

Financing Farmers, Strengthening Georgia's Rural Development

Inga Paichadze, Communications Officer in the World Bank Georgia Office, offers this story.

Summer harvest is still a long way off, but many farmers are working hard getting ready for the season. They are planting, weeding and fencing greenhouses and fields. And thanks to newly available credit, they are able to invest more than labor in their land and their operations.

Gulnara Bodokia, owns five greenhouses in the village of Geguti in Imereti, where she grows ornamental plants and vegetables. She sells her harvest at a nearby market and in the town of Kutaisi and does most of her business in winter. In summer, people easily grow their own greens and vegetables and there is no big demand for her produce. Her annual average profit is 10,000 GEL, which is approximately \$6,000.

Bodokia recently obtained 22,000 GEL credit from a microfinance institution to build new, sturdier greenhouses. The line of credit is one of many being offered to farmers around Georgia to make it easier for them to expand production. It is part of an effort backed by the World Bank to boost development of farming in the country.



Gulnara Bodokia

"I learned about this opportunity from an acquaintance. I used to own a couple of cellophane-covered greenhouses, but hoped to build some glass-covered ones. So, I decided to apply for a credit and build new greenhouses. It was not difficult to get the loan, as when the officers came, they scrutinized everything here and considered me creditworthy," says Bodokia.

The loan enables Bodokia to keep her business afloat, and to hire seasonal workers. It's important because agriculture employs a lot of people in Georgia—and it is often the only work available in rural areas.

"In summer, when we harvest cucumbers and tomatoes, the whole family is involved: me, my husband, my son and the daughter-in-law. We harvest 5-6 tons of tomatoes per season. In winter I hire at least 5 women, sometimes the workload requires even 20 women helpers a day. In winter we harvest parsley and fennel, dill, and some other greens."



Eldar Kitiashvili

Eldar Kitiashvili, owns an orchard with a variety of fruit trees—apple, peach, cherry and also hazelnut. In Kekhijvariin village in Kvareli. He got a 2,370 GEL loan (\$1,400) to buy fertilizers, pesticides and fuel and turn his backyard fruit-growing into a business.

"Representatives from the microfinance organization came to check the house and the orchard, and saw we have cattle, a car and a tractor. Our orchard is big, a bit more than one hectare. I had some money put aside and together with the credit I was able to start my business. It's impossible to cultivate such a large plot of land without some extra money, a loan. Under favorable weather

conditions we can gather a minimum of 800 boxes of apples and up to 1500 boxes of tomatoes. And, if everything goes as planned, we might be able to repay the credit at once. The interest rate is good," says Kitiashvili.

Pig farmer Gia Benashvili got a loan from the same microfinancier as Kitiashvili—Finagro—to expand his pig farm. He now has 385 adult pigs, 100 piglets, and 200 young pigs. Two people can operate the farm in 48 hour shifts, and the business has a healthy balance sheet.

Photo Gallery



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Gia Benashvili

Finagro got \$1.2 million through the World Bank-backed project to lend on to farmers in three regions of Georgia. Giorgi Chonishvili, Head of Supervisory Board JSC Finagro, Gori, says: "The project is very important, as it finances agriculture, a strategic sector for Georgia. Microfinance organizations do not have the luxury of getting good loan conditions. Other donors and commercial banks give us credit under worse conditions, with higher interest rates. The conditions offered under this project are truly acceptable for us, and accordingly, we offer farmers an opportunity to get loans with good interest rates."

The credit line for microfinance institutions has loaned a total of \$7.5 million to over 7,000 farmers, with the vast majority of farmers receiving loans under \$5,000. Cattle and dairy farmers, greenhouse owners, orchard growers and others have obtained credit on interesting terms through the program. Defaults are less than one percent.

With support, Georgia can significantly improve its agricultural production base and become an exporter of agricultural products. Studies show that exporting wine, nuts, mineral water, herbs, citrus and, fresh fruits, vegetables and livestock could help to cut rural poverty. With help from the line of credit aimed at developing rural areas, Georgia's farmers, agri-business owners and food processors are a step closer to boosting production, exports and their livelihoods.