challenges**

(Growth) Sector (sub-sectors)	Main challenges likely requiring business support assistance
Sectore - Agriculture: Sub-sectors - Hazelnut production, winemaking, Citrus Farming, tea farming, fisheries, livestock farming, and beekeeping.	Damage caused by pests (the brown marmorated stink bug); Lack of finances; Lack of knowledge of modern technologies; Selling their products at a favorable price;
Sectore - Manufacturing Sub-sectors: mineral and still water manufacture,	Low investor interest, which prevents the sector's growth; Limited access to finance

hydroelectric power generation; fruit processing; forestry; hazelnut processing; concrete blocks, bread production, upvc-unplasticized polyvinyl chloride materials manufacture, wooden and laminate furniture making, metal construction production.	(long-term cheap credit);
Sectore - Retail Sub-sectors: Small and medium retail shops	Limited access of a non agricultural land; Limited access to finance (long-term cheap credit)
Sectore – Tourism	Underdeveloped infrastructure at resorts and tourist destinations; Limited number of hotels and hostels; Non-existence of a tourist information center; Undeveloped tour routes
Sectore - Hotels	There is a limited number of hotels; existing hotels mostly are of lower than average quality.

#### 6.4 Access to Finance

There are three main possibilities for funding for the private sector in the municipality, and they are the banking sector's loans, government programs aimed at entrepreneurship support and donor organizations grants. Borrowing conditions offered to the private sector representatives are not matching to their abilities. In particular: loans over 5000 euro require real estate as collateral, an amount of the loan is 80% of the real estate value, and the real estate value is calculated not according to market value, but according to liquidation value, which further lowers property value. It should be noted, that even the market value of real estates in the municipality is very low, which makes it nearly impossible for the private sector to get medium and large business loans. Other hindering factors in accessing necessary finances are high-interest rates.

There are better terms for start-up business loans of up to 9000 euro. Where competitiveness of a business idea, having a relevant business plan and a positive credit history are primary factors in getting a loan, where no collateral is needed.

The most demanded and supplied products are small, up to 1700 euro, consumer loans where the mortgage is not required. Small agro loans are also issued for up to 1700 euro with consumer loan terms.

Entrepreneurship supporting government program "Produce in Georgia" is an opportunity for beginner, micro and small entrepreneurs to get grants of up to 6700 euro for their business development, where 20% co-financing is required.

There is limited experience in donor-funded programs participation and project proposals development by the municipality.

The municipality has been selected to participate in more than one donor programs.

**Table 5: Access to Finance**

Institution / donor (including banks and other credit organizations)	Clients / Beneficiaries	The desired economic sectors / activities	Collateral/non collateral loans /Grants	Requirements (Collateral, etc.)
Banks	Local	Agriculture;	Up to 5000 euro	Real estate;

	population; Private sector	Manufacturing; Retail	without collateral; Collateral is needed for more than 5000 euro	amount of the loan is 80% of the real estate value
Government program “Produce in Georgia”	Local population; Micro and small entrepreneurs	Some sectors of Agriculture; Manufacturing Retail; Hotel business	Up to 6700 euro. 20% co-financing required.	Grant; 20% co- financing required.
ENPARD in Georgia	Local population interested in agribusiness	Agricultural sector	16700 to 33300 GEL	Partially reimbursable grants

## 6.5 Land and Infrastructure

In the municipality, there are specific capabilities and experience of assets and property management. As a result, the work on renewal of municipal assets and property status is underway. For the development of the local economy, it is desirable to research and evaluate the municipal asset's potential of the local holdings for creating targeted investment proposals. According to the municipality data, there is 9,948 ha agricultural land within the municipality borders that can be developed, but it is owned by the state instead of the municipality. Therefore, it is relatively complicated to lease it out or sell. The area of the non-agricultural land (4602 sq.m) and the number of buildings owned by the municipality are scarce compared to the growing demand. The private sector demand is mainly on non-agricultural land plots and trade, manufacturing and office spaces, which significantly exceeds the possible supply.

Regarding infrastructure, the administrative town of Chokhatauri is provided with water, gas and electricity and roads are asphalt concrete surfaced. Roads in most of the villages are rehabilitated. All communities are electrified, while most villages have gas and water supply. However, it should be noted, that towns's sewage system, which only covers its central part, is amortized and is not fully functional. In this regard, there are challenges at the resort Baxmaro as well, which lacks central water, natural gas supply and sewage systems. Some roads to local landmarks are in poor physical condition too. All of these factors significantly reduce the tourist potential of the municipality. See [Table 6: Private Sector Needs in Area of Land and Infrastructure](#).

## 6.6 Regulatory and Institutional Framework

**Table 7: Regulatory and Institutional Framework**

Agreed Regulatory Challenges	High/ Low Negative Impact	Main public agency involved	Scope for local mitigation/improvement (details)
1. Ineffective waste management service fees collection mechanism	Incomplete administration of fees	Chokhatauri Municipality City Hall	Active waste management service fees collection mechanism development and implementation

During the development of the LED plan with the private sector, objections regarding the regulatory and administrative framework as a hindering factor for business were not revealed.

The municipal services to citizens are provided according to “Single Window” principle, The Municipal Assembly sessions are open and live streamed on the Facebook page of the Assembly,

there is a council working on challenges faced by persons with disabilities and the Mayors Advisory Board. All the factors mentioned above contribute to municipal strength.

Passivity of the public in the decision-making process and the ineffective waste management service fees collecting mechanism is the municipal weakness.

### 6.7 Skills and Human Capital, Inclusiveness

As a result of working on skills issues, the Working Group and Partnership has revealed that large and medium enterprises, which are few in the municipality, have no specific demand for skilled or unskilled human resources. Rarely announced few vacancies are filled soon after due to the high number of job seekers.

Also revealed is a high number of the population engaged in agriculture, even though, productivity is low due to a lack of relevant skills and knowledge of modern technologies in agriculture.

**Table 8A: Skills Situation**

<i>Sector (According to the Table 1]</i>	<i>Current Skills Situation (e.g. significant/slight shortage/mismatch/excess to demand)</i>	<i>Projected Future Situation (e.g. significant/slight shortage/mismatch/excess to demand)</i>	<i>Possible Directions for Action</i>
Agriculture	Insufficient skills	Improved skills	Trainings and relevant informational support

**Table 8B: How the Local Area is organised to Balance Required Skills and Employment Opportunities – System Analysis**

<i>Strengths in Current Ways of Working</i>	<i>Rating of Importance (1-5)</i>	<i>Weaknesses in Current Ways of Working</i>	<i>Rating of Importance (1-5)</i>
Most of the rural population is engaged in agriculture	4	Insufficient knowledge of modern technologies and skills	4
<i>Possible Improved Ways of Working</i>			
Specific trainings and information provision for population engaged in agriculture			

### 6.8 External Positioning and Marketing

During the development of the Plan, the sides emphasized the factors positively impacting the image of the municipality and the possibility of external positioning.

The municipality has Europe’s highest health resort Baxmaro, with its unique blend of mountain and sea air characterized by its healing effect for respiratory diseases and general health. Tourism potential of the resort is substantial and growing. Until recently Bakhmaro has been known as the summer-autumn season resort, but now, for the second year, Bakhmaro is seen as the winter ski resort as well. From 2016 many foreign tourists are visiting the resort in winter for skiing. The experts highly evaluate Bakhmaro's potential as the ski resort. Snow quality, a topography of the valley floor and layout of the slopes offers plentiful development zones. With the decision of the government 0.8 ml. euro will be spent on the development of the resort infrastructure next year.

In Bakhmaro for several decades traditionally, during the religious festival related to Transfiguration of Jesus Christ, horse racing and other festive events are held to mark the end of the season. About 15000-18000 visitors are visiting the resort during the season. The municipality is also rich in cultural heritage monuments and various tourist attractions.

From ancient times viticulture and winemaking were developed in Guria region. The true confirmation of this, along with other factors, is the diversity of local varieties of vines. There were 59 vine varieties in existence according to academician I. Javakhishvili, from which our ancestors were producing many types of high-quality wines and table grapes. Chokhatauri Municipality is the place where dozens of endemic vine varieties can be found. Among them is vine variety "Chkhaveri" known as the symbol of Guria region, wines of which have great recognition at the local and international level, seen in gold medals received at various international exhibitions. Wines of the Guria region can be distinguished by their distinctive aroma, bouquet, flavor, and gentleness. Gurian table grapes are also characterized by excellent taste and looks, with storability and transportability features. Today, due to many reasons, the place of indigenous varieties, are mostly occupied by low-quality hybrids: "Noah," "Isabela" ("Adesa") and others. Therefore, indigenous grape varieties and properties of its wines are little known and studied by the general public. Despite the high economic potential of winemaking from endemic vine varieties, it is not well developed, popularized and widespread. Therefore, there is a need for implementing projects that facilitate the development of the industry.

As mentioned above the leading enterprise in the municipality is the joint stock company "Healthy Water." Currently, its products are exported to about 30 countries worldwide. In the municipality, there is fruit processing enterprise "Nena," which processes local fruits supplied from within the municipality and other regions of Georgia. Its products, such as up to 30 types of jam, compotes and plum sauce are exported abroad. These brands are visiting cards for the municipality by making its name known abroad.

The municipality in cooperation with the Ozurgeti and Lanchkhuti municipalities is implementing the EU project Participatory CHARETTE for the Tourism Development Strategy of Guria. The project represents a process based on public, transparent and close cooperation, which aim to promote the sustainable and inclusive development of the Guria tourism sector. Various types of activities have been implemented to increase tourist awareness of the region within the project. In particular, Festivals were held in all three municipalities of Guria. A web page have been created for tourist information where regionwide tourist routes can be found. Small grants will also be provided under the project to improve tourism infrastructure in Guria, share experience and develop skills and knowledge to advance tourism as the growing economic sector. Within the frame of the project nine grants have been issued, in total of 22 thousand euros.

Georgia has very flexible and comprehensive legislation that creates a business-friendly environment and maintains a healthy investment climate. According to the World Bank's Doing Business 2018 report, Georgia ranked in 9th place out of 190 countries. Since 2014 the Association agreement that intends the Deep and Comprehensive Free Trade Agreement (DCFTA) between Georgia and the EU have been enacted in Georgia. Also, Georgia is the only country in the region which has free trade agreements with both the EU and China

The municipality is an essential contributor to the renewable energy production countrywide, with its existing and planned hydroelectric power plants.

Negative factors are reducing the tourist potential of the municipality. Resort Bakhmaro lacks central water, natural gas supply and sewage systems. Chokhatauri townsewage system is amortized. The road infrastructure at the resort and some local tourist attractions are in poor physical condition. All those factors significantly reduce the tourist, investment and economic potential and opportunities of the municipality.

**Table 9: How the Local Area is Perceived by Its Citizens**

Likes/Perceived Strengths in the Image we Project Externally	Degree of Importance (1-5)	Dislikes/Perceived Weaknesses in the Image we Project Externally	Degree of Importance (1-5)
Inner roads are in good condition	5	Low employment rate	4
Construction (bridges, kindergardens, schools, palace of culture)	5	Lack of primary production products processing enterprises	4
Mineral and healing waters	4	underdeveloped infrastructure in resorts and tourist destinations	4
hydro resources for small hydro power plants	4	Nonexistence of vocational education schools and collages	5
Resorts, tourist destinations, tourism development opportunities	4	Growing migration	4
Forest resources	4	low yield in agriculture (problems caused by pests especially by the brown marmorated stink bug)	5
Endemic varieties of vines and winemaking, tea, hazelnut, honey, citrus	4	absence of high quality hotels	4
Possible Actions that could easily be Considered			Led by
Promotion and image generation of the municipality as the place of unique local vine varieties and winemaking.			Insufficient promotion and imagegeneration
Promotion and branding of the municipality as having rich cultural heritage and excellent tourist potential.			Insufficient promotion and imagegeneration
Promotion and branding of the municipality as prominent public figures homeland.			Insufficient promotion and imagegeneration

## 7. SWOT Analysis

Strengths	Weaknesses
<ol style="list-style-type: none"> <li>1. Municipality location close to ports of Batumi and Poti, free industrial zones of Kutaisi and Poti, Batumi and Kutaisi international airports.</li> <li>2. To some extent developed sectors and sectors with high potential of development: viticulture of endemic vine varieties, hazelnut, tea, citrus, fish, livestock farming and beekeeping.</li> <li>3. Hydropower, mineral, fresh, medicinal, recreational and industrial Water resources</li> <li>4. Growing potential of resort Bakhmaro development.</li> <li>5. Good conditions for different types of tourism development- Recreational tourism, agritourism, etc.</li> <li>6. Forest resource is 65% of the total area of the municipality</li> <li>7. State-owned agricultural land areas within the municipality that can be developed.</li> <li>8. Various cultural heritage sights.</li> <li>9. Business friendly environment. (Government Non-Interference in Business, less bureaucracy, flexible legislation, healthy investment climate)</li> <li>10. The administrative town of Chokhatauri is provided with water, gas and electricity and 80% of roads are asphalt concrete surfaced. All villages are electrified, while 40% of them have gas and water supply.</li> <li>11. JSC “Healthy Water” which is part of the biggest number of local value chains and is representative of the territory’s unique product.</li> <li>12. “Adult education centre” (professional skills training courses)</li> </ol>	<ol style="list-style-type: none"> <li>1. Lack of access to finance, high interest rate, real estate and other property as collateral.</li> <li>2. Lack of direct foreign investments in the local economy. (According to National Statistics Office of Georgia in the country there is 140% increase in direct foreign investments during 2009 – 2016, when for the same time period there is 190% decrease in Guria region.)</li> <li>3. lack of modern technologies knowledge in agriculture.</li> <li>4. Lack of access to non-agricultural land, especially in the town center.</li> <li>5. Low crop yield in agriculture</li> <li>6. High fragmentation of agricultural land.</li> <li>7. Undeveloped infrastructure at resorts and tourist attractions.</li> <li>8. Lack of hotels and hostels in the town of Chokhatauri and the resort Bakhmaro.</li> <li>9. Absence of a tourist information center. Undeveloped tour routes</li> <li>10. Undeveloped processing industry</li> <li>11. Weak cooperation between business sector and administration. Weak cooperation between businesses.</li> <li>12. High unemployment rate. (87% of working-age people are unemployed. Number of working-age population is 12006 out of which 2325 people are employed).</li> <li>13. Low level of business education.</li> <li>14. Lack of experts and specialists in agriculture and tourism sectors.</li> <li>15. Migration (According to National Statistics Office of Georgia during 2006-2016 population of the municipality decreased by 17%).</li> <li>16.</li> </ol>
Opportunities	Threats

<ol style="list-style-type: none"> <li>1. Donor grants programs.</li> <li>2. Cooperation with international organisations</li> <li>3. Government programs supporting entrepreneurship and agriculture development. (“Produce in Georgia”, “Plant the Future”, “ENPARD in Georgia”).</li> <li>4. The Deep and Comprehensive Free Trade Areas agreement (DCFTA) between Georgia and European Union and the Free Trade Agreement (FTA) between Georgia and China</li> <li>5. Tourists increased awareness of the resort Bakhmaro and other tourist destinations of the municipality.</li> <li>6. Winemaking from endemic vine varieties</li> <li>7. New vocational education collages.</li> <li>8. Municipality's willingness to cooperate with private and non-governmental sectors.</li> <li>9. Making investors interested in undeveloped municipal buildings</li> <li>10. Increased foreign investments.</li> </ol>	<ol style="list-style-type: none"> <li>1. Competitive environment in tourism throughout the country</li> <li>2. Other fast developing mountainous resorts</li> <li>3. The brown marmorated stink bug spreading</li> <li>4. Natural disasters</li> <li>5. Migration processes</li> </ol>
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SWOT analysis has shown us that the municipality has the potential to develop a range of agricultural sectors, enhance the municipality tourism potential by developing famous resorts and tourist attractions, and as a result, the increased market will enable the private sector to build and create new jobs.

To overcome the main weaknesses the municipality needs to be more proactive in increasing access to finance for the private sector, conducting a relevant marketing campaign to raise its awareness from outside and attracting new investments.

### **8. Vision and Objectives**

The working group, with the involvement of all stakeholders, based on the analysis of the Building Block areas and information received from conclusions, developed a vision of the municipality, which is realistic. To accomplish the appropriate vision set of actions and projects were defined.

**Vision** - Chokhatauri is attractive municipality for living and for tourists, where there is favorable investment environment and small and medium business is developed.

**Objective 1** – Support agriculture and small and medium business development.

**Objective 2** - Support tourism development.

### **9. Action Plan**

Table 11: Action Plan

Building blocks	Key Objectives	Actions / Projects ideas	Duration (start/finish)	Partners involved	Estimated costs, National currency (equivalent in EUR)	Output (Product) indicators and targets	Outcome (Result) Indicators and targets
1. External Positioning and Marketing	1. Support tourism development	1.1 holding annual festivals cultural events.	2019-2020	Chokhatauri Municipality City Hall Ministry of Education, Science, Culture and Sport of Georgia; Ozurgeti Drama Theatre;	25000 ₾ 8500 €	<b>Instant result:</b> Annually, the National Theater Festival named after Nodar Dumbadze, Elisso Bolkvadze Musical Festival, festive events related to Transfiguration of Jesus Christ in Bakhmaro resort, Easter, folk crafts and falconry are held.  <b>Monitoring indicators:</b> Number of events held and attendees	<b>Final result:</b> Increased recognisability of the municipality  <b>Final result indicators:</b> Number of tourists and visitors (Including from abroad).
2. Land and Infrastructure		1.2 Improvement of tourist infrastructure	2019-2020	Chokhatauri Municipality City Hall; Ministry of Regional Development	582500 ₾ 194200 €	<b>Instant result:</b> Asphalt is laid on the roads to wine cellars of endemic varieties of vine and Eristavi's historic	<b>Final result:</b> Increased recognisability of the municipality and number of visitors; Increased Demand for local

ure				and Infrastructure of Georgia, Donor organizations.		palace and dendrological park; Eristavi's historic palace is restored, and the dendrological park is rehabilitated.  <b>Monitoring indicators:</b> Asphalt paved roads to wine cellars of endemic varieties of vine and Eristavi's historic palace and dendrological park; Restored Eristavi's historic palace and rehabilitated dendrological park.	products and services; Increased local income and employment.  <b>Final result indicators:</b> Number of tourists in the municipality; Income volume; Number of newly employed people.
1. Access to Finance  2. Skills and Human Capital, Inclusiveness	2. Support agriculture and small and medium business development.	2.1 Support of the population in obtaining small entrepreneurial and agricultural grants.	2019-2020	Municipal Department of Economy and Property Management Unit of Investment Environment Development; Beneficiaries; Legal entity of public law "Produce in Georgia"- entrepreneurship supporting government program; Other donors.	200000 ₾  67000 €	<b>Instant result:</b>  Funded projects.  <b>Monitoring indicators:</b>  Number of funded projects	<b>Final result:</b>  Increased local economy;  Newly created jobs.  <b>Final result indicators:</b>  Number of businesses and jobs created;  Income volume.
		2. 2 Trainings and	2019-2020	Information-	72000 ₾	<b>Instant result:</b>	<b>Final result:</b>

		relevant informational support for entrepreneurs and residents interested in agriculture.		consultation Center of the Ministry of Agriculture of Georgia in Chokhatauri Municipality; Municipal Department of Economy and Property Management Unit of Investment Environment Development	24000 €	Trainings and relevant informational support and consultations for entrepreneurs and residents interested in agriculture are conducted. . <b>Monitoring indicators:</b> Number of exercises and participating beneficiaries	As a result of the conducted exercises, the beveficiaries skills in agriculture and business are increased.  <b>Final result indicators:</b>  Amount of beneficiaries using new skills in practice.
		2.3 Development of investment packages for potential investors.	2019-2020	Chokhatauri Municipality City Hall; Donor organization.	10000 ₾ 3300 €	<b>Instant result:</b> Investment opportunities of the municipality are identified and relevant investment packages are created for investors. <b>Monitoring indicators:</b> Number of investment packages created.	<b>Final result:</b> Increased investments <b>Final result indicators:</b> Number of investments.

The municipal departments, non-profit (non-commercial) legal entities, Ministry of Regional Development and Infrastructure of Georgia, Information-consultation Center of the Ministry of Agriculture of Georgia in Chokhatauri Municipality, Ministry of Education, Science, Culture and Sport of Georgia; Legal Entity of Public Law-Produce in Georgia, donor organizations will be involved in the implementation of the Local Economic Development Plan.

## 10. Financing Scheme

Table 12: Financing Scheme

<i>Actions</i>	<i>Estimated Costs</i>	<i>Source of financing</i>						<i>Funding gaps</i>	<i>Remarks</i>
		<i>National programs</i>	<i>Local budget</i>	<i>Upper level budgets</i>	<i>Business</i>	<i>Donors</i>	<i>Others (specify)</i>		
1.1 holding annual festivals and cultural events.	25000 ₪ 8500 €		25000 ₪ 8500 €						
1.2 Improvement of tourist infrastructure	582500 ₪ 194200 €		12500 ₪ 4200 €	250000 ₪ 83000 €		320000 ₪ 107000 €			
2.1 Support of the population in obtaining small entrepreneurial and agricultural grants	200000 ₪ 67000 €	200000 ₪ 67000 €							
2.2 . Trainings and relevant informational support for entrepreneurs and residents interested in agriculture.	72000 ₪ 24000 €			72000 ₪ 24000 €					
2.3 Development of investment packages for potential investors.	10000 ₪ 3300 €					10000 ₪ 3300 €			
<b>Total</b>	<b>889500 ₪ 297000 €</b>	<b>200000 ₪ 67000 €</b>	<b>37500 ₪ 12700 €</b>	<b>322000 ₪ 107000 €</b>		<b>330000 ₪ 110000 €</b>			

## 11. Monitoring Indicators and Mechanisms

The working group, established within the framework of the Mayors for Economic Growth initiative, will monitor fulfillment of the plan. It will track the plan implementation process once a month and measure its effectiveness and results according to Table 13: Monitoring Indicators.

**Table 13: Monitoring Indicators**

<i>ქმედება Actions / Projects ideas</i>	<i>Duration (start/finish)</i>	<i>Expected results months 1-6</i>	<i>Expected results months 7-12</i>	<i>Expected results months 13-18</i>	<i>Expected results months 19-24</i>
1.1 holding annual festivals and cultural events.	07.2019 – 10.2019 07.2020 – 10.2020	preparation of organizational issues.	Planned festivals and events were held.	Preparation of organizational issues for the festivals and events in year 2020	Planned festivals and events will be held in year 2020
1.2 Improvement of tourist infrastructure	03.2019-11.2019	Tender for the completion of works at selected locations is announced.	Infrastructural works are completed.	Tender for the completion of works at selected locations is announced.	Infrastructural works are completed.
2.1 Support of the population in obtaining small entrepreneurial and agricultural grants	05.2019-11.2019 05.2020-11.2020	Contests are announced and contest proposals are sent.	Winners of the final stages of the contest are revealed.	Contests are announced and contest proposals are sent.	Winners of the final stages of the contest are revealed.
2. 2 Trainings and relevant informational support for entrepreneurs and residents interested in agriculture.	03.2019-11.2019 03.2020-11.2020	Beneficiaries received trainings and are provided with necessary information.	Beneficiaries received trainings and are provided with necessary information.	Beneficiaries received trainings and are provided with necessary information..	Beneficiaries received trainings and are provided with necessary information.

2.3 Development of investment packages for potential investors.	02.2019-12.2019 02.2020-12.2020	Tender for development of investment packages for the municipality is announced. The developer is revealed.	Investment packages are prepared.	Investment packages are offered to potential investors.	Investments received.
<b>% of total budget spent (indicative)</b>		5%	40%	15%	40%