

Annex I: Description of the Action

Introduction

This project aims to increase the income and living standard of the Georgian rural population by reinvigorating agricultural productivity. This will be achieved through the development of innovative and financially sustainable models of cooperatives so that farmers are better able to reap profits from their agricultural activities. It will address key **barriers in Georgia's agricultural sector**. As the main economic activity of half the population, farming accounts for only 9% of GDP. Many farmers produce mostly or exclusively for subsistence. Despite favourable natural resources in most parts of Georgia, productivity is low as reflected in the fact that the value of agricultural imports triples that of exports.

Most farmers are smallholders working on less than a hectare, often divided into separate micro-plots. **Fragmentation** and resulting tiny outputs reduce access of these farmers to both input and output markets and **limits options**, since large-scale processors and marketers are not interested. With limited ability to achieve economies of scale, farmers have little incentive to raise production or increase quality. Most farmers also **lack improved farming methods** to do so. Other barriers are **limited access to services and finance, weak infrastructure**, especially for drainage in Guria and Samegrelo, **unfavourable policies fostering import and lack of entrepreneurship**. Many farmers also fear losing state anti-poverty subsidies ("social assistance") if they produce more.

Rural poverty and low food-production will be addressed through identifying, testing and validating new models of cooperative groups that have the capacity to generate additional revenue for their members and are linked to wider networks of service providers. The project provides basic support for business planning to 60 cooperatives and intensified support, including grants, to 43 farmer groups with an estimated 860 members. Ultimately, **30 cooperatives** with an estimated **600 members** will be successful and generate stable and increased income to their members as a result of improved cooperation. Another target group is the **Georgian Farmers Association (GFA)**, a 2nd level entity to represent and support farmer groups, whose capacities to represent and advocate for an enabling policy framework for smallholder farmers will be enhanced. By the end of the project, at least **6,000 members of GFA** will benefit from the increased capacity and efficacy of this umbrella organization. **600 farm households (~2,400 people)** will benefit from higher, more stable incomes and better support systems if this project is implemented. They are the families of farmers of the 30 groups expected to be successful in the long term.

Overall and Specific Objectives:

The **overall objective** of the project is the *sustained increase of food production and rural poverty reduction in Georgia*. It directly responds to the need to reverse the decline in Georgia's agricultural productivity. The project aims at enhancing and diversifying food production by developing innovative mechanisms of cooperation among farmers that make it attractive for farmers to work as a group and achieve economies of scale. The selection of seven municipalities in the Guria and Samegrelo regions was strategic as they provide a cross section of relatively weaker and more promising areas of agricultural development. The municipalities are: Khobi, Abasha and Senaki in Samegrelo, and Ozurgeti, Lanchkhuti and Chokhatauri in Guria, and Tsageri in Lechkhumi. Collectively, most of these, form an arc of diverse agricultural activity around the most active seaports in Georgia. They were also chosen for their relative remoteness from the capital, proximity to industrial zones, and potential markets in the cities bordering the Black Sea. Additional analysis of these regions is provided in the Methodology section.

Indicators for the overall objective are:

1. Income levels in rural Georgia increase.
2. Food production by the new national cooperative system grows.

The **specific objective** is that *business-oriented smallholder farmer groups within a sustainable support framework cooperate and compete well in markets*. It directly addresses the situation of Georgian agriculture by framing an action that will establish and enable farmer groups to take advantage of business opportunities and that facilitates replication. This action will **validate methods to build capacity in smallholder farmer groups** to create and manage rural businesses under a range of conditions. It will serve to test emerging Government of Georgia policy on development and support of cooperatives, which will be strengthened by feedback and advocacy from CARE in cooperation with other implementers.

The transformational measures proposed are not limited to supporting introduction of cooperative enterprises as part of the Georgian Agriculture Development Strategy. They also include a number of approaches to **build a supportive environment**: 1) **consolidation of an umbrella entity**, the Georgian Farmers Association (GFA), to represent and strengthen small farmer groups; 2) **introduction of revolving grants**, a new approach to sustainability in the Georgian “development business”; 3) **focus on farmers’ best business ideas amongst groups ready to cooperate** instead of on particular value chains; 4) **coordination among ENPARD implementers** to develop effective ways for farmer groups to operate; 5) **partnering with the agricultural economics program** of the International School of Economics at Tbilisi State University (ISET) to get timely market data to farmers as well as providing applied research; 6) **association with COPA-COGECA**, the leading European cooperatives’ umbrella, for expert guidance, networking and sharing of best practices; 7) an **Online Marketplace to link investors to farmers’ business ideas**.

As a long term, deeply engaged actor in Georgia and the South Caucasus, CARE’s goal, together with its consortium members ISET and RDA, in undertaking this ENPARD challenge is larger than creating a number of business-oriented cooperatives. Rather it is to help to set in motion a **transformational approach**, supporting cooperation that can shape a rural economy able to move towards prosperity and food sufficiency based on diversified, market-driven agricultural enterprise.

Indicators for the specific objective:

1. At the end of the project, at least 30 business oriented smallholder farmer groups report increased net income as a result of improved cooperation (by 10% over the baseline compiled for selected 60 cooperatives, sex disaggregated).
2. After year 3, Georgian Farmers Association (GFA) has improved its technical and management capacities and sustains provision of demand based services to its members.
3. At the end of the project, 80% of target smallholder farmers (group members) report improved policy environment, access to inputs and increased linkages to output markets (sex-disaggregated).
4. At the end of the project, minimum 10 business oriented smallholder farmer groups (additional to the 30 of SO 1) are benefitting from new models of financing agricultural enterprise through recoverable grants and investor participation.

Expected Results

Expected Result 1: Business-oriented smallholder farmer groups (cooperatives or equivalent) are operational and sustainable

The first component of the project focuses on testing and validating different models of small farmer cooperation in order to better understand factors that make such groups functional and sustainable in the long term. Selected smallholder farmer groups will be supported by fostering improved organization and governance structures, business and technical skills training and links to markets, purveyors, and investors, as well as by making available start-up funding in the form of repayable grants. The selected models will be adaptable across a variety of value-chains and fit a range of circumstances and business ventures. They will be documented and shared with other implementers and the sum of these experiences will be available to guide the Georgian Government in scaling up of smallholder farmer cooperatives across the country. In order to be able to test and validate different experiences, two aspects have been taken into account:

- 1) Existing and emerging farmer **groups of different types** are selected: The project will work with existing groups and invite the formation of new ones. Diversity criteria include their size, economic activity of the village, previous contact with donors and group size and composition (sex, age, number of members). The municipalities targeted in Guria and Samegrelo offer this range of conditions.
- 2) A second key factor will be to **abstain from dependency-creating give-aways**. Farmers will be expected to fully participate in all stages of exploration and analysis of market opportunities, sources of technical and material support, negotiations with investors, etc. Start-up funds will be provided as repayable grants, with each group committing to a repayment schedule. Funds repaid will become the core of a revolving fund to be used to finance additional groups with business plans under Georgian Farmers Association guidance.

Impact on target groups, beneficiaries and co-applicants:

- At least 860 smallholder farmers (members of the 60 groups) have developed their capacity to participate in governance structures and commercially-oriented rural enterprises;
- 43 business-oriented smallholder farmer groups have built know-how on sustainable farming methods, processing methods, effective forms of cooperation, marketing, capitalization and natural

- resource management and other topics needed to carry out their business plans;
- Through improved capacities of groups to produce efficiently and generate income, approx. 600 farming households in the target areas have raised their income and food availability;
- Co-applicant RDA has expanded its geographic and technical expertise as a local implementing partner, honing its ability to manage processes to strengthen farmer groups.

Result Indicators:

- 1.1 After year 3, members of at least 30 business oriented smallholder farmer groups report increased productivity by 20% over the baseline.
- 1.2 After year 3, at least 20 business oriented smallholder farmer groups are repaying revolving funds as per repayment schedule.
- 1.3 At the end of the project, at least 43 business oriented smallholder farmer groups are applying their business plans and generating revenues for their members.
- 1.4 At the end of the project, the number of women smallholder farmers counted as cooperative members exceeds 30% amongst grantees.

Publications:

- Baseline participatory assessment and its summary;
- Training manuals for organization/governance of business-oriented farmer groups.

Expected Result 2: Interests and rights of smallholder farmers are represented and protected by the Georgian Farmers Association (GFA).

Founded in 2012, GFA currently represents about 700 farmers directly or through association memberships. These farmers operate within numerous sectors such as wheat, beef, citrus, potatoes, tea, bay leaf, and hazelnuts. Well connected with public and private sector agencies, GFA has a mandate from the Ministry of Agriculture to act as an intermediary between farmers and government, filling what had been a significant vacuum. This project component will strengthen GFA as a self-sufficient umbrella entity for farmer groups, developing its capacity to expand and serve its membership. GFA will establish its value to members by giving guidance on governmental programs; links to service providers and sources of funding, markets and technical support; consultation on policy issues and representation of members' interests; defense of smallholder farmers rights; participation in policy making; and advocacy of fair access to markets and resources.

A key goal will be to ensure GFA has a sustainable business model by the end of the project. GFA's economic model will be largely driven by member contributions, however, service provision and grant funding will also supplement its bottom line. GFA advocacy will have added value from two sides: positions advocated will result from consultative processes with the increasing membership, giving them greater legitimacy and they will be evidence-based, underpinned by field data and policy studies.

In 2013, GFA became a member of COPA-COGECA, allowing Georgia to become only the fourth non-EU member country to this powerful and prestigious institution. COPA-COGECA represents European farmers and is one of the oldest and most powerful lobby groups in Brussels. It is made up of COPA, which represents farmers' lobbies from the EU's 27 member states, and COGECA, representing agricultural cooperatives in the same countries. COPA and COGECA joined forces in 1962.¹ GFA's membership provides access to international expertise and current practices.

Impact on target groups, beneficiaries and co-applicants:

- GFA has gained capacity in constituency building and organizational development, advocacy, and brokering links to private sector, technical, financial, and policy actors.
- GFA has developed a market price information system and a database.
- Nurtured by all three (co-) applicants, GFA has become able to operate independently to serve a growing number of GFA members and affiliates with improved services.
- 6,000 Georgian members from numerous agricultural sectors directly benefit from GFA's capacities.

Result Indicators:

- 2.1 After year 2, GFA has adjusted its governance structure to ensure democratic representation of members and has diversified its revenue base.
- 2.2. After year 2, GFA provides services tailored to the needs of at least 50% of target business-oriented small holder farmer groups as its members.

¹ Official website of COPA-COGECA. Accessed: August 26, 2013. <http://www.copa-cogeca.be/CopaHistory.aspx> and <http://www.copa-cogeca.be/CogecaHistory.aspx>.

2.3. After year 3, at least 3 preferential contracts have been negotiated by GFA with service providers and marketers on behalf of members.

2.4. At the end of the project, the number of farmer groups represented by GFA has multiplied by 400% over baseline.

Publications:

- GFA newsletters and reports to members;
- Up to three promotional brochures.

Expected Result 3: Institutional framework for smallholder farmer groups improved.

This component will focus on creating the long-term supportive policy environment needed for business-oriented smallholder farmer groups to prosper. Activities support the Government's ongoing efforts to transform the agriculture sector through the introduction of cooperatives, informing governmental actors of the on-the-ground results and providing feedback on policies. This will improve the performance of the policy-making effort, enhance the environment in which cooperatives work, and facilitate scale-up and replication. Activities within this result envisage coordination with other ENPARD implementers so as to share lessons and best practices, develop common advocacy positions and activities, and consolidate GFA's role as an effective 2nd level entity in the Georgian agricultural policy arena. The actions will also collaborate with other actors involved in the larger effort to transform Georgia's agricultural sector.

Impact on target groups, beneficiaries and co-applicants:

- GFA has gained advocacy experience and negotiation capacity with public agencies and other actors, strengthening its role with the Ministry of Agriculture.
- GFA has engaged with other stakeholders and built links between the grassroots and Ministry of Agriculture to influence the regulatory framework on farmer groups, to address gaps, and to guide future policy.
- Ministry of Agriculture and other agencies (Ministry of Rural Development, etc.) are better informed about smallholder farmers' needs, the impact of current policies and potential for policy revision.
- Smallholder farmers are informed on the agricultural policy framework governing cooperatives and have gained experience in policy debate and advocacy.

Result Indicators:

3.1 After year 3, government recognizes GFA as partner on farmers' issues and representative of cooperatives;

3.2 At the end of the project, GFA /ISET recommendations are incorporated in Ministry of Agriculture regulation on agricultural cooperatives;

3.3 At the end of the project, GFA conducted at least two joint advocacy campaigns with other agencies to resolve gaps in legal framework related to cooperatives.

Publications:

- Evidence-based discussion/position papers on policy gaps, initiatives, options;
- Best practices and lessons learned for Georgian cooperative development.

Expected Result 4: Smallholder farmer groups are linked to improved sources of capital, market information, business opportunities and farming/processing methods

The fourth component of the project centres on developing conditions needed to ensure success of farmer groups' business plans and sustainability of the project. The need to mobilize both international and local investors will be addressed using selection of the best business ideas by farmer groups and online brokering mechanisms to jump-start investment and catalyze scale-up of promising results. This will be supported by improved access to credit, information, and technical assistance.

Impact on target groups, beneficiaries and co-applicants:

- 43 business-oriented smallholder farmer groups and other GFA members will benefit from 1) investments brokered via the Online Marketplace (this will also strengthen co-applicant RDA and GFA); 2) better access by farmer groups to technical assistance provider networks; 3) an annual award event and publicity for innovative small farmer business investment ideas, 4) establishment of a market price data system for inputs and products; 5) access to relevant agricultural economic studies, publications, and evidence-based policy inputs.
- Co-applicant ISET will gain capacity to manage and use agricultural price data, design and carry out applied research on agriculture and rural development, and contribute to evidence-based policy debate.

- At least 30 agribusiness, credit, and marketing firms that do business with the farmers groups will benefit by increasing their turnover.

Result Indicators:

- 4.1 After year 3, an Online Marketplace linking business ideas with investors is used by farmer groups nationwide.
- 4.2 After year 3, at least 20 farmer groups report use of ISET real time market information in business decisions.
- 4.3 By the end of the project, at least 10 business partnerships have been formed by smallholder farmer groups with foreign and/or national investors.

Publications:

- CARE Online Marketplace;
- Publications to inform public debate: at least 10 articles/research pieces yearly;
- Academic working papers developed from field research results;
- Master's theses. Field data may be used by students in masters theses, literature critiques, and applied projects;
- Price data summaries and analyses. Current price data provided to GFA and distributed through ISET's Agricultural Policy Research Center's website, as well as other media.

Description of Activities

Inception Phase

0.1. **Recruit staff, set up offices.** Staff will be recruited upon the projects' approval. CARE's full-fledged HR department will advertise, recruit and induct CARE staff into the project, using qualified staff local to the area when possible. RDA will follow a similar process. The project's headquarters will be located in Poti and will serve Abasha, Senaki, Khobi and Tsageri municipalities. Lanchkhuti, Ozurgeti and Chokhatauri municipalities will be served from a smaller field office in Ozurgeti. Output: Offices set up and project team on board.

0.2. **Sign agreements with implementing partners.** Upon signing the agreement with the EC, CARE will develop and sign sub-agreements with RDA and ISET. Reporting requirements will be detailed through report pro-formas, which use log frame indicators for progress and impact monitoring, and allow for easy and efficient progress and impact data to be recorded on a monthly basis. This will allow for close monitoring of the projects' implementation at all times, and subsequent management decision-making within the project. Output: Agreements with RDA and ISET signed.

0.3. **Start-up workshop and signing ceremony.** A start-up workshop and signing ceremony will be held. On this occasion, the purpose and function of the project will be described to media, other donors and implementers in the sector and area. Given the importance of all key actors' familiarity with the project's objectives, this step is essential to ensure networks of implementers and policy makers are refreshed and reinforced on their understanding of the project and its objectives. Output: start-up workshop held; relevant stakeholders informed on project start.

0.4. **Translate key documents.** The project documents (proposal narrative, logical framework, implementation plan, etc.) will be translated into Georgian and a summary document (drawn from the proposal narrative) will be put in a brochure format. This summary document will form a basis for initial introduction of the project to inform stakeholders and beneficiaries, and ensure common understanding of project's purpose and targets is held by all implementers and beneficiaries alike. Output: Georgian version of key project documents available.

0.5. **Monitoring and Evaluation Workshop.** A Monitoring and Evaluation planning workshop will be held to review and validate the logical framework, indicators and means of verification with all relevant stakeholders and partners. This provides an opportunity for all information users to define their needs so that the Monitoring and Evaluation system can accommodate the multiplicity of user needs. This process will outline roles and responsibilities of each player, the frequency of Monitoring and Evaluation activities, the sources of information, and a more detailed account of the data collection process. Output: participatory and gender-sensitive M&E system in place.

0.6. **Baseline survey.** Using the indicators detailed in the log frame and validated at the Monitoring and Evaluation planning workshop, the project will commission a participatory household level baseline study of the target area. The baseline survey will include qualitative and quantitative

methods and a section of gender analysis including women's and men's roles in agriculture and cooperatives as well as an analysis of structural, relational and agency-related barriers to women's equal participation. Output: baseline survey report published and disseminated.

0.7. **Public orientation meetings.** To ensure that open communication channels are well established and community members understand both the short- and long-term benefits of the project, public information exchange and discussion meetings will be held with all stakeholders during the first three months. These meetings will be held to allow for easy access for large segments of the community to present project objectives and strategies, exchange views, clarify and address community concerns and expectations. These meetings agenda's will be developed with communities' input to ensure that their issues are raised and addressed at an early stage. Output: 7 orientation meetings held (one per target municipality); communities informed on project aims and activities.

Activities for Expected Result 1: Business-oriented smallholder farmer groups (cooperatives or equivalent) are operational and sustainable

1.1. Inform farmers in target municipalities on legal factors, benefits and risks of cooperation, and models of success, coordinating with local authorities and extension agents.

In addition to the public meetings where general information on the project is promoted, specific information campaigns will be used to inform men and women farmers of the possibility of support to farmer groups under the project and the modality of how to apply with business ideas for capacity building and small grants. This will also include information on the legal forms of farmer groups / cooperatives and their benefits. Such promotion is essential as there is moderate resistance and even scepticism to overcome within the target regions, especially Guria but also parts of Samegrelo due to historical experiences with Soviet-era collective farming. RDA will organize and implement promotional campaigns, involving municipal authorities and informal village leaders and inviting interested farmers to informational sessions. A mix of mass media, flyers, visits to gatherings, and word of mouth will be tailored to characteristics of each place. Registration of farmer groups in GFA will also be promoted. Data of existing and interested groups will be collected during these campaigns in order to have a database for coordination with the umbrella organisation GFA. Output: information campaigns carried out in target areas; motivated people identified; database available on farmer groups in target areas.

1.2. Solicit business ideas from interested farmer groups; short-list 60 groups.

After people are informed on the project, RDA will follow up with interested people to encourage formation of groups around new business ideas or solicit business ideas from existing groups. It is expected that about 120-200 potential groups will be identified in the 7 target municipalities. Using participatory processes (see Methodology section), groups will be encouraged to form based on shared business concepts (15-30 incipient groups / ideas per target municipality). As per previous consultations, the focus of interest may be on gaining more favourable market access to inputs and/or sales, provision of services or machinery, improved production or processing, partnership with particular agribusinesses or investors, or a combination of all. Non-farm enterprises that support the agricultural economy and its people may also be considered where groups show interest — such as accounting/legal services, small scale agro/ecotourism, village markets, etc. 20 workshops to develop initial business ideas will be conducted by RDA. In these workshops groups will be supported to explore the initial feasibility of forming cooperative enterprises to pursue their ideas, weighing advantages, opportunities, and risks. The decision to form a group will come from the farmers themselves. Cooperative Mobilizers will help ensure that these basic feasibility assessments use all available information. Self-selected groups will tend to have sufficient levels of trust, socioeconomic similarity (demographic aspects, farm size, scope of activities, etc.), and shared interests to reduce the potential for conflict.

As the next step, about 60 of the most motivated groups with the best business ideas will be short-listed via a transparent pre-selection process. The process will ensure that the project supports the best possible business ideas generated by farmer groups. **Criteria** will include business potential, group size and composition, motivation, access to skills and resources and potential sustainability of the idea. CARE and partners will strive to include as many women as possible in groups and select those groups where women are represented. A **selection committee** will be formed by CARE with technical representatives of project partners, GFA, Ministry of Agriculture, peer organizations as well as representatives from the private sector. Outputs: formation of farmers' groups encouraged; a shortlist of 60 farmer groups with business ideas pre-selected to develop business proposals.

1.3. Carry out baseline assessments of 60 short-listed farmer groups.

A separate baseline assessment of the 60 short-listed groups will be conducted to achieve a comprehensive understanding of farmers and households, their social and economic situation,

governance structures, skills and knowledge and current way of operating. Since 43 of the 60 groups will be involved in later activities – 20 in the first cycle of training and funding and 23 in the second – the baseline data will be used for later comparison on income sources and levels, key technical and marketing knowledge, beliefs and attitudes to cooperation, gender norms, etc. The remaining 17 provide a comparative group for the final evaluation. CARE and RDA will compile and evaluate the data. Output: baseline report on 60 farmer groups and their members.

1.4. Build capacity of 60 farmer groups to develop business plans and governance structure.

In order to allow the selected groups to refine and formulate their business ideas, the project will provide capacity building on development of business plans. Capacity building will be tailored to the groups' needs (based on the previous needs assessment). General elements include:

- Refining business ideas through training sessions on feasibility analysis, mapping of service needs and existing services, mapping of technical knowledge needed and how to access it, etc.
- Provision of tailor-made technical input, such as on sustainable soil and water management, climate-smart planting methods, etc.
- Creating conditions to create and run a successful business, such as a sound governance structure, analysis of power and group dynamics, business analysis and management skills.

The methodology includes tailor-made trainings, group mentoring and on-site visits. Capacity building will take place over two months, covering 6 days of training/mentoring per group. RDA will guide implementation of this activity by overseeing expert consultants familiar with the context of the regions.

After this activity, each group will have developed a vision of its enterprise, identifying what cooperation can offer and what it requires, organizational, technical, and material needs, sources of training, information and resources, legal frameworks, and the role of an umbrella organization in accessing these. The project team will challenge ideas, interacting with the groups to explore feasibility and strengthen approaches, obtaining advice from staff, local leaders, and extension agents. Output: 6 days of training/mentoring per group (with 60 pre-selected groups a total of 360 training days); 60 short-listed groups are trained in business and management skills, principles of cooperation and governance arrangements for cooperation and business planning; 60 business plans developed.

1.5. Select and train up to 20 farmer groups for initial support; sign repayable grant agreements.

This activity incorporates two steps. First, out of the 60 groups, 20 will be selected to receive repayable grants. Second, the 20 groups will receive additional capacity building to implement their business ideas in areas identified by groups themselves. The training and technical assistance will enhance the groups' business prospects. **Selection criteria** for groups to receive grants will parallel to those for pre-selecting the 60 groups, but applied more rigorously. Selection will be based on feasibility, viability, and profitability of the business plan, taking into account the characteristics of the group and its likelihood of success. Selection criteria will also include adherence to environmentally friendly practices in agriculture. A further criterion is the potential to support women's role in agriculture, for example through group composition or the nature of the business idea. Efficiency of the proposed use of funds will be a principal criterion. Groups will be selected only if deemed well prepared; if fewer than 20 groups are ready, those in need of further strengthening will be deferred to Cycle 2 or in some cases dropped. If a particular group does not need a grant to start its business plan, support will be limited to training, technical assistance and follow-up. Within the 48 months, at least 43 groups will be selected to receive grants, additional training and technical assistance in total through two selection, training and grant cycles.

Training and assistance will build the groups' skills to develop effective organizations and sound business proposals, using learning-by-doing approaches. Based on a needs analysis, groups will develop governance and organizational provisions, build administrative capacities (bookkeeping, procurement, personnel management, taxes, etc.), and learn entrepreneurial skills for marketing and capitalization. They will also learn to pursue technical inputs /skills needed for the particular business plan being formulated, with mentoring as needed.

Improved business plans will be prepared elaborating core business ideas and feasibility. Material, procedural, and skills requirements will be specified, as will resources to be used, investment needs, cash flow projections, and procurement and sales methods. The farmers will contribute field information on the conditions of the location which affect production costs. The project will provide technical support to the business planning and will review overall feasibility. RDA will lead this process, using outsourced training expertise.

CARE will **issue grants** which will be repayable to build self-sufficiency and contribute to sustainability via creation of a revolving fund. They will be disbursed subject to co-investment of at least 40%, from which at least half should be cash contribution of total needed resources to start or scale up the

business. Accountability mechanisms will be built into governance structures (annual plans and reports on progress, evaluation committees, audits, etc.) and business plans (see the Redistribution section below). **Output:** up to 20 groups receive recoverable grants to implement business plans in the first cycle (at least 43 groups are selected for funding during the lifetime of the project, see Activity 1.8); tailor-made trainings for 20 groups.

1.6. Provide follow-up services to groups supported.

To maximize chances of success, the funded groups of the first cycle will be able to rely on continuous support during the first two years of the project. Follow-up services will include on-demand strengthening in organizational, business, and technical areas; access to market data and analysis (see also activity 2.6); exposure to investors (see also activities within Result 4), and participation in advocacy and support networks led by the Georgian Farmers Association. Access to these services will be ensured by CARE and RDA. By mid-project the focus will shift toward use of services available in the environment, including Ministry of Agriculture extension services. By the end of the project groups will have learned to investigate and develop their own sources of services to become self-sustaining and adaptable. Membership in GFA will support this transition. Technical services to groups will cover environmentally sound farming and processing techniques, and compliance with agreements on food safety, free trade, and quality standards (e.g., GLOBAL GAP, ISO and HACCP). The project will record successes and obstacles for farmer groups through research partner ISET. **Output:** ongoing coaching and training sessions provided to 20 groups through expert project staff (CARE, RDA, ISET) and consultants.

1.7. Create revolving fund to receive grant repayments, fund additional groups.

In order to motivate farmer groups to organize for the sake of increasing efficiency and to create a sustainable mechanism for scaling up and replication, the project will install a revolving fund. Thus this activity is seen as key to creating and sustaining transformational models of cooperation. Grant funds disbursed under Activity 1.5. will be repaid back into a revolving fund. They will be dedicated to making available additional grants to farmer groups. A thorough legal review of options for such a mechanism under Georgian law has been conducted by CARE in preparation of this project. During the inception phase, the revolving fund's long term status will be clarified with the majority of the fund to be transferred to the Georgian Farmers Association at the end of the project and the portion of the fund contributed by CARE to be retained by CARE for future investing in rural entrepreneurs. For more information on the revolving fund see Redistribution section below. **Output:** a proven revolving fund methodology provides further funding opportunities for new cooperatives.

1.8. Cycle 2: Select 23 more groups for grant and investor support.

The second grant cycle will enable new groups as well as those who did not pass the selection process during the first cycle to compete for grants. It will also unveil opportunities for alternative sources of funding, including external investments and grants repaid by cooperatives which benefited from the first-cycle grants. Following the award of the first round of grants, additional farmer groups will be given further training to strengthen their business plans and qualify for grants or investor partnerships. At least 23 additional awards will be made during the project. It is anticipated that within six months of the original granting period, more cooperating farmers groups will be deemed ready for grants. Thus the second cycle will be ongoing throughout the years 2 and 3 of the project. All additional grants will be distributed by CARE. It is probable that not all the businesses funded will be successful; at least 43 will be supported (through Cycles 1 and 2) so that at least 30 will succeed. **Output:** additional training sessions on business planning and partnerships provided; cooperatives seize market opportunities through good management and efficient deployment of capital.

Activities for Expected Result 2: Interests and rights of smallholder farmers are represented and protected by the Georgian Farmers Association (GFA)

2.1. Develop and implement improved GFA governance and organizational structure.

Being a recently established organization, GFA needs to develop a capacity-building plan to trace a path to institutional and financial independence. The plan will be outlined with support from CARE and RDA and will address needs for capacities in democratic governance, membership management, strategic planning, resource mobilization, recruitment and training, advocacy, and service provision. It will also cover building GFA mechanisms (using models like those of similar members of COPA-COGECA) to consult with and serve needs of farmer groups in regard to advocacy, organizational and business training, options for improved production, processing, and marketing, adoption of standards and certification (food safety, etc.), improved knowledge of value chains and input and product markets, branding and advertising, etc. Aspects of training and capacity building will be outsourced. The capacity building plan will be designed during the first semester, implemented through an organisational development grant and monitored throughout the project. To sustain GFA's

organizational capacity, project staff from RDA (positions as specified in the budget) will be temporarily seconded to GFA. Output: organisational assessment conducted; capacity building plan designed and implemented.

2.2. Develop the GFA brand as a trusted umbrella organization for Georgian farmers.

In order to carry out its representation mandate, GFA needs to position itself as a trusted brand for Georgian farmers. This will be achieved through developing and executing a brand strategy for GFA. Smallholder farmers are considered peasants within Georgian society which has negative connotations. One of the implicit brand promises GFA will offer is to change the image of smallholder farmers in society. This positioning will serve to increase the dignity and respect of smallholder farmers which will strengthen the tie between GFA and its constituents beyond service delivery and lobbying. A corresponding marketing strategy and action plan will be developed and executed to implement the brand strategy. CARE will oversee the GFA brand strategy development and execution. Outputs: marketing strategy designed and implemented; GFA has developed its brand promise and develops and executes a comprehensive marketing plan.

2.3. Support GFA campaign to raise public and stakeholder awareness on cooperatives' needs and potential to increase food production and rural income.

This activity aims at promoting a positive public image of farmer groups among the Georgian public and other stakeholders, such as the business community. Historically, the image of cooperatives is associated with low productivity, state intervention and lack of innovation. Linking in with the Government's agriculture strategy of fostering cooperatives, the GFA will take steps to promote a positive public image of their constituency. They can do this through building on their strong and direct linkages with their membership (see Activity 2.2). GFA will gather information on current issues and activities from their members through a call centre for farmers. This information will be stored in a database which will allow for analysis of membership profiles and trends in cooperative performance. RDA will support GFA to develop public awareness activities to strengthen GFA's capacity for public relations and advocacy. GFA will develop media and awareness raising products, such as newsletters on their members' activities, media statements by speakers, a GFA website and campaign activities. Two awareness raising campaigns, which will include 8 meetings each conducted in the regions, will be based on issues of concern identified by farmers. Through this activity GFA will be in a better position to advocate on farmer's issues and will increase public awareness of the benefits of cooperation. Outputs: awareness of public and business community on needs of smallholder farmers and benefits of operating as a group increased; media materials and newsletter published, database on membership available; call centre operational.

2.4. Guide GFA in fostering cooperation among members, public agencies, and investors.

This activity will create the visibility needed to strengthen GFA and position it to continue as an advocate after the project. CARE will guide GFA in working with stakeholders to foster common, evidence-based understanding of shared issues and build consensus where possible. Periodic round tables will be organised to host discussions on current challenges in agriculture for men and women smallholder farmers, review policy inputs, coordinate actions and attract press coverage to the issues of rural development. Additional linkages to outside investors are paramount to the project's scaling-up and sustainability. In Years 3 and 4, GFA will thus collaborate with CARE to support and use the Online Marketplace for investors and other mechanisms to broker partnership between members and potential investors, including both foreign and domestic providers of capital. GFA will act as a scout for groups of motivated leaders possessing viable cooperative business ideas. The ideas will be passed to CARE for inclusion on the Online Marketplace website. For more information see Result 4 activities. Outputs: the Online Marketplace established and used; positions on issues important to small farmers are formulated and advocated by GFA.

2.5. Facilitate GFA negotiation of favorable terms on services from preferred providers to members.

One of GFA's key capacities is its ability to provide services on favourable terms to its members. As needs of farmer groups for services become clear, CARE will support GFA in gathering information on service providers in different fields and on the satisfaction of members with their results. This will become a basis for negotiating favourable deals from providers designated as preferred, who realize economies of scale. The project will facilitate GFA to act as a clearinghouse, using web-based tools. Output: database of relevant service providers in place; data accessible to members online; services tailored to member needs are brokered by GFA on favorable terms.

2.6. Connect cooperatives supported by other implementers to GFA.

To ensure that GFA becomes a nation-wide umbrella representing interests of farmers (and farmer groups) throughout Georgia, it will be supported to attract new members. To achieve this, GFA (with

guidance from RDA) will market its member benefits to the other ENPARD implementers to encourage newly formed farmer groups and cooperatives to join GFA. Under this activity, GFA promotional brochures will be produced and distributed and promotional trips of GFA staff to other regions of Georgia conducted. Output: promotional brochures published; information about GFA brand and services disseminated; promotional activities conducted.

2.7. Foster strong ties to international expertise on cooperatives and policy.

Establishment of strong ties with international expertise will strengthen GFA's position with its constituents and with the Georgian Government. Therefore, under CARE's guidance, GFA will continue taking advantage of the technical assistance, operational models, and database access derived from its membership in COPA-COGECA and will broker contacts and information from the European and other cooperative movements in support of cooperatives' development and policy making in Georgia. To this end, annual visits will be made by GFA representatives to COPA-COGECA meetings and conferences. Output: better collaboration with European cooperatives' movement.

Activities for Expected Result 3: Institutional framework for smallholder farmer groups improved

3.1. Hold periodic workshops with ENPARD partners to harmonize ENPARD approaches to cooperative development.

This activity will foster sharing of best practices and the development of common advocacy positions among all actors involved under the ENPARD programme. At the same time, GFA's participation as a lead organising actor will strengthen its position as an effective 2nd level entity. GFA will organise the workshops with support of CARE. Governmental agencies will be invited. Through this coordination mechanism, ENPARD partners will be able to harmonise their approaches and function as allies for joint advocacy. GFA will have a role of providing evidence-based input to these discussions through regular interaction with its members (see Result 2). This corresponds to the role which has been assigned to it by the Ministry of Agriculture: giving grassroots feedback to Parliamentary committees, the Ministry of Agriculture and other governmental agencies on effects of policies and programs; helping structure the policy consultation process and organizing NGOs and private sector representatives to collaborate on policy review and advocacy. Outputs: Regular coordination workshops held with ENPARD stakeholders; joint positions developed and shared.

3.2. Analyze existing policies on cooperatives' development and develop evidence-based policy options.

While Activity 3.1 focuses on the experience within ENPARD, the wider realm of Result 3 is national agricultural policy in Georgia and its implications for the operation and functioning of cooperatives. Therefore, the project will conduct detailed analysis of the underlying causes, which might be hampering cooperatives' development and their abilities to generate higher incomes for farmers. This will be based on the experiences of supporting cooperatives under Result 1, but also encompass other actors' experiences (ENPARD and beyond). ISET and CARE will identify agricultural policy issues and gaps that need study. In some cases consultants or graduate students with thesis projects will be hired by ISET to gather data and produce analyses. Workshops, interviews and surveys may be conducted with cooperatives (farmer groups) and other stakeholders. One focus of the analysis will be the gender dimension of agricultural policy with regard to strengthening women's role in agriculture. Based on the research, informed policy options will be developed. GFA will be guided in consulting with its members, ENPARD stakeholders and others to get their feedback on these options (also as part of Activity 3.1.). For example, one policy option might be the use of recoverable grants as a model for scaling up cooperatives. Leveraging existing policy forums, the project will introduce these policy options. Output: gaps and problems in legal framework for cooperatives are identified; policy options for improving regulatory framework for cooperatives analysed and documented; policy options discussed in at least three forums.

3.3. Help GFA consult members' positions on current issues and prepare advocacy strategies.

The project wants to ensure a participatory approach on policy issues with a maximum level of farmers' involvement. Therefore, GFA will hold consultations on policy issues identified and will try to foster a common position of its members and incorporate this into the policy options promoted. Another reason for the consultations is to educate members on existing and planned policies, so that they can assume an advocacy role. The consultations will result in a useful set of data points comprised of real-time experiences of smallholder farmers throughout Guria, Samegrelo as well as Tsageri municipality in Lechkhumi. These data points will be compiled and shared broadly in the form of informational brochures. This is an iterative process that runs throughout the project duration. RDA

will guide GFA in compiling and tracking issues which gain attention during membership gatherings or roundtable discussions on policy or implementation. GFA will then develop strategies to address these issues while leveraging the voice of its constituency to command the attention of policy makers and implementing agencies. Outputs: farmer groups, local government and the public understand effects of policy for cooperatives; policy options are informed by farmers' input; informational brochures with data comparison.

3.4. Guide negotiation of framework agreement between Government of Georgia and GFA.

A framework agreement with the Ministry of Agriculture is necessary to consolidate GFA's position as advocate for farmer rights and interests and aligns with its standing within COPA-COGECA. It will ensure acceptance of GFA's central role in providing a link between the government and the grassroots. With CARE mentoring, GFA will follow up on the mandate given to it by the Ministry of Agriculture to represent farmers by developing a framework agreement to empower it more broadly and formally. This may be done in cooperation with or through the GUARD (Georgian Union for Advocacy on Rural Development) advocacy group started by Oxfam. Outputs: Framework agreement between the Ministry of Agriculture and GFA and/or GUARD.

Activities for Expected Result 4: Smallholder farmer groups are linked to improved sources of capital, market information, business opportunities, and farming/processing methods

4.1. Establish Online Marketplace to promote participation of outside investors linking to farmers' business ideas

Social investment worldwide, defined as investors seeking a social return on invested capital, is growing. To tap it, CARE will employ a range of strategies, centred on development of an interactive website where investors can see farmers' business concepts and farmers can see investors' requirements. Originators of outstanding ideas will engage interested investors online; CARE will broker relations between them, ensuring fairness and transparency on both sides. CARE foresees that in the long run, grants as provided under Result 1 will likely be replaced by investor funding as the principle source of cooperatives' funding. The Online Marketplace facilitates this transition. At least ten of the 23 farmer groups to be funded in cycle 2 (Activity 1.8) will be funded by investors. Outputs: CARE Online Marketplace operational and used by farmers with business ideas and investors in search of them, linked to governmental and private sector websites.

4.2. Lobby financial entities to extend credit coverage to farmer groups.

In remote areas, credit services are extremely limited. Where such financial services do not reach farmer groups, dialogue with microfinance entities, banks, and others will explore expanding coverage. Models and data from other regions will show benefits; potential media coverage will motivate positive responses. Through analyzing the baseline assessment, RDA will determine needs for better coverage. It will map financial entities with rural portfolios, meet with them to learn of constraints to servicing small-holders, and follow up with examples from places where financial actors have benefited by extending services. Outputs: meetings with microfinance institutes, banks, etc.; mapping of financial services published.

4.3. Develop technical assistance service provider networks to access specialized expertise.

The project will link cooperatives to service providers, which is necessary for the creation of an environment supportive of farmer cooperation. Networks of technical and organizational service providers will be expanded, and access to them fostered via CARE and GFA. CARE's consultants network currently has 26 technical experts who will be available to consult cooperatives on production, processing, scaling, marketing, and many other areas on a fee for service basis. Equipment and testing supplies will be provided to the pool of experts based on their analysis of existing needs within identified cooperatives. GFA will create a referral system for members to access reliable, reasonably priced service providers. GFA will thus link its members to these networks, as explained in Activity 2.5. Outputs: Institution-building and technical expertise available on a fee for service basis; farmers able to access networks of service providers.

4.4. Make annual awards to innovative business partnerships: farmer groups and investors.

CARE will attempt to reshape the image of the small farmer by featuring their most innovative ideas at annual investment conferences highlighting outstanding cooperatives and attracting investor interest. Such conferences will highlight innovative cooperatives and their partners and will be attended by political, business, and media figures. The cooperatives will compete for awards and investor funding. Prizes to the best business ideas and partnerships will be showcased at gala events with mass media coverage to help re-position the small farmer as a rural entrepreneur who is maximizing the potential

of Georgia's agriculture by attracting outside investors. Outputs: 4 investment conferences held; public awareness of cooperatives and innovative agricultural initiatives is high.

4.5. **Conduct scientific study of economic behavior and organization across the project area.**

In order to establish a permanent and useful link between cooperatives and academia, ISET and students in its Master's programme in Economics will conduct studies on topics such as cooperation in farmer groups, outcomes and success factors; barriers to improved productivity; agricultural input use; land and soil effects; local economic conditions and poverty rates; levels of social capital and trust; access to credit by farmers and farmer groups; revenues and profits from agricultural production and processing; gender dimensions of agricultural policy and cooperative practice. Research will be also done through farmers' diaries. Such collection of data from farmers will allow for an in-depth identification of the sources of changes in process (e.g., marketing, input access and pricing, etc.) and outcome (e.g., income stability) measures. These diaries will allow for a better identification of the sources of changes (e.g., Ministry of Agriculture vouchers, improvements in land registration, other changes in the legal and institutional environment, the physical environment, irrigation and drainage, etc.). Findings will be published in working papers, blog posts, academic publications, and popular media. Quality will be ensured by review by ISET's academic oversight board, and academic director. Academic studies will be subject to rigorous peer-review by academic journals; student products will be overseen by their advisors. Output: research papers/articles published; contribution to policy making; access to rural development policy analysis improved.

4.6. **Set up a market price information service for GFA members.**

Lack of access to timely and actionable information often prohibits farmer groups from taking advantage of market opportunities. Design and establishment of a system for regular reporting of spot prices on a basket of much-used agricultural inputs and goods will provide current market data from the target regions and urban markets for use by farmer groups and other GFA members. ISET will initiate and run it for two years, to then collaborate on it with GFA. A market analysis service to support farmer decision making and business strategies for particular crops or products will be developed on a fee for service basis. Prices on inputs and products will be gathered by up to 72 local price observers and compiled by ISET. Its team will maintain the price database, do weekly analysis, and provide updates for GFA to communicate to farmers. Specialized analyses will be done on a fee for service basis via GFA, which will take over management of the project during the third year conditioned on funding and capacity. Outputs: database on prices operational and used; access to market data.

Redistribution: Revolving grants

Objectives and results to be obtained: The formation of business-oriented smallholder farmer groups will be financially supported through a revolving grants mechanism. Repayable grants will be used for four reasons: 1) to reduce creation of dependency; 2) to make grant funding more sustainable; 3) to prepare farmer groups for scheduled repayments, making them more attractive to outside investors, and 4) to provide Georgia's agricultural sectors with a sustainable model for scaling up cooperatives for smallholder farmers that are not able to access purely commercial capital markets.

Eligible entities will be farmer groups from target municipalities, including agricultural cooperatives under the new law if passed, legally constituted and empowered to manage funds at the time of receiving the grant. The primary objective will be to support the receiving entity's business plan by investing in items that will allow it to be productive and profitable. Secondary objectives include demonstration to investors that farmer groups are able to make responsible, profitable use of funding. Farmer groups eligible for support include input supplier groups; farm machinery groups; agro-food processing groups; agricultural marketing groups; farmers' Credit Unions; as well as non-farm enterprises that support the agricultural economy (accounting/legal services, small scale agro/ecotourism, and village markets). ***Eligible activities*** will be specified in the business plans of selected farmer groups. Items eligible for support will include materials, supplies, purchase or rental of equipment, land or space rental, labour, technical assistance, certification fees, travel and transport, working capital, and others justified by the business plan. Land purchase will not be eligible. Legal costs will normally be covered by groups as co-funding. Required co-funding will amount to no less than 40% of the total size of the resources required to execute the business plan. At least half of the 40% should be cash (from farmers or another investor) and the remaining contribution should consist of in-kind inputs like labour, use of equipment, infrastructure, tools, provision of technical services, etc.

Criteria for selection for grant awards will be based on feasibility, viability, and profitability of the business plan, taking into account the characteristics of the group and its likelihood of success; efficiency of the proposed use of funds; and amount and nature of matching inputs. Groups will be selected only if well prepared. A *selection committee* will be formed by CARE with representatives to

provide diversity from entities such as project partners, GFA, Ministry of Agriculture, peer organizations and private sector. All efforts will be taken to avoid conflicts of interest.

Amounts awarded and timing of disbursements will depend on the requirements of farmer groups' business plans. The absolute maximum amount will be 60,000 Euros, but normally 40,000 Euros will be the limit. It is estimated that grants will range from 5,000 to 40,000 Euros, with the average of 30,000 Euros. There are three sources of funds for grant making. 900,000 Euros is from the EC. 300,000 Euros are from social investors and philanthropists who have made contributions to CARE. The third source of funding is the repayments of the recoverable grants. This amount is estimated to reach 170,000 Euros during the project period (repayments will continue after the project's duration). Repayment schedules will be determined according to the needs of the business plan. However, the initial concept is to encourage repayment to begin 18 months after the award (see table below). Payment will be made into a revolving fund. Some business plans (such as restoration of tea plantations, Guria) will require long-term investments and thus afforded extended payment schedules.

Management: The revolving fund will be first vested in CARE due to its experience in managing such funds. Once GFA demonstrates readiness to market, manage and maximize the value of revolving funds, the majority of the revolving fund will be transferred to GFA, while CARE will retain the repaid funds from grants capitalized by the social investors that placed their capital with CARE. GFA will use this fund as a mechanism to support members. The project does not anticipate all farmer groups will repay grants in full as some groups will not become profitable, yet the expectation of full repayment will be communicated at the outset of the programme and reiterated during the course of the project.

An indicative schedule of grants and repayments is summarized in the table below:

(in Euro, thousands)	Y 1	Y 2	Y 3	Y 4	Y 5	Y 6	Y 7	Y 8
GRANTS TO COOPERATIVES								
EU funds granted	-600	-300						
Private donor funds granted		-200	-100					
Recovered funds re-granted			-60	-110	-180	-230	-240	-120
TOTAL GRANTED	-600	-500	-160	-110	-180	-230	-240	-120
REPAYMENTS FROM COOPERATIVES								
Repay. of EU grants from year 1		60	60	120	120	120		
Repay. of EU grants from year 2			30	30	60	60	60	
Repay. of private grants from year 2			20	20	40	40	40	40
Repay. of private grants from year 3				10	10	20	20	20
TOTAL REPAYMENTS	0	60	110	180	230	240	120	60

GFA Grant: GFA will receive a capacity building grant from the project to provide a financial platform to accelerate its growth in membership, strengthen its stature in rural society and develop the ability to broker effective dialog between government and smallholder farmers. The grant of 59,000 Euros will be paid out via annual instalments during the first three years of the project, dependant on GFA achieving performance targets.

Changes to information provided in the Concept Note

1) The original phrasing for the Expected Result 2 was: "Georgian Farmers Association (GFA) supports organizational, advocacy, marketing, and technical needs of groups." This has been reformulated to state: "Interests and rights of small farmers are represented and protected by the Georgian Farmers Association (GFA)." This modification is subtle, but reflects the emphasis the consortium is placing on ensuring that improvements in the well being of smallholder farmers are tracked by the project team. GFA will be positioned to build the capacity of cooperating smallholder farmer groups to deliver maximum financial and social returns to the individual families within said farmers groups.

2) Originally, 292,000 rural residents of the 7 target districts in Guria and Samegrelo were cited as final beneficiaries of the project due to the anticipated improvement of local economies. While we hypothesize that all district residents will in fact benefit from the project, the difficulty of assigning attribution of results generated from our project to overall gains in local economies as well as the cost of proving this through evaluation led the consortium to omit this projection from the final proposal.

3) The concept note estimated total costs of 4 million euros. After factoring in several additional grants to cooperatives, the total amount is approximately 95,000 euros greater. This is well within the 20% flexibility range offered.

1.2.2 Methodology (max 5 pages)

Background to the action: In Guria and Samegrelo, smallholder farmers are engaged in a wide variety of sectors with the most prevalent being livestock breeding, dairy production, hazelnut production, and citrus fruit production. Samegrelo is economically challenged, while Guria is one of the least developed regions of Georgia. Formal employment is extremely scarce with only 8 percent of the workforce in Guria engaged in the formal economy. The vast majority of households are subsistence farmers engaging in agriculture for their own consumption. Interviews and focus group discussions with smallholder farmers in Guria and Samegrelo revealed cooperation is seen as a promising means to gain greater economic and food security without relying on dependency creating handouts. "Cooperatives and large farming have a potential to save the country... tea producers need cooperatives... [they] will be sustainable and not project-oriented if information is spread correctly and farmer[s] do not expect money gifted," said Davit Teneishvili, Gurian farmer engaged in tea production and fisheries.

Methods of Implementation and rationale for such methodology

Strategy behind the project: The overall strategy derives from CARE's focus on broad, long-term goals and the need to create impact that is both significant and durable, by contributing to the transformation of Georgian agriculture and the capacities of smallholder farmers. The specific methodologies employed to achieve these strategic approaches are described below for each result.

Methodologies for achieving Result 1:

1) Participatory approaches: Farmer groups will be organized via grassroots participatory processes and structured democratically to engage farmers and build a sense of ownership. These community-level self-empowering methods have been widely applied by CARE in Georgia and elsewhere. They engage participants in analysis of their situation and potential options to improve it, as a means to induce adoption of cooperative behaviours favourable to change.

2) Competitive selection process: CARE will base the selection process of farmer groups on a combination of three factors: motivation, existence of market opportunities for the proposed business venture and feasibility of the business concept. The selection process will be broken down into two tiers: pre-selection of 60 and final selection of 43 farmer groups. Instead of focusing on particular value chains, CARE will concentrate on farmers' best business ideas to form cooperatives. This offers the strongest possible route to replication and sustainability.

3) Capacity building: CARE will apply its proven methodology of a two-tier intensive capacity-building scheme. This approach has been validated in the Georgian context. First tier trainings will target about 60 short-listed groups and a learn-by-doing methodology will be applied to help them: 1) refine their business ideas, examining feasibility from all angles; 2) strengthen governance, organizational, business planning and management and marketing skills; 3) provide needed technical inputs /skills. Second tier trainings will be offered to finalist farmer groups eligible for grants. These trainings will provide more specific and practical skills to develop effective organizations and sound business ventures, also using learn-by-doing approaches. Based on a needs analysis, groups will develop governance and organizational provisions, build administrative capacities, and learn entrepreneurial skills for marketing, operations and capitalization.

4) Revolving fund: Introduction of repayable grants to expand and replicate cooperatives constitutes a new approach to sustainability in Georgia. Start-up funds will be provided as repayable grants, with each group committing to a repayment schedule in its business plan. Funds repaid will become the core of a revolving fund used to finance additional groups with business plans under GFA guidance.

Methodologies for achieving Result 2:

1) Organizational development/Institutional building: One of the key priorities of the project is to strengthen GFA as an umbrella entity to represent smallholder farmer groups and protect/advocate their interests. CARE will use proven methods of institution building and organizational capacity development to ensure that by the end of the project GFA is a sustainable and fully independent entity, lobbying for the needs of farmers, influencing favourable agricultural policies and linking farmers to skills, technical knowledge, resources and investments.

2) Linkages with Government and European entities: One of the key functions of the GFA will be to provide grassroots feedback to the Government of Georgia agencies on their initiatives and ensure that law makers adopt evidence-based policy decisions. This will be possible through utilizing a vast membership structure and a network of farmers united under GFA's umbrella. A framework agreement with the Government will be in place by the end of the project. The project will also strengthen linkages with European cooperatives to facilitate learning and knowledge transfer.

3) Feedback and accountability: Feedback and accountability mechanisms are introduced at all levels. For example, farmer groups will have mechanisms to report on use of funds in their grant contracts; GFA will have membership consultations and accountability in its by-laws; annual reviews of the project with all the relevant stakeholders will be conducted by the project team; the Government of Georgia will receive feedback on its agriculture development policies from the grassroots via GFA and from the implementing stakeholders via GUARD.

4) Empowerment: The project is structured in a way that promotes agency of all participants and institutions. Trainings for farmer groups will contain elements that build a sense of self-confidence in individuals (particularly for women) and group ownership. Self-discovery and self-assertion will be encouraged throughout the course of the project. A sense of rights and obligations to improving rural economies will also feature in the capacity development of men and women. GFA will be supported to develop its clear vision and mission. Farmer groups and GFA will be financially self-sufficient contributing to their empowerment as economic actors.

Methodologies for achieving Result 3:

1) Constituency building: This is one of the main methodologies to reduce poverty and promote social justice applied by CARE in its global development work. It means influencing public opinion and motivating people to take collective action. CARE and partners will mobilize and build capacities of smallholder farmers to advocate for their rights and influence decision making on agricultural policy.

2) Evidence based approach to advocacy: Formulation of inputs for policy making will be done based on a data collection and analysis process as well as on a transparent multi-stakeholder discussion process (with GFA, ENPARD partners, GUARD alliance, etc.). Evidence presented will reflect the views of men and women farmers as findings will be presented to them. They will give input to policy formulation.

Methodologies for achieving Result 4:

1) Alliance and partnership building: A range of diverse actors who possess valuable resources (technical expertise, access to networks, marketing know-how and finances, for example) are active in targeted municipalities. To foster economic activity in the rural target areas, the project aims to broker relationships between investors/buyers/suppliers and cooperatives. At the national and international level, alliance building and partnerships will be promoted through farmer groups seeking outside investors, through the support of an umbrella organization to represent farmer groups, and through alliance building among ENPARD stakeholders and GUARD members.

2) Online Marketplace and networks: Smallholder farmers in targeted municipalities who choose to cooperate have limited access to capital markets. CARE will overcome this barrier by establishing the Online Marketplace of searchable ideas fashioned by rural entrepreneurs. The Online Marketplace will be positioned to attract the attention of impact investors and other types of social investors. To make the Online Marketplace more effective, CARE will utilize its competencies in the collection of ideas from rural entrepreneurs and then packaging them in such a way as to be attractive to foreign and domestic investors. Smallholder farmer groups with promising business ideas will submit them to CARE. CARE will polish the ideas for presentation online. Investors will view the ideas and for all that seem appealing, contact CARE to broker an exchange with the specific farmer group. To do this, CARE will utilize its global network of international chapters in more than a dozen countries. Finally, CARE will use its expertise as an honest broker to insure cooperatives understand the capital financing deals they sign with investors and are able to negotiate the most favourable terms possible.

Promotion of gender equality is mainstreamed across all results. The methods used are 1) **building an evidence base** of barriers to gender equality through the baseline; 2) based on this, **integrate transformative approaches** into all activities with a focus on a) promoting women's skills, knowledge and access to information as well as men's acceptance of women as independent economic actors; b) enabling equal access to social networks and representation in groups; and c) changing discriminatory norms and practices; and 3) integrating gender aspects into the **M&E** system.

Continuation of previous actions: This project is a continuation of CARE's long-term approach to helping shape a rural economy in Georgia. In Georgia since 1993, CARE has focused on rural development to reduce poverty. Mobilisation of smallholder farmer groups was practised successfully in other regions of Georgia. For example, during the third phase of the Community Development Initiative project, CARE provided a subsidized loan scheme opportunity to farmers and small businesses, which leveraged loan capital during the life of the project, and provided a much needed stimulus to small business development. Similar to CARE, **co-applicant RDA** has experience working with farmer groups to resolve technical, legal, organizational, and marketing obstacles, and has

nurtured the Georgia Farmers Association. A second co-applicant will be **ISET Policy Institute (ISET)**, an economics think tank strong in agricultural economics. From inception, ISET chose rural development and agricultural policy as an area of strategic focus. Its Khachapuri Index is published weekly in *The Financial*, an English-language business-oriented Georgian newspaper. ISET will build on the production of the Khachapuri Index to set up the project's market place information service.

Relation to Larger Programs: This project is part of the Government's response to declining agricultural productivity and increasing rural poverty, establishing a new policy framework and complementary measures to encourage formation of business-oriented farmer groups, with support by EU's ENPARD program. Among the main elements are legal status and tax incentives for cooperatives, a reformed agricultural extension system, vocational training centres (Education Ministry), the Management Unit for Market Research and Strategic Development, and a Market Information Centre (Economic Development Ministry). As the Government sets up and tests the new policy and institutional framework, CARE and partners will 1) validate methods to establish groups that are effective, participatory, sustainable, and easily scaled up, 2) facilitate feedback from grassroots and umbrella entities, and 3) obtain the support of key actors in the agribusiness, credit and investment, and research/ information sectors. Synergies will be developed with the Government's Agricultural Development Strategy, regarding how best to promote business-oriented cooperation among farmers and with other implementers of ENPARD. Alignment with EU standards and policies will be promoted, such as in free trade and food safety. Preparing groups to meet GLOBAL GAP, ISO, and HACCP standards will facilitate exports. The project has identified a technical assistance network to support this preparation. Synergies will also be developed with other agricultural projects/initiatives taking place in the target regions. More specifically, USAID's Economic Prosperity Initiative (EPI), for example, is currently supporting approximately 50 farmer groups in Samegrelo in the hazelnut value chain. These are potential cooperatives and future members of GFA.

Monitoring and Evaluation (M&E): follow up and internal / external evaluation

The components of the M&E system will allow for *ownership* by the respective stakeholders of the project interventions by conferring them with responsibility for assessing and evaluating their own experiences, e.g., implementation of the business plans, advocacy results, etc. As the project objectives and expected results depend heavily on capacity building, coordination, and partnerships, the measures for success will derive from the perceptions and perspectives of target groups and stakeholders. The project will rely on various feedback mechanisms embedded in project activities to influence how project interventions are carried out. The CARE team will be responsible to establish the system to measure the quality of both the external and internal partnerships. The M&E team will be responsible for ensuring that a database has been properly established and baseline and follow-up information is provided by all responsible team members, in order to support quality management. As the lead NGO, CARE will be responsible for submitting regular progress monitoring reports to EC.

During the inception phase of the project, an M&E planning workshop will be held to review the logical framework and the indicators and means of verification with all relevant stakeholders and partners. This provides an opportunity at project start for all information users to define their needs so that the M&E system can accommodate the multiplicity of user needs. All indicators linked to expected results and noted in the logical framework will be monitored and reported on a quarterly basis with a more in-depth review every 6 months and annual reviews featuring the participation of all stakeholders. Information will be provided, disaggregated by sex. In addition, a training report will be provided on a quarterly basis. These training reports will summarize the information accumulated in the numerous workshops and events that build capacity. Gender disaggregated data and corresponding analysis will improve quality and relevance of future trainings.

Baseline and final evaluation surveys: Using the indicators detailed in the log frame, the project will commission a participatory baseline study of the target area. While the project will outsource the design and implementation of the survey instruments, project staff will facilitate to the extent possible, self-evaluation by those groups of their current status. This will be done in focus group discussions, or individual questionnaires, or by direct observation, depending on the situation. The baseline will contain a chapter on gender relations. Some baseline data will only be collected during the implementation of the action. Each of the cooperative ventures will require a baseline, follow-up monitoring and final evaluation. For these ventures, CARE will establish a methodology and system for Participatory Monitoring and Evaluation (PMES), which will allow the team and end users to determine M&E questions, identify appropriate indicators of their success, and participate in the data collection, analyses and present their findings to project stakeholders. The final evaluation will use the same questionnaires and indicators, with the same enumerators and respondents, when possible.

Annual reviews and follow-up: In order to assess progress made in achieving results and appropriateness of the overall strategy, CARE will convene annual reviews, at which project staff and stakeholders (farmer groups and GFA representatives, targeted municipality officials, EC representatives) will provide qualitative feedback on the progress and impact of the action, discuss knowledge gained, successes and failures, and adapt plans for the next phase, as required. CARE has found these forums are most useful as a means to track the progress of the cross cutting themes of the project (gender equity, environment, etc.) and allow staff time to consider the impact and efficiency of their everyday work in reaching project objectives. By the end of the project, a lessons-learned workshop will be held with the farmer groups, and lessons will be drawn from the collective experience for dissemination to a wider audience.

Roles and responsibilities of actors and stakeholders:

CARE (Applicant): CARE as the lead organization is responsible for coordination of co-applicants and management of the action, financial control and reporting. CARE will manage the grant process, the establishment of the Online Marketplace and brokering mechanisms with investors, marketers, and agribusiness. It will lead donor coordination with EC, the Government, and other ENPARD grantees. It will oversee M&E and implementation of Results 2 and 3 and parts of Results 1 and 4.

RDA (Co-applicant): RDA will be responsible for implementation of parts of Results 1, 2 and 4 in cooperation with CARE and ISET. In particular, RDA will focus on mobilisation and capacity building aspects, particularly when strengthening GFA and farmer groups, bringing in its knowledge acquired in similar projects such as the Community Development Initiative (1.2 M Euro project).

ISET (Co-applicant) is responsible for implementation of parts of Result 4 (research) as well as contribution of policy inputs to Result 3. ISET is an academic institution with an increasing focus on agricultural economics and rural development. It will contribute its technical knowledge and linkages to actors in the agricultural sphere within Georgia.

Farmer Groups (target group) are the beneficiaries of training, technical assistance, and grants. They are in charge of development and implementation of governance measures and business plans and will ensure sustainability of the project.

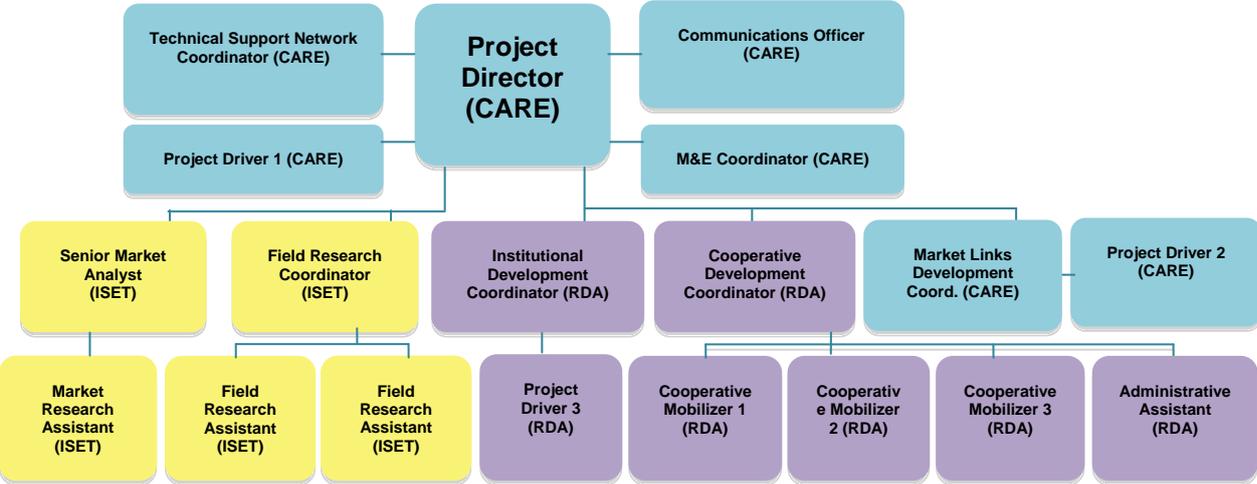
GFA (target group) is the beneficiary of capacity building; it will develop governance and consultation measures, membership, and a sustainable revenue model, member services, and advocacy role. It is the main recipient of the action under Results 2 and 3 and will be supported to better fulfil the role of an umbrella organisation in the future.

COPA-COGECA is an umbrella organisation of cooperatives in Europe; it will be advising GFA in its capacity and institution-building process based on its extensive experience, knowledge and networks.

Municipal and regional governments will provide information on local status and trends in agriculture and rural development; cooperate in identifying business-oriented candidate farmers; support for legal procedures (registrations, etc.); and involvement of extension agency.

Government of Georgia: the Ministry of Agriculture is the lead agency for the Government’s agricultural development program; it is expected to implement the new enabling policy for cooperatives on which the action is based. Additionally, the project addresses the Government of Georgia proactively with the aim to influence adjustments of the new agriculture policy in favour of smallholder farmer groups and cooperatives in particular.

Team organizational chart



Main means to implement the action: As a capacity building project, capacity of the project staff as well as that of consultants hired to deliver trainings and other consultancies constitute some of the main means needed to implement the project's activities. Activities aimed at establishing and building capacity of cooperatives (Result 1) will utilize project staff (time and capacity), equipment (vehicles, furniture, computer equipment), operational facilities (offices and sub-offices), website and database (development and maintenance) and consultancies (to deliver trainings and expertise). Result 2 activities will rely on staff time, operational facilities and supplies (offices and office supplies) as well as trainings and consultancies in order to build capacity for GFA to support farmer groups. Main means to implement Results 3 and 4 constitute CARE's global network and access to investors as well as publications and studies.

Attitudes of stakeholders: Target groups and beneficiaries as well as other stakeholders have shown largely positive attitudes:

Men and women farmers in the target municipalities were asked about the action planned. There was strong support for the idea of forming groups, but also some reservations. Most had seen benefits of cooperation on a small scale, among neighbours, with business partners, or between family members. At least a dozen different business ideas were mentioned spontaneously, most dealing with cooperation to raise the scale of production and to negotiate better prices for inputs and sales. Some villages can offer capital items like tractors, trucks, or refrigerators for transport of perishables. The legal framework is key: they want to be sure that regulations will guarantee the safety of their property and that exit from a cooperative relationship is possible. Trust in leadership and trust amongst members was often cited as critical. Finally, the promise of increased household incomes headlined the interest in participation. The idea of recoverable grants, if given time to earn enough to repay them, was accepted.

GFA board, members, and staff: All have been enthusiastic about strengthening GFA for a larger role. The GFA leadership has been fully involved in activity design.

Agribusiness and marketing firms in the target regions demonstrated an interest to collaborate with the project for the development of business-oriented farmer groups, which they anticipate will increase demand for their services. These include veterinary and other technical assistance firms, private and public export entities, input and service providers, vocational training and extension centres, investors, chambers of commerce, professional groups, and agencies developing standards and certification.

Ministry of Agriculture: As the principal public sector stakeholder, the Ministry of Agriculture has expressed support for many of the ideas proposed, such as strengthening GFA (Ministry of Agriculture has given it a mandate to approach and represent smallholder farmers). It also indicated preference for supporting the farmers' own business ideas, rather than pre-identifying specific value chains on which to focus. The Ministry of Agriculture reacted favourably to the idea of recoverable grants and to brokering partnerships with private sector investors.

Municipal and regional governments in the target areas, with their evolving efforts to support agriculture and rural development, have welcomed news of this action and expressed support.

Visibility: A communication and visibility plan will be developed following the EU manual on Communication and Visibility, including guidelines for visibility at events (mentioning donor support), design of banners, use of markers on offices and vehicles, etc. The project's role in realizing the ENPARD vision of increased income and food production through cooperatives development under the Government's agricultural strategy will be communicated via ceremonies (e.g., start-up and closing), regular public reporting, press involvement in showcase activities, information on CARE websites, and project specific flyers. Exchange of information materials will be maintained with other projects in target regions. As a particular visibility activity, CARE plans to arrange a visit of Austrian print and/or radio journalists to get press coverage of the project and the donor support in Austria and promote business links with Austrian companies.

1.2.3 Duration and indicative action plan for implementing the action (max 4 pages)

The duration of the action will be 48 months, with an additional evaluation of sustainability at 72 months.

Timeframe: 48 months; 3 phases: 1) initiation; 2) institutional consolidation/capacity building, in which 20 groups (granted in Cycle 1) and the GFA umbrella will learn by doing and come up to operating speed; 3) scale-up and practice for sustainability: 23 more groups will receive grants and GFA will take over training, extension, linkage functions, as well as scaling its own membership base. A fourth phase, sustained operation, will begin after the 48 months. CARE will commit to evaluating the initial success of this at 72 months at its own expense.

Explanatory note: blue colour refers to preparation of the sub-activity, while green colour refers to implementation.

Activity, YEAR 1 1.2.3.1 Months =>	Half-year 1						Half-year 2						Implementing body	
	1	2	3	4	5	6	7	8	9	10	11	12		
Inception Activities:														
0.1 Recruit staff, set up offices	Green													CARE, RDA, ISET
0.2 Sign agreements with implementing partners	Green													CARE, RDA, ISET
0.3 Start-up workshop and signing ceremony	Green													CARE, RDA, ISET
0.4 Translate key documents	Green													CARE, RDA, ISET
0.5 Monitoring and evaluation workshop		Green												CARE, RDA, ISET
0.6 Baseline survey	Blue	Blue	Green	Green										CARE, RDA, ISET
0.7 Public orientation meetings	Green	Green	Green											CARE, RDA, ISET
Activities for ER 1:														
1.1 Inform farmers in target municipalities	Blue	Green		Green			Green			Green		Green		RDA
1.2 Solicit business ideas, from interested farmer groups; short-list 60 farmer groups			Blue	Green										CARE, RDA
1.3 Carry out baseline assessments of 60 short-listed farmer groups				Blue	Green	Green								CARE, RDA
1.4 Build capacity of groups to develop business plans and governance structure					Blue	Green								RDA
1.5 Select and train up to 20 farmer groups for initial support; sign repayable grant agreements							Green	Green						CARE
1.6 Provide follow-up services to groups supported										Green	Green	Green		CARE, RDA
1.7 Create revolving fund to receive grant repayments, fund additional groups					Blue	Blue	Green							CARE
1.8 Cycle 2: select 23 more groups for grant and investor support										Green	Green	Green		CARE
Activities for ER 2:														
2.1 Develop and implement improved GFA governance and organizational structure		Blue	Green											CARE, RDA

Activity, YEAR 1	Half-year 1						Half-year 2						Implementing body
1.2.3.1 Mont hs =>	1	2	3	4	5	6	7	8	9	10	11	12	
2.2 Develop the GFA brand as a trusted umbrella organization for Georgian farmers		█	█										CARE
2.3 Support GFA campaign to raise public and stakeholder awareness on cooperatives' needs and potential to increase food production and rural income		█	█	█	█	█	█	█	█	█	█	█	RDA
2.4 Guide GFA in fostering cooperation among members, public agencies, investors				█	█	█	█	█	█	█	█	█	CARE
2.5 Facilitate GFA negotiation of favourable terms on services from preferred providers to members				█	█	█	█	█	█	█	█	█	CARE
2.6 Connect cooperatives supported by other implementers to GFA								█	█	█	█	█	RDA
2.7 Foster strong ties to international expertise on cooperatives and policy							█	█	█	█	█	█	CARE
Activities for ER 3:													
3.1 Hold periodic stakeholder workshops to harmonize approaches to cooperatives' development		█						█					CARE
3.2 Analyze existing policies on cooperatives and develop evidence-based policy options	█	█	█	█	█	█	█	█	█	█	█	█	CARE, ISET
3.3 Help GFA consult members' positions on current issues and prepare advocacy strategies			█	█	█	█	█	█	█	█	█	█	RDA
3.4 Guide negotiation of framework agreement between Government of Georgia and GFA		█	█	█	█	█	█	█	█	█	█	█	CARE
Activities for ER 4:													
4.1 Establish Online Marketplace to promote participation of outside investors linking to farmers' business ideas	█	█	█	█	█	█	█	█	█	█	█	█	CARE
4.2 Lobby financial entities to extend credit coverage to farmer groups							█	█	█	█	█	█	RDA
4.3 Develop technical assistance service provider networks to access specialized expertise		█	█	█	█								CARE
4.4 Make annual awards to innovative business partnerships: farmer groups and investors												█	CARE
4.5 Conduct scientific studies of economic behaviour and organization across the project area	█	█	█	█	█	█	█	█	█	█	█	█	ISET

Activity, YEAR 1	Half-year 1						Half-year 2						Implementing body		
1.2.3.1	Mont	hs =>	1	2	3	4	5	6	7	8	9	10	11	12	
4.6 Set up a market price information service for GFA members															ISET

Activity YEAR 2,3 and 4	3	4	5	6	7	8	Implementing body
Activities for ER 1:							
1.1 Inform farmers in target municipalities							RDA
1.2 Solicit business ideas, from interested farmer groups; short-list 60 farmer groups							CARE, RDA
1.3 Carry out baseline assessments of 60 short-listed farmer groups							CARE, RDA
1.4 Build capacity of groups to develop business proposals and governance arrangements							RDA
1.5 Select and train up to 20 farmer groups for initial support; sign repayable grant agreements							CARE
1.6 Provide follow-up services to groups supported							RDA, CARE
1.7 Create revolving fund to receive grant repayments, fund additional groups							CARE
1.8 Cycle 2: select 23 more groups for grant and investor support							CARE
Activities for ER 2:							
2.1 Develop and implement improved GFA governance and organizational structure							CARE, RDA
2.2 Develop the GFA brand as a trusted umbrella organization for Georgian farmers							CARE
2.3 Support GFA campaign to raise public and stakeholder awareness on cooperatives' needs and potential to increase food production and rural income							RDA
2.4 Guide GFA in fostering cooperation among members, public agencies, investors							CARE
2.5 Facilitate GFA negotiation of favourable terms on services from preferred providers to members							CARE
2.6 Connect cooperatives supported by other implementers to GFA							RDA
2.7 Foster strong ties to international expertise on cooperatives and policy							CARE
Activity 3							
3.1 Holder periodic stakeholder workshops to harmonize approaches to cooperatives' development							CARE
3.2 Analyze existing policies and develop policy options							CARE, ISET
3.3 Help GFA consult members' positions on current issues and prepare advocacy strategies							RDA
3.4 Guide negotiation of framework agreement between Government of Georgia and GFA							CARE

Activity 4							
4.1 Establish Online Marketplace to promote participation of outside investors linking to farmers' business ideas							CARE
4.2 Lobby financial entities to extend credit coverage to farmer groups							RDA
4.3 Develop technical assistance service provider networks to access specialized expertise							CARE
4.4 Make annual awards to innovative business partnerships: farmer groups and investors							CARE
4.5 Conduct scientific studies of economic behaviour and organization across the project area							ISSET
4.6 Set up a market price information service for GFA members							ISSET

1.2.4 Sustainability of the action (max 3 pages)

Impact of the Action: This project will support the Government of Georgia and its partners in their efforts to transform the agriculture sector by fostering growth of an active, vital business-oriented cooperative movement among smallholder farmer groups within a sustainable support framework (corresponding to the specific objective). It will go beyond this to innovate strategic elements key to scale-up, replication, and sustainability of those efforts that will contribute to significant growth in food production and decrease in rural poverty (the overall objective). The project will have impact in the following dimensions:

- **Technical level:** Smallholder farmer groups will gain organizational and technical skills and be provided support measures to facilitate their development and scale-up, with access to investor funding and ongoing technical assistance. They will be able to apply gained technical knowledge on environmentally sustainable farming practices, organisational practices, marketing and business planning in order to reap increased benefits from their products, contributing to an impact at economic level. New models of successful cooperative structures will be tested, documented and promoted, contributing to policy level impact.
- **Economic level:** The overall, long-term objective of the project is economic: enhancing food production and increasing incomes of poor residents in deprived rural areas of Georgia. Through developing new models of cooperation between actors and enhancing business orientation in rural areas, the project will contribute to rural development in the medium to long term. During the project duration, this will be achieved through functioning farmer groups which provide their members access to input and output markets and economies of scale; thereby increasing household incomes and availability of food.
- **Social level:** The project will consolidate frameworks for cooperation between farmers, their direct organisation in groups as well as their representation through an umbrella organisation and its network with policy makers and businesses. Once established these ties and flows of information will create a dynamic environment in which business start-ups can flourish. The project will also have an impact on gender equality, by sensitising men on women's role in agriculture and fostering equal property rights, women's participation in decision-making and at agricultural policy level.
- **Policy level:** Legal and regulatory frameworks will be strengthened by enhanced interaction with grassroots (men and women farmers) and through stakeholder advocacy. GFA will be better positioned to represent interests of smallholder farmers and rural entrepreneurs in policy-making processes. More relevant policies and their application will contribute to better economic achievements.

Dissemination Plan: Replication and extension of project outcomes will be mediated by three mechanisms: a) Government of Georgia implementation of the Georgia Agricultural Strategy and its support for a dynamic cooperative component; b) GFA follow-up to incorporate, strengthen, advocate for, and facilitate services to growing numbers of new cooperative farmer groups; and c) CARE's on-going operation of the Online Marketplace, central to its business model that focuses on attracting and orienting investor participation, thus tapping a much larger resource pool. Supporting elements such as training materials, the market price information system, access to the Online Marketplace, etc. will

be available on the CARE and GFA websites. ISET research will be published and disseminated for use by other stakeholders.

Risk Analysis and Contingency Plan

Given the integrated nature of this Action, many of the risks are associated with multiple activities; thus the table below is organized by risk type, with the activities at risk given in parentheses and 1st likelihood, then severity of impact estimations from high (H) to medium (M) to low (L).

Description of Risk (Activities to which it applies)	Mitigation measures
<p><u>Political:</u> GoG reverses its policy on cooperative development or does not follow up with implementation (all activities) (L, H) Public opinion does not support the cooperative development program (all activities) (M, M)</p>	<p><u>Political:</u> Engage in lobbying with peer organisations and ENPARD stakeholders aiming at the implementation of cooperative development under the new act Coordinate with other stakeholders for public information campaigns</p>
<p><u>Economic:</u> Extreme poverty conditions in target areas may provoke improper usage of project funds by target groups (Activities in ER1, ER4) (L,L) Extreme poverty and basic humanitarian needs prevent people from engaging in project activities (Activities in ER1) (L,H) Target groups cannot meet their match to the grants (Activities in ER1, ER4) (L,H)</p>	<p><u>Economic:</u> Clearly identified selection criteria of grantees. Regular spot checking and monitoring Intensive monitoring of the financial condition of groups CARE's financial systems, policies and procedures (hold grantees accountable) Focus on good business ideas will attract those able to participate in business opportunities, despite social status Flexible matching requirements and requiring matches before the grant is disbursed will reduce this risk</p>
<p><u>Social:</u> Not enough interest from farmers in target areas (Activities in ER1) (L,H) Members lose interest in running a business, are not willing to save/reinvest profits, or disagree on common vision and goals (Activities in ER1, ER4) (L,M) Income flows lead to dissention among groups (Activities in ER1, ER4) (L,M) Farmer groups who are members of GFA do not accept payment of fees nor continue to view GFA as their advocate (Activities in ER2) (M,M) Key leader at GFA could leave (Activities in ER2, ER3) (L,M) Investors show less interest than anticipated (Activities in ER4) (M,M)</p>	<p><u>Social:</u> Regular communication with target population and ensuring better knowledge of project resources and development objectives Conflict resolution training to manage dissention Emphasis on developing and communicating clear benefits of GFA membership Mechanism for resignation from GFA available. Step up support to GFA to continuously improve services Support diversification of GFA sources of funding CARE / RDA capacity to manage GFA in interim, recruit new expertise Analysis and strengthening of online marketplace, other mechanisms</p>
<p><u>Physical:</u> Fires or other destruction of production facilities (Activities in ER1, ER4) (L,H)</p>	<p><u>Physical:</u> Farmer group business plans to have risk mitigation section</p>
<p><u>Environmental:</u> Natural disasters: floods, earthquakes, etc. (all activities) (L,H)</p>	<p><u>Environmental:</u> Farmer group business plans to have risk mitigation section</p>

Preconditions and Assumptions

The single **precondition** is that there will be limited geographic overlap in the target municipalities with other ENPARD implementers offering non-recoverable grants. The offer of “free money” by a competing program could well undermine the success of the recoverable grants approach proposed.

Macro-level assumptions include 1) that the Government of Georgia policy and implantation processes aimed at carrying out the Georgian Agricultural Strategy to transform the agricultural sector, in particular by facilitating the creation of cooperatives, continue, and 2) that no unforeseeable natural or socio-economic disasters affect the Action. **Specific assumptions** include the following:

- that ENPARD implementers and other actors share best practices and cooperate on advocacy (e.g., the GUARD group being developed by Oxfam, CARE, and others) and
- that the Government of Georgia continues to recognize GFA as a stakeholder representing grassroots farmer groups.

How the Action will be made sustainable

Financial Sustainability: Financial stability at every level has been a central criterion in activity design. This can be summarized as follows: Business-oriented smallholder farmer groups will have sustainable income from the activities proposed in their business plans. If successful, these businesses will be able to continue indefinitely, adapting to change in market and other conditions. GFA will develop a diversified revenue model as part of its strengthening process that will put GFA on a self-sufficient basis by the end of the action. The preliminary (draft) revenue plan shows about half the income coming from membership fees of different sorts, based on a scaled fee schedule that takes into account the size and earnings of the members. Other major sources foreseen are project funding from the Government of Georgia and other donors, commissions on deals brokered and other services provided, donations and fundraising, and database and analysis products. The Online Marketplace for investors and the network of technical service providers will both be self-sustaining based on commissions and fees for service and will be managed by CARE to link farmers with investors as well as to sources of know-how. The revolving grant fund will be sustained by repayments and further grants from it, managed at first by CARE and later with support of GFA. ISET's agricultural economics and rural development policy research programs will be sustained by other sources of funding. RDA and CARE similarly have the prospect of continued funding under pre-existing financial strategies.

Institutional Sustainability: Institutional sustainability will be provided from different directions. The business-oriented smallholder farmer groups and GFA will have local ownership and buy-in, with self-sustaining governance structures that can maintain them indefinitely, as long as they remain economically successful. Their capacities will have been strengthened and sources of further training and technical assistance will have been identified, usually within the network of technical assistance service providers. The Ministry of Agriculture and other governmental agencies that support the development and scaling up of cooperatives have institutional stability and can continue to provide policies that provide for incentives, access to credit, and technical and marketing support to cooperatives — at least until there is an opposing swing of the political pendulum. CARE, likewise has its own self-generated stability that will allow it to continue supporting the Online Marketplace for investors, the technical assistance network, and other programs that support smallholder farmer groups. These different levels will be linked by a combination of working agreements, MOUs, assistance contracts and other instruments that will further institutionalize the transformative processes implanted by the action.

Policy Level Sustainability: At the policy level, the new framework to support development of cooperatives will provide an enabling environment for smallholder farmer enterprise. This will consist of ground rules, legal status, tax breaks and other incentives, reform of the agricultural extension system, better institutional capacity in the Ministry of Agriculture, vocational training centres (Education Ministry), the Management Unit for Market Research and Strategic Development (Ministry of Agriculture), and the Market Information Center and help desk (Economic Development Ministry) — all of which support both institutional and policy sustainability.

Sustainability of these policies will be supported by their alignment with EU and other international policies and initiatives, such as ENPARD Georgia itself, as well as with agreements on food safety, free trade, and quality standards (e.g., GLOBAL GAP, ISO and HACCP).

Environmental Sustainability: In their preparation for business planning, capacity of farmer groups will be built in environmentally friendly agriculture and sustainable natural resource use; potential negative impacts of business plans will be identified and addressed in the vetting process. Potential environmental problems identified in field assessments in the target areas will be addressed where they affect the welfare of the farmers. Issues include overgrazing, poor drainage, riverbank protection,

well protection, and household sanitary systems; where relevant to farmers groups, these will be addressed in the business plans.

Other environmental issues to be addressed are agrochemicals — use of natural inputs (composts, manures, organic pesticides, IPM, weed control measures) will be encouraged; biodiversity protection, with protection of forests and other natural systems and their management for timber and non-timber products (e.g., nuts, honey, medicinal plants, mushrooms, fruits, etc.).