

ANNEX VI

**Annual Narrative Report for
“Enhancing Small Farmers’ Cooperation and Productivity
in Imereti and Racha Regions” Project
Year 1**



Table of Contents

Glossary of Acronyms	3
1. Description	4
2. Assessment of Implementation of Action activities	5
2.1 Executive summary of the Action	5
Specific Objective	5
Indicators of Specific Objective and level of achievement (if currently available)	5
2.2 Results and Activities	6
Result 1	
Result 1 indicators and target values / Achievement of targets	6
Activity 1.1: Pre-identification process via Participatory Rural Appraisal and Market Assessment	7
Activity 1.2: Informational meetings with potential beneficiaries to identify existing formal and informal groups and potential cooperative members and generate interest among farmers	7
Activity 1.3: Cooperative Grant Competition	8
Activity 1.4: Technical Support to Cooperatives via Sub-grants	11
Activity 1.5: Organisational Development of Cooperatives	12
Activity 1.6.: Exchange visits to learn best practices in cooperative development in the Czech Republic	12
Result 2	12
Result 2 indicators and target values / Achievement of targets	12
Activity 2.1: Technical Trainings for Cooperatives	13
Activity 2.2: Field demonstration models to exhibit best practices and modern techniques, Farmer Days and Agriculture Fairs	13
Activity 2.3: Ongoing expert field consultations	13
Activity 2.4: Partner with Agrarian Faculty of Kutaisi State University and Ministry of Agriculture Information and Consulting Centres	13
Result 3	14
Result 3 indicators and target values / Achievement of targets	14
Activity 3.1: Farmer-led advocacy and policy making initiatives	14
Activity 3.2: Participatory monitoring of government agriculture programmes	14
Activity 3.3: Joint planning with local authorities on agriculture development initiatives in target districts	14
2.3 Logframe revisions (if any)	15
2.4 Updated action plan	15
3. Beneficiaries / affiliated entities and other Cooperation	18
3.1 Relationship between the Beneficiaries/affiliated entities of this grant contract	18
3.2 Relationship between the action team and State authorities	18
3.3 Relationship with any other organisations involved in implementing the Action	18
3.4 Links and synergies developed with other actions	18
3.5 Building upon / complementing the previous EU grants aiming to strengthen the same target group	19
4. Visibility	19

Glossary of Acronyms

ACDA	Agricultural Cooperatives' Development Agency
ATSU	Akaki Tsereteli State University
AYEG	Association of Young Economists of Georgia
CULSP	Czech University of Life Sciences – Prague
ENPARD	European Neighbourhood Programme for Agriculture and Rural Development
GAARD	Georgian Alliance of Agriculture and Rural Development
ICC	Information and Consultation Centre
MoA	Ministry of Agriculture
PIN	People in Need
PRA	Participatory Rural Appraisal
RRA	Rapid Rural Appraisal
SWOT	Strengths, Weaknesses, Opportunities and Threats
ToT	Training of Trainers

1. Description

- 1.1.** Name of Coordinator of the grant contract: People in Need (PIN)
- 1.2.** Name and title of the Contact person: Buba Jafarli, Project Manager
- 1.3.** Name of Beneficiary(ies) and affiliated entity(ies) in the Action: Bio-farming Association ELKANA, Association of Young Economists of Georgia (AYEG)
- 1.4.** Title of the Action: Enhancing Small Farmers' Cooperation and Productivity in Imereti and Racha Regions
- 1.5.** Contract number: 2013/331-110
- 1.6.** Start date and end date of the reporting period: 01 January – 31 December 2014
- 1.7.** Target country(ies) or region(s): Georgia, municipalities of Ambrolauri, Bagdati, Kharagauli, Khoni, Oni, Terjola, Tkibuli, Tskhaltubo
- 1.8.** Final beneficiaries &/or target groups¹ (if different) (including numbers of women and men):
- Final beneficiaries:
- a) Approximately 47,000 inhabitants in the rural areas of the target districts invited to participate in the preliminary information meetings and thus learning about the advantages and principles of effective cooperation among small farmers
 - b) Rural population of target districts, approximately 237,000 persons who indirectly benefiting from the increase in agriculture production and income as well as an improved agribusiness environment
 - c) Local and regional authorities and relevant experts will have an increased understanding of agribusiness needs and be able to jointly develop strategies and projects to address them
- Target groups:
- a) A minimum of 200 semi-commercial farmers and entrepreneurs in the nine target districts of Imereti and Racha who take part in cooperative and business plan development trainings during the grant competitions;
 - b) A minimum of 330 - 450 members of cooperatives supported within the scope of the proposed action; and
 - c) A minimum of 100 farmers and other rural actors in the target districts will take part in the participatory policy making and advocacy initiatives and feedback mechanisms related to agribusiness and rural development policies
- 1.9.** Country(ies) in which the activities take place (if different from 1.7):
- Not different from 1.7

¹ "Target groups" are the groups/entities who will be directly positively affected by the project at the Project Purpose level, and "final beneficiaries" are those who will benefit from the project in the long term at the level of the society or sector at large.

2. Assessment of implementation of Action activities

2.1. Executive summary of the Action

The major result of the first year of the Action is the developed and tested, on a large scale, mechanism for complex technical assistance to business-oriented small farmers united into groups and/or cooperatives. The key strategies employed for achieving this and other long-term results were as follows:

- development of solid understanding of the target groups, local resources, markets, and legal environment through community meetings, various assessments, and cross-learning with diverse stakeholders;
- promotion of the idea and principles of farmer cooperation using various media such as information meetings, distribution of printed materials, television, internet and trainings of farmers and other stakeholders;
- identification of business-oriented small and medium-scale farmers willing to cooperate with each other, contribute resources to the common success, improve the economies of scale in production, processing and marketing, and access various development opportunities available through the Action;
- development of local ownership among dedicated farmers and entrepreneurs through investment of their time, finance and assets into agribusiness cooperative² growth and expansion;
- provision of technical support through: a) broad range of agricultural and business trainings, and b) sub-grants in the form of equipment/machinery, infrastructure and, in exceptional circumstances, basic production materials;
- facilitation of formation of cooperatives as voluntary and democratic associations, and, at the same time, sustainable enterprises that assist farmers and rural entrepreneurs in increasing their incomes and local social capital;
- coordination with other NGOs and Government Authorities to ensure that ENPARD activities are in line with the Government's Agriculture Development Strategy and harmonized with the work of other ENPARD-related agencies, governmental and non-governmental.
- step-by-step approach to the policy influence through development of evidence, generation of advocacy instruments, building of joint platforms and coordination with other stakeholders in the advocacy.

In terms of the provision of technical assistance (technological support, capitalization and organizational development), the Action has been working with nine farmer/entrepreneur groups selected in a competitive fashion in autumn 2014. The groups benefited from the trainings on cooperative organization and management, business planning and basic agricultural "know-how" organized by PIN consortium. By the end of reporting period, the overall cost of inputs transferred to the nine cooperatives made some 33% of the expected cost of all supplies intended for them.

With minor exceptions discussed below, the project achieved virtually all input and output targets that were set for the reporting period. No outcomes or higher level results were planned for the first year of the three and half year project.

Specific Objective

To achieve economies of scale among Imereti and Racha farmers through the development of business-oriented small farmers' groups and support for a more favorable agribusiness environment

Indicators of Specific Objective and level of achievement (if currently available)

SO Indicator 1 : target value - Percentage of cooperative members who increase their rate of return : 75%

SO Indicator 2 : target value - Percentage (%) of increase in sales' volume reported by cooperative members : 20%

SO Indicator 3 : target value - Percentage (%) of cooperatives that have entered regional/national/international markets with their products : 80%

² As the Action's target group are *farmers and entrepreneurs* and the Action aims to support not only production of primary farm output, but also processing, marketing and other agriculture support services, we suggest the use of term "agribusiness cooperative" rather than "farmer cooperative".

No achievements at the Strategic Objective level are available at this stage of project implementation.

2.2. Results and Activities

Result 1 – More efficient business practices increase farmers’ income via successful development of business-oriented small farmers’ and entrepreneur groups.

The changes in business practices are expected only after a certain period of development, when farmers / entrepreneurs are united in effectively managed cooperatives, replicate best practices in business, and this is complemented by full operationalization of new “now-how” and equipment/machinery received from the Action. For some cooperatives that received grants in autumn 2014, the practical operationalization is expected in autumn 2015 (e.g. for beekeepers, milk marketers, cheese-makers), for others this is winter 2016 (wine-makers, greenhouse farmers, poultry farmers).

The baseline study to learn the current business practices (before the Action-supported investment projects) is planned for February 2015.

Result 1 indicators and target values / Achievement of targets

Indicator 1.1: Number of farmers with improved business management skills as a result of participation in grant competition trainings; Target value: 200

In late July and early August 2014, at least 126 farmers representing 51 groups attended two-day trainings on business planning. After the training a simple test comprising of 12 questions was used to evaluate the training effectiveness. The test was passed by 88 training participants (80% of all participants). The trainings were delivered by the Association of Young Economists of Georgia.

Throughout the month of August 2014, 16 days of the AYEG team time were allotted for individual business planning consultations of potential grant applicants. The consultations were attended by representatives of 36 groups.

Some two weeks later, 79 representatives of the same groups attended one-day workshop on principles of cooperation, participation and preparation of cooperative statutes. The small-group presentations at the end of sessions showed that all trainees have learnt the subject sufficiently well.

Four-day training on cooperative finance and communication was delivered to the members of grant winner cooperatives in November 2015. The training was attended by 17 members of the nine cooperatives.

All participant numbers above are expected to at least triple after the second and third rounds of grant competition in 2015/16.

The trainings on cooperation / participation principles were also conducted in March 2014 – for 8 members of two cooperatives established with PIN’s support in 2013.

More trainings aiming to improve business management skills of cooperators (food safety, marketing, taxation, relevant legislation, etc.) are planned for the post-grant award period.

Although the project measures so far only direct outputs of the training right after training end (through application of appropriate tests and/or small-group presentations), the real practical improvements in skills will be measured later, through two cooperative performance questionnaires that must be applied after the end of each agricultural season.

Indicator 1.2: Number of members of 24 newly-established cooperatives: Target value 330-450 members, at least 20% women

By the end of the reporting period, the number of members of 9 winner cooperatives was 54, including 7 women. This is 13% of the total number of cooperative members. The cooperative leaders expect that the rate of women will increase significantly, after those currently in the “waiting list” are accepted as cooperative members³.

Indicator 1.3: Percentage (%) of cooperative members who increase their income; Target value 75%

³ The cooperatives committed increase in the number of members up to at least 10 in within 18 months after receiving grant assets from the project.

Indicator 1.4: Percentage (%) of cooperative members who reduce their operational costs as a result of joint activities; Target value 75%

Indicator 1.5: Number of additional seasonal work places created by cooperative members; Target value 100

Indicator 1.6: Number of cooperatives that apply for a commercial loan by the end of the project; Target value 5 (R1)

Indicator 1.7: Percentage (%) of cooperatives that re-invest to business development by the end of the project; Target value 25% (R1)

At this early stage of the project, when most of the outcomes of project activities are not available yet, no reporting can be done on actual values under indicators 1.3 to 1.7. The changes will be measured through two instruments that were designed in November-December 2014 for annual checks of cooperative performance and organizational maturity.

Activity 1.1: Pre-identification process via Participatory Rural Appraisal and Market Assessment

In March-April 2014, the project, with assistance from the Czech University of Life Sciences – Prague (CULSP), developed a market (value chain) study methodology and started collection of data on agricultural markets that appeared to be most relevant for Imereti and Racha regions. The list of value chains was finalized during information meetings when it became clear that some of the value chains pre-selected in the course of project design currently attract little interest of farmers / entrepreneurs. In the period from March to June 2014, the project conducted 8 value chain studies – for beekeeping products, greenhouse herbs, poultry, beef, dairy products, hazelnuts, vinery/wine-making and corn. Once the studies were completed the project was ready to work with the relevant markets.

In April-May '14, the project conducted assessment of economic and cooperative development potential of 30 clusters of villages in all 9 target districts using Rapid Rural Appraisal (RRA) method. The data received through RRA was verified through Participatory Rural Appraisal (PRA) meetings conducted in 21 village clusters. Initially envisaged as a sort of rapid qualitative baseline, the RRA and PRA research was then transformed into the participatory identification of the economic and demographic status of major village clusters. The reasons for changing the aim of RRA and PRA studies were: a) recognition of limited value of qualitative data for the baseline if it is not supported by solid and statistically reliable quantitative information and, b) the need to identify relatively "better off" villages for more effective use of limited project resources. It was seen important to give farmers from such villages reasonably more chances to become the Action participants and thus increase the likelihood of occurrence and replication of success cases in agribusiness cooperative development. Residence in a "stronger" village was giving the farmer group few extra points in grant competition.

In February-March '14, the project conducted a general baseline survey as an additional intervention under Activity 1.1. The baseline data was collected from a sample of 384 rural households directly engaged in various agricultural activities. The baseline report was prepared in September-October 2014. The data and conclusions from the baseline are being used to inform project planning. By the end of the Action, the comparative analysis of baseline and end-line data will be used for measuring project impact at the regional level.

Activity 1.2: Informational meetings with potential beneficiaries to identify existing formal and informal groups and potential cooperative members and generate interest among farmers

In April-May '14, the project organized 37 information meetings in pre-selected village clusters in all 9 target municipalities. The purpose of the meetings was to: a) raise awareness of the project aims and strategies, b) identify, wherever possible, existing formal and informal groups, and c) promote the idea of farmer cooperation. In total, the meetings were attended by 701 farmers, small entrepreneurs and local officials.

In May '14, the project held 60 individual meetings with interested groups of farmers / entrepreneurs to advise them in detail on the terms and conditions of support from the Action including the competitive grants.

In the period from late May to the end of June '14, the PIN consortium conducted 15 expert workshops on the 8 value chains selected for 2014. Each workshop was facilitated by a group of specialists comprised of chain-specific experts from Elkana, economic experts from the Association of Young Economists of Georgia (AYEG) and field coordinators from PIN. The meetings were attended by 259 farmers and small rural entrepreneurs representing 93 groups. Upon completion of the workshops, at least 73 groups expressed interest to seek technical support and grants from the Action.

Activity 1.3: Cooperative Grant Competition

Development of grant application template, evaluation scoring system and minimum conditions for grant award

In early July 2014, AYEG prepared a template of grant application comprising of the sections that are “standard” for a conventional externally focused business plan (such as market analysis, success factors, investments sought, technologies to be supported through investment, financial analysis/forecast, etc.) and the sections that are pertinent to ENPARD as a cooperative development project, specifically: a) proposed structure and management of cooperative, and b) gender and youth considerations.

Once the grant application template was agreed upon by the consortium members, the project developed a scoring system for evaluation of applications. The system was based on eight evaluation criteria:

1. Relevance / feasibility of financial plan
2. Longer-term viability of enterprise
3. Technological appropriateness and feasibility
4. Environmental soundness
5. Market potential
6. Cooperative management and structure / membership / shares
7. Ratios of co-investments
8. Participation of women and youth in cooperative

Every criterion was split into several sub-criteria (29 in total) – this was done in order to reduce the room for unfair evaluation decisions in case if evaluators were somehow biased. Each criterion and sub-criterion was assigned ceiling (maximum possible) and threshold (admissible minimum) scores – such a system allows effective comparison of grant applications and well justified disqualification of poor quality plans.

The key conditions for grant award were established during the Action design as follows:

- The Action investment in growth and expansion shall be matched by a contribution from the applicant. The contribution should be equal to at least 25% of the amount of project co-investment including at least 15% in cash - to be used only for capital investment within 6 months after the Action hands over all granted material assets to the cooperative.
- Each winner cooperative shall invest its financial resources into establishing an own Business Investment Fund - to be used for development of the cooperative and host community within 15 months after handover of the grant assets to cooperative. The allocation into Business Development Fund should make no less than 25% of the sum requested from the Action. An estimated 70% of the fund should be reinvested into further business development and at least 30% shall be invested to support of agriculture development in host community.
- In order to receive grant assets, each winning applicant should register as a cooperative, in case it is not already a registered cooperative.

Two more important points in the grant provision process were developed after consultations within the PIN consortium and with other consortia:

- The Action will not be donating assets to the winner cooperative immediately. The grant assets shall be initially leased to the applicant and then, after a period of 18 months, fully transferred to the cooperative as a gift, provided that all key targets of the cooperative’s investment project are achieved fully or reasonably. In case of poor performance of the cooperative within the first 18 months of operations, the Action’s investment will be withdrawn back to PIN, i.e. the leased assets will be returned back.
- In order to make the above logistically feasible, the leased assets shall be easily transferable. This means that the Action will be buying for the winner cooperatives machinery, equipment and tools but not be financially involved in construction or rehabilitation of the buildings and infrastructure, acquisition of land, and coverage of any operational costs. Such expenses should be covered by the applicant.

The maximum size of grant for the first round of grant competition was set as equal to 35,000 EUR.

Announcement of Call for Grant Applications

On July 15th, the project announced a restricted call for applications for competitive grants to support capitalization of emerging farmer cooperatives. The detailed announcement was made through PIN-Georgia website and all 73 farmer groups remaining in the project roster after the expert workshops were approached over phone and advised to visit the web-site. The announcement described all key grant award conditions. September 4th was set as the deadline for submission of applications.

Intensive training of potential applicants

In late July and early August 2014, the AYES team delivered 9 two-day business plan development workshops to representatives of 51 farmer groups registered for intensive pre-application training. Some two weeks later representatives of the same groups attended one-day workshop on principles of cooperation, participation and preparation of cooperative statutes that was jointly delivered by Field Coordinators from PIN team and Project Coordinator from AYES. The curriculum and training procedure were developed by experts from Czech University of Life Sciences – Prague (CULSP) in winter 2014 and then transferred to the project team through the Training of Trainers seminar.

Individual consultations for potential applicants

Once the business plan development workshops were finished, all 51 groups were given an opportunity to benefit from individual consultations on business planning as per the schedule set during the workshops. By August 30th, the last day of consultations, representatives of 36 groups took advantage of the consultations.

Submission of grant applications

By September 4th, the deadline for submission of grant applications, the project received applications from 28 farmer groups. Sector-wise, the applications matched up with 7 out of 8 sectors selected for the current grant competition – the only sector not represented in the applications was hazelnut farming. This was despite the fact that there were 4 groups demonstrating interest in expanding in the hazelnut sector during the pre-application phase. Several applications were remarkably multi-sectoral, with a little emphasis on one or even two sectors. One application was obviously out of the sectoral scope of current grant competition – the applicant group was seeking a grant for expanding greenhouse production of vermi-compost.

Initial review of grant applications and site visits

At the initial review stage, each application was reviewed by at least three evaluators:

- External business planning expert awarded scores to financial, viability and marketing components.
- External sector-specific technical expert⁴ awarded scores to technological, environmental and marketing⁵ components.
- ENPARD/PIN Field Operations Manager, Senior Field Coordinator and relevant Field Coordinators awarded scores to the vision of cooperative set up and management as presented in application.

During the review of applications, ENPARD/PIN Field Operations Manager and all Field Coordinators were paying visits to farms / agribusinesses of all applicants to verify status of assets (as presented in applications) and, to the extent possible, learn whether the applicant is a genuine farmer group/cooperative or a “masked” non-group / non-cooperative grant seeker. The visit reports were used for informing decisions by Grant Selection Committee.

Decision making by Grant Selection Committee

In order to increase fairness and transparency of grant decisions, the project invited external stakeholders to participate in the Grant Selection Committee. After consultations with the stakeholders it was decided that the Committee will be comprised of the following members:

- Representative of Racha-Lechkhumi and Kvemo-Svaneti Governor's Office
- Representative of Imereti Governor's Office
- Representative of the Agricultural Cooperatives Development Agency

⁴ Given the broad sectoral spectrum of the current pool of applications, the project hired five experts – Beekeeping, Greenhouse Greens, Maize, Vinery/Wine-making and Beef / Dairy / Poultry – each to work with relevant business plans.

⁵ Marketing component of every application was jointly evaluated by business planning expert and relevant technical expert vis-a-vis the findings of Market Assessments

- Representative of Akaki Tsereteli State University
- Elkana's Coordinator for ENPARD/PIN
- AYES's Coordinator for ENPARD/PIN
- Project Manager – ENPARD/PIN

After the individual review of applications by the Committee members, they met for two full-day sessions on September 25-26th with an aim to jointly verify findings and scores by external experts and appointed project team members, discuss strengths and weaknesses of the promising business plans and recommend the best ones for grant award. The joint assessment of applications by the Committee members has generally confirmed conclusions made by the experts and project team members. Eventually, the Committee recommended 5 applications for grant award (a "green" list) on a condition that some minor numbers in the financial part will be clarified / corrected, plus some minor details in the application narrative part modified. The authors of 7 other applications (a "yellow" list) were strongly advised to make more significant changes in the financial calculations' part, or description of technologies / choice of machinery/equipment or vision of inter-farmer relations in the cooperative. The changes were a precondition for a new review by the Committee in late October.

The Committee assessed 16 applications as insolvent due to messy/ extremely unrealistic financial forecasts, and/or ineffective/environmentally unsafe technical ideas, and/or obvious overestimations of market opportunities, and/or non-cooperative structure of the future enterprise. The applicants were recommended to substantially re-write their entire business plans if they wish to apply for ENPARD support in the next grant rounds.

In late October, after a series of discussions between project experts and 12 applicants from the "green" and "yellow" lists, all necessary changes in 9 applications were made and presented to the Selection Committee for final decision. After a brief session, all 9 applications were approved by the Committee for grant support. The three other applications (all from the "yellow" list) were not amended to the levels that warrant approval from the Committee and therefore not submitted to the Committee.

The summary of nine applications finally approved for grant support is presented in the table below.

Name	Member ##	Sector	District	Major Inputs Requested		Coop contrib. GEL	Project contrib. GEL ⁶
				Unit	Input type		
Megvineoba Sazano	6	Wine-making	Terjola	1	Tractor	27,400	84,900
				1	Mini truck		
				7	Stainless steel tanks		
					Miscellaneous (press, wine pumps, etc)		
Rachis Naturaluri Produqtebi	5	Bee-keeping	Ambrolauri	1	Honey blender	23,830	85,360
				1	Honeycomb printing unit		
				1	Mini truck		
					Miscellaneous (beehives, cisterns, carts, filters etc)		
Lelo 2014	10	Cheese/Dairy production	Khoni	1	Truck refrigerator	15,000	51,282
				2	Dairy tanks (capacity 500 l)		
				2	Cheese boiling equipment		
					Miscellaneous (milk separator, working tables, heaters, conditioner etc)		
Terjolis gvino	5	Wine-making	Terjola	1	Tractor	88,200	84,277
				1	Semi-automatic rinser (bottle sterilizer)		
				1	Semi-automatic corking machine		

⁶ The indicated contribution includes 10% contingency

				1	Label sticking machine		
					Miscellaneous (pumps, pipes, power regulator, steel tanks)		
Mshvildi +	5	Grape seedling production	Bagdati	1	Tractor	19,425	37,032
				1	Cultivator with fertilizer spreader		
				1	Tiller		
				1	Seeding machine		
				1	Trailer 1.5 ton		
					Miscellaneous		
Kvitiri	5	Cold storage for greenhouse herbs	Tskaltubo	1	Set for cooling chamber - 155m3	55,500	85,608
				1	Mini truck		
				1	Generator 25 kw		
					Miscellaneous (carts, scales, etc)		
Satsire	6	Incubating hatching eggs and selling alive chicken	Tkibuli	2	Incubator	11,000	28,600
				1	Tractor		
				1	Cages		
Jvarisa XXI	5	Wine-making	Ambrolauri	1	Tractor	10,000	28,600
Sargo	7	Milk Pasteurization, bottling, marketing	Kharagauli	1	Milk processing line	48,000	84,925
Total :	54					298,355	570,584

By late November 2015, the time for finalization and conclusion of grant contracts, all nine groups were registered as cooperative in the Public Register. By the end of reporting period, four cooperatives were registered as agricultural cooperatives in the Agricultural Cooperatives Development Agency.

Activity 1.4: Technical Support to Cooperatives via Sub-grants

During the process of amending the business plans, it became evident that the majority of applicants are not clear about specifications of inputs to be procured in support of their investment projects. In order to address the problem, Elkana hired several consultants to work with the applicants and identify the specifications, and/or, where possible, provide actual designations of the pieces of necessary equipment. The identification of specifications / designations resulted in a two-week delay in the launch of procurement process. Once the "purchase list" was finalized, the project offered the major importers of agricultural machinery / equipment to provide PIN with quotes for inputs in the "purchase list". The quotes for the majority of items were provided within reasonable periods of time, however, it became clear soon that the suppliers are not ready to quickly generate price information for relatively more sophisticated equipment that is not immediately available in Georgia (e.g. pieces of dairy processing line).

After the project concluded a number of supply contracts, a new problem slowed down the procurement process. Due to the quick drop in exchange rate of Georgian Lari in November 2014⁷, several suppliers decided not to hurry with signing supply contracts that indicated commodity prices set when the exchange rate was relatively stable. Other suppliers were even ready to breach their already signed contracts with PIN in order not to lose money. In order to deal with growing standstill in the procurement, the project allowed minor increases in earlier agreed prices in several most challenging cases. The 35,000 EUR ceiling was also increased by 10% in order not to cease support to the cooperatives with grant request just under the ceiling.

In mid-December, the exchange rate of Georgian Lari stabilized for some time and this allowed restoration of the normal pace in delivery of supplies to the project. On 25th December, 5 tractors, 2 trucks, and other smaller pieces of equipment/machinery were handed over to the representatives of 7 cooperatives. The ceremony was attended by the Deputy Minister of Agriculture, Deputy Governor of Imereti region, Member of the Agrarian Committee of Parliament of Georgia, Director of Agricultural

⁷ From 1.75 on November 1st to 1.95 on December 7th.

Cooperatives' Development Agency and a large number of other government officials, staff of extension services, other ENPARD consortia and farmers.

The overall cost of inputs transferred to farmers in December 2014, makes some 33% of the expected cost of all supplies intended for project-supported cooperatives in the first round of grant process.

Activity 1.5: Organisational Development of Cooperatives

In October-November 2014 the project facilitated an initial General Assembly in each of the 9 supported groups. The purpose of all Assembly events was finalize statute of future cooperative, select the Board of Directors and finalize decisions on the founding members' contribution to the groups' basic capital / assets.

The four-day training of representatives on nine cooperatives on cooperative finance and communication mentioned above was also a part of the Activity 1.5. In mid-December, AYES conducted a series of follow-on consultations on organization of cooperatives.

More organizational development trainings as well as advisory consultations are planned for 2015.

Activity 1.6.: Exchange visits to learn best practices in cooperative development in the Czech Republic

In late March '14, PIN and CULSP organized a study visit of 6 officials of the Ministry of Agriculture, including 5 staff members of the Agency for Development of Agricultural Cooperatives, to Czech Republic. The Georgian visitors met with representatives of various Czech agricultural cooperatives, farmer-based NGOs, academia, relevant government departments to learn the setup of agriculture/farmer cooperation support systems in the country and the ways sector stakeholders interact with each other.

The visit has shown that the context of farmer cooperation in the Czech Republic is not always relevant for the learners from Georgia as the majority of cooperatives are usually comprised of farmers with many dozens or hundreds hectares of agricultural land. Farms of virtually all members of cooperatives are sufficiently capitalized / equipped and the purpose of cooperation is more effective marketing rather than the economies of scale in production. The project, together with CULSP, decided that the pending learning visits of cooperators should be focusing on smaller farmers in Czech Republic (to the extent possible) and/or other countries in Eastern or Southern Europe where the agriculture context is more similar to the one in Georgia.

Result 2 – Increased agricultural yields and volume of sales due to modern, improved farming, production, processing and marketing techniques

Similarly to the Result 1, changes at the outcome level in the Result 2 shall be expected only when cooperative members a) have adopted at least some of key best practices in business and cooperative management; b) the production and/or processing “now-how” and equipment/machinery/other assets are operational, and c) farmers improve their access to market. These factors represent key pre-conditions for stepping up quality / quantity / diversity of agribusiness output and therefore increasing farmer or processor incomes.

Result 2 indicators and target values / Achievement of targets

Indicator 2.1: Percentage (%) of cooperative members who increase their yields: 75%

Indicator 2.2: Percentage (%) of cooperative members use new production and processing techniques: 75%

Indicator 2.3: Percentage (%) of cooperative members who report an increase in value of their products as a result of improved processing, storage or packaging: 50%

Indicator 2.4: Percentage (%) of cooperatives that report an increase in sales points and report an increase contracts with wholesalers/exporters: 75%

Indicator 2.5: Percentage (%) of cooperatives that report an increase in sales and sign new contracts following Agriculture Fairs: 50%

At this earlier stage of the project, no outcomes of project activities under Result 2 are available yet. As it can be seen further in this section, very few activities under Result 2 were planned and implemented by the project.

Activity 2.1: Technical Trainings for Cooperatives

In early September, Elkana started preparation of two modules for technical training of cooperatives - Food Safety and Sustainable Agriculture. The finalization of former module was slowed down due to limited time availability of relevant consultants. After the project learned the opinions of members of the target cooperatives that delivery of two time-intensive workshops (Food Safety and Sustainable Agriculture) within a short period of time might be counterproductive, it was decided to shift finalization of Food Safety Module to early 2015.

The module on Sustainable Agriculture was prepared on time and the trainings were delivered in mid-November 2014. This three-day capacity building event was attended by 27 representatives of all nine cooperatives.

Activity 2.2: Field demonstration models to exhibit best practices and modern techniques, Farmer Days and Agriculture Fairs

In mid-July, Elkana announced a call for applications for mini-grants to establish on-farm demonstrations. The announcement was made through Information Consulting Centres of Ministry of Agriculture in all target municipalities. By the deadline of September 10th, the project received only 4 proposals. The review of applications has shown that only one of the demonstration proposals (promotion of humane methods of slaughter of poultry) fits the current sectoral interests of the project. As the cost of proposed demonstration exceeded the relevant allocation in the project budget, it was decided to explore other options for on-farm demonstrations.

The high cost of setting up a demonstration was also the case to prevent rehabilitation of ATSU demonstration plots located near Kutaisi.

The above failure to establish a demonstration in 2014 can't be considered a problem since the project still has some time before spring-summer 2015 when at least two demonstrations should be operational. The new announcement of a call for applications for establishment of on-farm demonstrations will be made in the beginning of 2015. The opportunity will be also announced through information meetings of the second round of grant competition planned for January 2015.

The organization of farmer days and facilitation of target cooperatives' participation in Agricultural Fairs is planned for 2015.

Activity 2.3: Ongoing expert field consultations

As per the project workplan, the activity will commence in 2015.

Activity 2.4: Partner with Agrarian Faculty of Kutaisi State University and Ministry of Agriculture Information and Consulting Centres

In late February 2014, People in Need and Kutaisi Akaki Tsereteli State University (ATSU) signed a Memorandum of Understanding according to which the two organizations will be cooperating in the field research, establishment of on-farm demonstrations and other activities aiming to build the capacity of ATSU Department of Agriculture. In February-April '14, several ATSU students participated in baseline data collection and entry into the data-base.

In late July, a cooperative development expert from CULSP and Senior Field Coordinator delivered a two-day TOT on principles of farmer cooperation and participation/learning/communication in cooperatives. The training was attended by several representatives of ATSU, ACDA and Municipal Information and Consulting Centres.

During the same period, the ENPARD/PIN organized a meeting between the rector of ATSU and the CULSP mission to discuss details of a new CULSP project aiming to develop capacities of ATSU departments of Agriculture and Economics. Among other activities, the new CULSP project will use ENPARD/PIN-supported cooperatives as exercise ground when transferring modern data collection and analysis methods to ATSU teachers and students.

In mid-August, AYES trained 10 ATSU students in interviewing and focus group discussion techniques. Few weeks later three of the trained students took part in the process of data collection for agribusiness needs assessment – Activity 3.3. of the project.

Result 3 – Improved agribusiness environment and agriculture sector legislation as a result of farmers’ and rural populations’ direct participation in policy making processes

Result 3 indicators and target values / Achievement of targets

Indicator 3.1: Percentage (%) of regional forum participants report an improved ability to lobby/advocate state structures: 75%

Indicator 3.2: Percentage (%) of mobilised communities report an increase in knowledge about regional and national advocacy initiatives and government programmes: 50%

Indicator 3.3: Number of field assessment reports presented as advocacy tools at the regional and national level: 4

Indicator 3.4: Number of policy recommendations proposed at regional and national forums: 10

Similarly to the Results 1 and 2, the activities under the current Result can't produce any outcomes yet.

Activity 3.1: Farmer-led advocacy and policy making initiatives

As both ENPARD/Mercy Corps and ENPARD/PIN intend to promote participation of farmers and other rural population in policy influence processes, the two projects agreed to unite their efforts to facilitate establishment of the Regional Forum of Agribusinesses of Imereti and Racha. The Forum set up will commence as soon as the projects acquire a critical mass of agribusiness cooperative members, individual farmers, entrepreneurs, experts and ICC staff members keen to lead the Forum. The Action plans to facilitate several semi-formal meetings of the stakeholders above in early spring 2015. The meetings will help to identify leaders, detect their knowledge gaps in advocacy and plan appropriate capacity building activities.

Activity 3.2: Participatory monitoring of government agriculture programmes

In early September 2014, AYES finalized a methodology for learning opinions of beneficiaries and other stakeholders about the second round of "Assistance to Small Farmers Seasonal Work" program that was implemented by the Government of Georgia in cooperation with private sector in 2014. In order to ensure high levels of participation of farmers in the assessment, AYES asked selected representatives of farmer groups to participate in the development of evaluation criteria. The key data collection activities in the assessment was obtained through 9 focus group discussions with farmers (one focus group per each target municipality) and some 27 in-depth interviews with input suppliers and relevant government authorities both at the local and national level.

By early December 2014, the data was collected and processed. The farmers who participated in data collection process were also asked to verify the assessment findings and suggest feasible recommendations on the process of future similar programs. In late December 2014 AYES sent the assessment report to the Ministry of Agriculture and Agricultural Project's Management Agency. The assessment outputs will be presented to the Regional Forum of Agribusinesses of Imereti and Racha once it is operational.

Activity 3.3: Joint planning with local authorities on agriculture development initiatives in target districts

The assessment methodology was designed in a way that allows learning of the needs of all kinds of agribusinesses that are common in the region. The informants' lists included farmers of all scales, packers, processors, suppliers of agricultural inputs (including machinery / machinery services), private veterinarians and agronomists, primary and secondary produce traders of various calibers, and representatives of municipal Information and Consulting Centres. The information collection methods were focus group discussions and in-depth (semi-structured) interviews. The informants were solicited to share perceptions of Strengths, Weaknesses, Opportunities and Threats pertinent to their agribusiness(es). Once the SWOT analysis was done, the informants were asked to suggest realistic solutions to taking advantage of Strengths and Opportunities of their agribusinesses and minimizing Weaknesses and Threats. Where appropriate, the interviewers used priority grids for prioritizing the solutions.

The focus groups and individual interviews were facilitated by AYES experts. Where possible, the experts were supported by trained students from Akaki Tsereteli State University through technical assistance in interviewing / facilitating discussions and preparing transcripts.

In Late September 2014, AYES finished the fieldwork in all three municipalities - Kaharagauli, Ambrolauri and Oni - selected for the assessment for 2014. The reports with processed information

were finalized in in late October 2014. The project plans to present “Results of Agribusiness Sector Needs Study in Kharagauli, Oni and Ambrolauri municipalities” to Imereti Regional Forum and the Governors Offices in Imereti and Racha.

In conclusion of the section, it should be said that the action did not have any unforeseen positive or negative results, actually all results were quite well predicted through the project proposal.

2.3. Logframe revisions (if any)

N/A

2.4. Updated action plan

The action plan below covers the financial period between the interim report and the next report.

Year 2015														
Activity	Half-year 1						Half-year 2						Implementing Body	
	1	2	3	4	5	6	7	8	9	10	11	12		
0.1. Baseline on Direct Beneficiaries														
Data Collection														PIN, Elkana
Data entry														PIN
1.2a Information meetings - for grant rounds 2 and 3														
Coordination of messages with ACDA / Printing of information														PIN
Coordination and announcement of schedules with ICCs of MoA														PIN
Information meetings in village clusters														PIN
Identification of target markets (value chains) through farmers’ registration														PIN, Elkana
1.1b Assessment of target markets - (1 or 2, subject to interests of farmers)														
Methodology review / update, instrument modification														CULSP, AYESG
Collection of data on target markets														AYESG
Reporting														CULSP, AYESG
1.2a Expert Workshops														
Selection of experts / preparation / modification of materials														Elkana
Delivery of workshops														Elkana
1.3 Cooperative Grant Competition														
Review / modification of business plan template														PIN
Announcement of Call for Applications														PIN, AYESG
Intensive training of potential applicants – coop. principles (Mod.1)														PIN
Intensive training of potential applicants – business planning														AYESG
Ind. consultations on coop structure / business planning / technologies														PIN, Elkana, AYESG
Evaluation of business plans and decision making on grants														PIN, Elkana, AYESG
Finalization of winner business plans / settlement of assets’ needs														PIN, Elkana, AYESG
Conclusion of grant contracts														PIN
1.4 Technical Support to Cooperatives via Sub-grants														
Procurement and hand-over of grant assets														PIN
1.5a Organizational development of cooperatives - General Assembly and Registration of Cooperatives														

3. Beneficiaries / affiliated entities and other Cooperation

3.1. Relationship between the Beneficiaries/affiliated entities of this grant contract

All project partners who signed the Partnership agreement with PIN for the implementation of the Action were dedicated, industrious and creative during this reporting period. PIN was providing overall planning / coordination of project activities, and leading a number of critical functions such as community mobilization, organization of grant competition, provision of organizational support to cooperatives, procurement / transfer of grant assets to the co-operators, and all kinds of stakeholder relations. Elkana was responsible for dealing with all production / processing / technology aspects of the project's work with farmers and entrepreneurs. The major duties of AYES were implementation of a number of important assessments (such as several market studies, participatory evaluation of "Assistance to Small Farmers Seasonal Work" government program, agribusiness needs assessment) and farmer / entrepreneur trainings on business planning and economic/financial aspects of agricultural production and processing.

3.2. Relationship between the project and State authorities

The Action enjoys full endorsement and support from all relevant agencies within the Government of Georgia. The project coordinated its activities with the Agricultural Cooperatives Development Agency on a monthly basis. The project's relationship with district and regional government remain very strong.

As said above in description of Activity 1.3, senior staff of four state institutions (Racha-Lechkhumi and Kvemo-Svaneti Governor's Office, Imereti Governor's Office, Agricultural Cooperatives' Development Agency and Akaki Tsereteli State University) spent several days of their time for the Action in September 2014, after being nominated by their institutions to participate in the work of PIN's Grant Selection Committee. As a part of their function in the Committee, the state representatives individually reviewed grant applications, verified expert evaluations and generated grant award recommendations. Several weeks later, the Grant Selection Committee members invested their time into the Action again when they reviewed and approved modified applications from the nine cooperatives.

The PIN consortium's partnership with ATSU and ICCs of the Ministry of Agriculture is discussed above, in the description of Activity 2.4.

3.3. Relationship with any other organisations involved in implementing the Action

The Czech University of Life Sciences – Prague, although not a beneficiary/affiliated entity, but a major service provider in the project, has been responsible for development and transfer of agribusiness cooperation "know-how" to the project team through ToT and then further to farmers. CULSP has also developed methodology for market (value chain) assessment and provided back-stopping in development of monitoring and evaluation system.

3.4. Links and synergies developed with other actions

The Action maintains coordination with other ENPARD Cooperative Development Actions (CARE's, Mercy Corps', OXFAM's) through joint participation in monthly ACDA meetings in Tbilisi and quarterly coordination meetings at PIN-Kutaisi office. The plans on synergies in 2015 include joint trainings of cooperative members, joint Farmer Days, joint participation at agricultural exhibition/fairs and joint efforts (with Mercy Corps) to create and develop Imereti and Racha Farmers' Forum.

Throughout the reporting period, the project participated in the work of GAARD which represents a major advocacy platform in the agricultural and rural development sectors in Georgia. Among other tasks, GAARD was actively involved in reviewing draft Agriculture Development Strategy document developed by the Government of Georgia. Several major recommendations generated by GAARD were accepted for the final draft of the strategy document.

In addition to the above, the Action maintained productive cooperation with the Georgian team of Action Global Communications that provides communications support to ENPARD.

3.5. Building upon / complementing the previous EU grants aiming to strengthen the same target group

N/A

4. Visibility

The EU's support is visible through the following:

- EU and ENPARD logos at PIN Georgia website;
- Stickers with EU logo at all grant assets handed over to cooperatives (tractors, trucks, farm and processing equipment, etc.);
- Stickers with EU and ENPARD logos on printed project material and folders with project-related information and documents handed over to project participants;
- ENPARD-branded caps and mugs presented as souvenirs to members of project grantee cooperatives and government officials during handover of grant assets to cooperatives on 25 December 2014;
- Display of project banner with EU and ENPARD logos at all public events organized by the Action (e.g. information meetings, expert workshops, etc.);
- Stickers with EU and ENPARD logos at the doors of PIN offices in Kutaisi, Zestafoni and Ambrolauri;
- Sticker with ENPARD logo on Project vehicle;

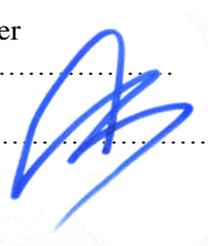
Name of the contact person for the Action: Ketii Dvalishvili, Information Officer (mob.: 591-191656)

The European Commission may wish to publicise the results of Actions. Do you have any objection to this report being published on the EuropeAid website? If so, please state your objections here.

No objections

Buba Jafarli, Project Manager

.....
Signature:



Location: Tbilisi, Georgia

Date report due: 31 Jan 2015

Date report sent: 31 Jan 2015