

ANNEX I- DESCRIPTION OF THE ACTION

Description of the Action

1.1.1. Description (max 13 pages)

Reference to the Overall and Specific Objectives:

The proposed action '*Strengthening farmers' cooperatives in rural municipalities of Georgia*' will strive to achieve its **overall objective**: 'To contribute to reducing poverty levels of rural farmers in Georgia, through the development of sustainable business-oriented cooperatives, enabling an increase in food production'. Strengthening business oriented agricultural cooperatives, improving efficiency of supporting functions (inputs, information, supplies, services, marketing, etc), strengthening linkages with Agriculture Service Providers as well as enhancing the market environment will help small scale farmers to increase production, progress from subsistence to market oriented agriculture, operate more profitably, generate additional income and hence, reduce poverty in the target rural areas.

The **specific objective** of the programme is to support the Georgian Agriculture Sector Strategy¹ by increasing the capacity of Farmers' Groups, Agriculture Service Providers and the Government Sector to collaborate effectively and provide relevant business services to small scale farmers. Three areas will be focused on to achieve this: 1. Strengthening farmers' groups; 2. Strengthening support services sector, so farmers can have sustainable and long-term access to the necessary goods and services; 3. Strengthening farmers' voices in agricultural policy decision making so groups can positively influence the implementation of the Agriculture Sector Strategy, in order to ensure their progress in the future.

How the action will improve the situation of the target groups:

1) Farmers Groups (FGs):

The action intends to encourage existing groups to become more formally structured and to facilitate the establishment of new groups, so that their situation will be improved in the following ways, allowing them to:

- Purchase agricultural inputs collectively. Purchase of inputs such as seeds, fertilizers, veterinary medicines by a group of people and in bigger quantities results in discounted prices and decreased transportation costs, leading to reduced production costs
- Share agricultural and transportation equipment. This helps with efficient use of equipment, and reduces overhead and capital costs for the farmers
- Sell agricultural products in larger quantities, access bulk markets and reduce transaction costs. Farmers can achieve this by pooling their products and selling them together
- Receive extension and other services from the private and governmental Service Providers more efficiently; apply and pay for the services together at reduced cost.
- As a legal entity access agricultural credits with better terms.
- Receive favourable terms via the taxation regime from the government based on the recently approved legislative changes and the agricultural cooperatives law.
- Maintain constant awareness of and participation in local and national government policies. Lobby collectively and thus more effectively for farmers interests and needs
- Opportunities to be involved in the planned governmental programs, aiming to support agricultural cooperatives.

The action aims to cover 70 FGs, with an average of 10-30 members in each group – where one member represents one household (rather than 2 members from the same HH). The vast majority of FG members will be small scale farmers. The action will encourage a minimum 20% membership of women in the FGs.

2) Agricultural Service Providers (ASPs):

Support from this action will aim to enable ASPs to expand their businesses in the following ways:

- Consolidate their internal management systems in order to operate more efficiently and cost effectively

¹ Strategy of Agriculture Development of Georgia (2012-2022), Ministry of Agriculture

- Improve various business related aspects such as market research of potential client base, increase suppliers' database, implement effective advertising and marketing of their products and services
- Expand their geographical coverage into areas not previously explored due to lack of knowledge and links with other farmers' groups
- Improve knowledge of new technologies available on the market
- Increase activities of services and products to sell to clients, and thus increase profit margins
- Strengthen their ability to lobby local and national government, by participating in agricultural lobby groups (to be established via the action)

The action aims to cover 60 private ASPs, with at least 4 staff members each. These will be the founders and management of the ASPs and their employees: i.e. agricultural experts, accountants and other technical staff, business consultants, etc.

Governmental Service Providers

During the current year the Ministry of Agriculture has established government-owned Extension Service Centers in all municipalities of Georgia, including the 16 target municipalities. In previous years, governmental Machinery Centers were created in six municipalities and six more planned to be established until the end of this year in other municipalities. The programme will also closely collaborate with these government-owned Service Providers and facilitate linkages between them and business-oriented FGs in the target area.

3) Staff of the Local Government Sector

Recognising the often regular staff turnover in local and regional government, the focus will be on the institutionalization of a space that will be created between all actors involved in policy decision making. In this way, the improvements are envisaged thus:

- Increased knowledge of agricultural related legislation
- Awareness raised of the needs and priorities for small scale farmers, FGs and ASPs
- Increased communication channels between local and central government due to municipality staff being more informed of Agricultural Sector Strategy
- Permanent space established and maintained between civil society and government, for effective dialogue on policy making

The average number of staff to be trained in each municipality is estimated at 8-9, resulting in a total of approximately 140.

4) Final Beneficiaries (Farming Households)

The farming households from all target municipalities will benefit in two ways. Firstly, those HH that are actual members of the FGs will be able to directly access all the intended changes listed above under Farmer Groups. Secondly, the households that are not members of the FG will still be able to benefit due to the overall improvement of agricultural products and services available in their municipality. The fact that the FGs and ASPs will be strengthened, will facilitate changes in the farmers' situation, in the following ways:

- Increased options of where they buy from and the number of services they can access
- Reduced costs in various areas such as equipment, transport, services due to more competition by ASPs
- Increased income through joint production activities and better access to markets
- Contribution to increased health if applying advanced agricultural technologies –e.g. where production doesn't need as much chemical fertilization
- Improved representation to local government, via the work of the agricultural lobby groups, who will represent their needs

The total population of the fourteen target municipalities is approximately 1,023,300 people, of whom 265,000 come from an ethnic minority (Armenian, concentrated mostly in Samtskhe-Javakheti, Azeri concentrated mostly in Kvemo Kartli and Ossetian, concentrated mostly in Shida Kartli)². The action hopes to cover as final beneficiaries approximately 100,000 farming households from all target

² www.geostat.ge

municipalities, incorporating all ethnic groups.

Management Capacity of Co-Applicants.

All three co-applicants of the programme already possess strong management capacity and are well placed to be conducting most of the training themselves. See methodology section and each activity for more details.

Results Expected and Corresponding Activities

Expected Result 1: Farmers' Cooperatives have strengthened their business capacity to enable small scale farmers to sustainably and environmentally increase food production.

To achieve Expected Result 1, Mercy Corps, ABCO, Agro-Service and GIPA will support not only existing business-oriented Farmers Groups, but, when needed, facilitate the formation of new agricultural cooperatives. The groups that demonstrate potential for development will receive technical assistance with legal registration according to the new law on agricultural cooperatives and then be fully involved in the programme activities.

Activities for Expected Result 1:

1.1. Information campaign in the target municipalities

Mercy Corps, Agro-Service, ABCO and GIPA will conduct an information campaign during the start-up of the programme. At this stage, meetings will be organised in all municipalities separately at the community level with the small scale farmers, with active business-oriented Farmers Groups, with existing ASPs in their place of location and with local and regional authorities. The aim of these preliminary meetings is:

- To present the goals, objectives and anticipated activities of the programme, and to establish a relationship with all actors involved, for potential further collaboration;
- To explain the importance and advantages of small scale farmers' cooperation
- To obtain initial basic information about farmers, agricultural organizations in the target area, and attitudes of regional and local authorities towards agricultural issues. This information will be useful to guide further investigation for the baseline survey.

1.2 Baseline survey

This will enable Mercy Corps and its three local partners to identify existing and potential small scale farmers' groups, profitable agricultural activities, most promising value chains to target, prospects to facilitate linkages with ASPs, market opportunities and advocacy/lobbying needs. The survey will be conducted through key informant interviews with the management and representatives of ASPs and FGs, local and regional government representatives as well as focus group discussions with already existing FGs' members and individual farmers, particularly small scale farmers in the rural communities.

The objectives of the survey will be to assess and identify:

- Particular value chains in every target municipality, which have the highest potential to provide more income to the FGs
- The needs of local farmers, particularly small scale farmers on input supply, extension services, veterinary services, irrigation, agricultural technologies, post-harvest storage, business services and marketing
- Market analysis, which includes: Full market analysis of pro poor opportunities for growth (especially, for small scale farmers), identification and information pertaining to key market players and the market environment, analysis of market constraints and potential systemic solutions to address small scale farmers' needs, analysis of the sub-sectors, where business opportunities for the FGs lie
- The financial and legal situation of existing FGs and ASPs, assessment of their business viability
- The current average incomes and expenditure of farming households
- The attitude towards farmers cooperation and possibilities to form new – or to join existing business-oriented farmers groups among small scale farmers
- The efficiency of existing FGs and potential for new FGs to serve their members' needs
- The quality and quantity of current services offered to farmers by the ASPs, and the opportunities for ASPs to develop more and better services for FGs and small scale farmers
- The affordability and profitability of new services, including potential joint agricultural activities,

identified as opportunities for development for FGs and ASPs

- The current status, opportunities and conditions required to obtain agricultural credit for FGs and ASPs
- The existing and potential relationships between FGs, ASPs and local and regional governments, to identify the gaps and opportunities in collaboration between these groups

The information collected during the baseline survey will be needed to track and measure change. It will also be used to inform the design of trainings needed to strengthen the capacity of FGs and ASPs. Findings and results as well as suggested solutions will be communicated and discussed with the farmers, FGs, ASPs and regional and local authorities via local meetings. Based on these participative sessions, which will encourage representation of men, women and youth, the specific programme interventions might be slightly modified to address the whole spectrum of the small scale farmers' needs.

1.3. On-going market analysis

The programme will conduct extensive, ongoing market intelligence, assessment and analysis as the market in the different sub-sectors of agriculture continuously evolves. This ongoing process is undertaken by all programme staff (Mercy Corps, Agro-Service, ABCO, GIPA) through engagement with the market players (including FGs and ASPs) and keeping up to date with secondary resource such as the internet, newspapers and television in order to identify new actors, trends and drivers. The analysis aims to track external and internal market forces related to the programme and the target groups' activities in order to adjust programme interventions. The programme will also increase the capacity of FGs and ASPs to conduct their own market analysis to better inform their plans and activities.

1.4. Preparation of new, and update of existing trainings materials

Due to the established operating practices of all three co-applicants, several modules of the proposed training for activity 1.6 are already developed and being used in other areas of their work. The programme however will review the material, depending on the findings of the baseline survey and in line with the farmers' needs and allocate time and resources to both the adaptation of current materials and the development of new ones where appropriate.

1.5. Support with creation of business-oriented FGs

Programme staff will conduct regular meetings with small scale farmers, provide information about and seek approval of proposed activities, and fully explain the advantages of uniting in business-oriented groups and working together. In the communities and municipalities where farmers show interest and commitment in creating business-oriented farmers groups, in the legal form of agricultural cooperatives, the programme will guide them, providing technical assistance with development of statute and legal registration. Any agricultural cooperatives to be created will be done so exclusively on a voluntary basis and will promote active involvement of all members, with particular attention to encouraging women and youth to participate. Facilitation will promote democratic management with regular membership input on both organizational and agricultural issues. The programme will employ a legal/outreach advisor to assist with all registration legalities, including establishment of new groups and updating the legal status of existing groups if appropriate.

1.6. Trainings for selected members of FGs (cooperatives)

Mercy Corps will facilitate the trainings which ABCO and Agro-Service will provide to existing and new FGs. The main aim of these trainings will be to increase the capacity of business-oriented FGs to apply received knowledge during their activities. The trainings will be informed by the findings of the baseline survey and will be conducted in:

- *Farmers Cooperation*

The training will familiarize FGs members with the modern concept of agriculture cooperation; underline its voluntary and democratic nature, the importance of business orientation, demonstrate clear opportunities to the farmers to increase production, reduce production costs, better market and sell products and make more profit through joint activities in the agricultural cooperatives. The training will also provide information regarding the legislative basis for the creation and functioning of agricultural cooperatives in Georgia. It will share examples from other countries of successful cooperation, plus foster possibilities to collaborate with other FGs, and promote the creation of lobby groups and/or associations, to advocate for their rights and interests with the government. Trainings will be provided by ABCO trainers, who before this will participate in the Training of Trainers, provided by DGRV experts in the concept of modern cooperation.

- *Organisational Development*

The training will aim to strengthen the managerial capacity of existing and especially newly established business-oriented FGs. As a result of the training, internal communication among FGs' members will be improved and they will have better management and organisational skills. Focus will also be given on how to design three-year development plans in order to encourage longer term visioning of where their business should be in the future, based on market projections; opportunities and risks. Guidance in the actual production and monitoring of the 3-year plans will be implemented in activity 1.10.

- *Business Planning*

The training will strengthen particular planning skills of existing and new business-oriented FGs. They will be trained in following disciplines: General Role of Business Planning, Taxation in Georgia, Law on Entrepreneurship of Georgia; General Marketing, Customer Service, Financial Planning and Financial Management.

Following the training, farmer groups will schedule a series of one-to-one meetings with one of the programme's business consultants. The role of the business consultant will be to act as a coach and facilitator, helping the group to prepare a plan, but not writing it for them. During the meetings, the business consultant will help the group leaders in critically reviewing the business idea; evaluating the particular value chain; identifying information gaps and key aspects needing consideration; and where required, assisting the group to access information on production equipment procurement and preparing financial forecasts. Following completion of a draft business plan, the group leadership will present the plan to their members, make suggested changes and finalise the plan. See 1.7 for presenting the plan to be approved. The regional coordinators will ensure that women and youth, as well as ethnic minority voices are represented in the planning process.

- *Accounting and Taxation*

The training provided by ABCO will be focused on the following: Financial Accounting; Balance Sheet and its elements; Profit & Loss statement; Evaluation and accounting of main assets and liabilities; Cash-Flow Statement; Tax Accounting; Principles of registration as a Tax Payer; Rules for calculating total income and administering taxes; the calculation and declaration of Income Tax, Profit Tax and Property Tax; Fines and penalties defined by Tax Code; Obligation to apply a cash register. Applying this knowledge will strengthen financial management in FGs and increase their capacity to pay taxes appropriately and deal with tax inspection.

- *Modern and new agricultural technologies:*

Mercy Corps will capitalize on its relationships with the Associates, in order to bring in the most appropriate knowledge and experience, including national and international to share with the programme.

Following preliminary talks with 'Pakka', a Swiss company specialised in nuts, which currently works with its business partner, Anka Fair Trade in West Georgia, it is anticipated that they will assist in capacity building of agricultural cooperative members who are involved in hazelnut production, specifically assisting them with high quality production, conformity of products, appropriate storage, and awareness of fair trade rules. The FGs that succeed in applying these technologies will have an opportunity to link to Pakka purchasing the hazelnuts and exporting them to the European market.

DGRV (German Cooperative and Raiffeisen Confederation) will provide Training of Trainers (ToT) for Mercy Corps, Agro-Service, GIPA and particularly, ABCO staff with the concept of modern agricultural cooperation, including the methodology to promote successful cooperation among the farmers and motivate them to work jointly. The trainings will then be replicated to the FGs.

The topics of the trainings (provided by the co-applicants) will be based on the value chains to be developed in the FGs, but are likely to include: fruit production, hazelnut production; vegetable/potato production; animal husbandry; fish-farming and bee-keeping; extension services. During the trainings, special attention will be paid to the environmental issues, including climate change mitigation and disaster reduction measures, agro-biodiversity preservation, organic production.

- *Food Storing and Processing*

Training will respond to the needs of the FGs, some who are already established with production and wish to expand to include added value aspects, such as processing, via small micro-factories / scale enterprises. Training will provide practical advice to FGs on how to store particular agricultural products and jointly establish, develop and use storage facilities.

ABCO has technical training and on the job training experience to share with FGs in various food chains, including dairy production, making juice or jam from fruits and berries, processing value added products from different vegetables, biscuits from hazelnuts, honey and related sweets.

Additionally, visits to existing successful processing plants can be arranged under the programme, so that FG members get a chance to see how they can replicate existing operations.

- *Animal health/veterinary*

GIPA will be the main implementer of animal health/veterinary trainings, owing to their extensive knowledge in the livestock field. It will cover small and large animals, vaccinations, treatment of diseases and how to access services in these areas, the importance of preventative measures, quality feed and effective pasture management.

Farmer training has to be designed so that it focuses on explaining problems and complications resulting in a loss or decrease in their income rate by neglecting veterinary services, showing them in figures how much more income they could receive if they would make sure that all veterinary services are conducted properly to their animals. The training program will raise awareness that will help farmers to have healthy animals and safe animal products. Presentations, printed handouts, photo and video materials will be prepared.

- *Value Chain Development*

Training sessions, on the job training and direct consulting provided by ABCO will increase the capacity of the FGs in terms of increased production in various value chains, functions of different actors at different levels, the place of FGs in the particular value chain, their linkages with the suppliers, intermediaries, industrial providers, shops and consumers as well as ASPs and in short, address the sustainable inclusion of FG in the value chains.

- *Food Hygiene and Safety*

Agro-Service will provide trainings to increase the capacity of FGs to adhere to the new code and hygiene compliance, and assist them in helping their members produce agricultural products which will meet the requirement of the law. During the training participants will be acquainted with legal requirements and international standards, and practices, via concrete examples of criteria needed to establish standard conditions in farms and processing facilities as well as in the production process. During practical demonstrations in the processing plants (owned by the participants), discussions will be held and practical recommendations given regarding food safety. Training materials will be prepared and distributed, including the use of video.

- *Marketing*

The training sessions, on the job training and direct consultations will include various aspects of marketing, including market research and analysis, branding, packaging (including utilization of environmentally-friendly materials) and advertising. ABCO has substantial training, theoretical and practical experience on these aspects and will implement each module to the FGs in order to increase their capacity to conduct on-going market analysis, access new markets, produce marketable products and effectively market their products and services. This will also give FGs the possibility to develop a stringent marketing strategy for their products and services and enable them to implement practical steps for accessing new markets and selling the products.

The programme staff will ensure that women as well as ethnic minority voices are represented in the trainings.

1.7. Support the development of viable business plans by FGs and selection of best ones for sub-grants.

Every FG that applies for a sub-grant must develop and present a sub-grant application in the form of comprehensive Business Plan. This plan must demonstrate the profitability of the proposed micro-project and the expected benefits for small scale farmers. The programme will not limit FGs activities with a particular value chain, but rather give them the opportunity to select any value chain, which has the highest potential and anticipated profitability for this particular group. The sub-grants will target the most promising value chains and support the most profitable agricultural activities. Contribution from the Farmers Group must be minimum 30%, from this at least 15% in the form of cash contribution. The business plan must include a reporting schedule according to an approved reporting format.

The decision regarding grant disbursement will be made by a special committee, consisting of Mercy Corps, Agro-Service and ABCO representatives, and the application and decision-making process will be done in a fully transparent way. It will be announced in the local media, and special information meetings will be organised in all fourteen target districts. Unsuccessful applicants will receive feedback on why their application was rejected, and given an opportunity to adapt their proposal. Further to approving business plans, a careful examination of the beneficiary organisation will also be done, prior to a final decision to award a sub-grant, assessing its management and financial capacity to appropriately implement the project and comply with the taxation requirements

1.8 & 1.9: 1.8 - Provision of start-up capital to new business-oriented FGs / 1.9. Co-investment for profitable expansion for existing business-oriented FGs

Selected business-oriented farmers groups (both existing and newly established) will be funded with sub-grants. The average amount of each sub-grant will be Euro 15,000 (amount will vary from Euro

1,000 to Euro 60,000), and it will have a minimum 30% in-kind and/or cash contribution requirement from the beneficiary. In total a minimum of 70 such grants will be disbursed. More details can be found in the specific section on Sub-grants, at the end of the activities section.

1.10. Monitoring of production target plans of FGs

After disbursement of the sub-grant on the basis of the business plan and the compliance check, constant monitoring of sub-grantees' activities will be undertaken by Mercy Corps and co-applicants staff, to ensure optimum utilization of the grant and to oversee how the production level and marketing of products correspond with the anticipation provided in the business plan. If progress is not going according to the plan, Mercy Corps and partners will hold meetings with the FGs and their members in order to address problems jointly and seek feasible solutions. In case of further non-performance the programme may request the FG to return obtained commodities/grant.

1.11. Guidance in elaborating organisational three-year sustainability plans for FGs and subsequent monitoring

The programme team will facilitate business-oriented Farmer Groups to prepare three-year sustainability plans. These plans will be used by the agricultural cooperatives to plan their future agricultural, business and marketing activities and to ensure joint and profitable work as an organization. The plans will also help FGs to identify necessity and desirable conditions (interest rate, duration, business type, etc) of the agricultural credit and to approach Banks/MFIs and obtain low-interest agricultural credits. If the government implements programmes to support agricultural cooperatives, the sustainability plan can be used by FGs to participate in these programmes. In total, a minimum of 70 FGs will be supported to develop their sustainability plans.

The issues covered in the FGs sustainability plans will be:

- Organizational development of the Farmer Group
- Business Development of the Farmer Group
- Marketing Plan of the Farmer Group
- Taxation and profit disbursement plan of the Farmer Group
- Projection of staff numbers, anticipated salaries, cost implications

1.12. Cross visits for FGs inside and outside of Georgia to share experience of successful farmers' cooperation

Mercy Corps, with support from DGRV, will organize exchange cross-visits among the business-oriented FGs inside Georgia. In the beginning FGs members from different municipalities will be taken into Akhalkalaki municipality to meet and review activities of agricultural cooperatives, successfully working since 2007. During the second year FGs will visit successful cooperatives in the other target municipalities as well, and share experiences, learn from each other, exchange information and establish working and business linkages.

In addition, Mercy Corps with support from DGRV will organize cross-visits for FGs members to European countries, where farmers cooperation is developed to demonstrate successful European experience of cooperation and provide good model examples to the farmers, which can be used in Georgia. The proposed countries for the cross visits are: Bulgaria, Turkey or Germany (eastern part). DGRV has long-term working experience and good contacts with agricultural cooperatives in these countries. FGs members who participate in the cross visits, will then conduct special workshops to present the European model of cooperation to other members of FGs in their municipalities.

1.13. Publications and media activities

During the programme a quarterly newsletter will be printed and distributed, to disseminate information on the progress of the programme, share experience and success stories of the agricultural cooperatives, information on local markets and prices, as well as sound extension practices. The newsletter will also carry information on environmental best practices relevant to the activities being undertaken by the business-oriented FGs. The newsletter will be published in Georgian, Armenian and Azeri languages.

Mercy Corps will collaborate with the local newspapers so that they can regularly publish articles regarding the agricultural cooperatives, their successes, challenges of the cooperatives as well as important information regarding the systemic problems faced by small scale farmers and possibilities to properly address them. The articles will also be used as advocacy tools to lobby small scale farmers interests with the government. Mercy Corps has successful experience of working with local newspapers Samkhretis Karibche (in Samtskhe-Javakheti) and Trialetis Expresi (in Kvemo Kartli),

which developed and are selling an agricultural supplement with the support of Alliances-SJ & KK programmes. This increased both newspaper sales and access to information for the farmers. This experience will be used with the local newspapers in Kakheti, Shida Kartli and Imereti.

The programme will also work with the national and local TV channels and particularly, their agriculture programmes to develop special programmes, which promote farmers cooperation, discuss challenges faced by FGs and ASPs and measures to address them. As with the newspapers, TV programs will be used as an additional vehicle to lobby farmers interests. Mercy Corps has substantial experience of working with national TV channels (Public Broadcast program “Our farm”) and local TVs in Samtskhe-Javakheti to develop and promote popular and sustainable agricultural programmes.

The programme will also use GIPA’s own radio station to prepare and broadcast special programmes and talk shows regarding the farmers’ cooperation-related issues and the programme’s activities.

In the initial phase, a special brochure will be developed and published on the legal form of an agricultural Farmer Group, according to the newly approved law on agricultural cooperatives, including details on the registration process, fees to be paid, status as an agricultural cooperative in the special governmental agency, taxation regime etc. The brochure will also include a template of the by-law, which can be updated and adopted by the particular cooperative according to their needs. The brochure will be printed in Georgian, Armenian and Azeri languages.

The programme will develop booklets/leaflets regarding modern agricultural technologies, in sectors such as fruit and vegetable growing, veterinary, animal feeding, etc. according to the value chains of the FG. The leaflets will be published in Georgian, Armenian and Azeri languages.

Expected Result 2: Agriculture Services Providers (ASPs) have strengthened links and quality of services to offer to farmers for mutual profitability.

To achieve Expected Result 2, Mercy Corps, ABCO, Agro-Service and GIPA will support existing Agriculture Services Providers to increase their capacity to develop new service packages suitable and affordable for the business-oriented farmers groups, and other small scale farmers who may not be members of a FG.

Activities for Expected Result 2

2.1. Training/Guidance for ASPs in business development.

This will be according to need on different aspects of business: Accounting and management system; Product costing and pricing; Market analysis, Marketing and Advertising. ABCO will largely be responsible for delivering these trainings, whilst GIPA will take on those related to Gender; Leadership and lobbying skills (see activity 3.4.).

Through different donor funded projects, ABCO has been involved in the already established nine rural service centers and under the USAID funded “Mechanization” project, was responsible for delivering training and consultations for 35 Mechanization Service Centers, among them the government-owned “Mekhanizatori” Ltd. Also in SDC-funded MOLI project in Kakheti region ABCO is working with 48 ASPs.

As a result of the training, ASPs will be able to provide respective information, consultation and when needed, short training to FGs on these topics as embedded services during the selling of their services and products. ABCO will assist ASPs to develop materials and short training modules to improve their business models and make them more suitable for FGs.

2.2. Facilitation of development of ASPs’ special service packages suitable and affordable for FGs

The programme will organize formal and informal meetings between ASPs and FGs. During these meetings ASPs management will provide FGs members with information about services they are offering to FGs and their members, the current development of new services and their availability for small scale farmers and FGs, and the prices of services and payment conditions. Farmers will express their needs for particular types of services and affordable prices. These meetings will help ASPs to conduct market analysis, develop clear marketing strategy, tailor their products to meet the market needs, particularly small scale farmers needs, focus specifically on improving the quality and range of affordable input supply, extension and marketing services for the FGs and their member farmers.

2.3 Awareness raising of new inputs, machinery and equipment and extension services for FGs and ASPs

The technical expertise of Agro-Service will be best placed to raise awareness amongst FGs and ASPs in new inputs, machinery and equipment and extension services which can be used to implement agricultural activities more efficiently. The NGO has high-quality experts, who are working in the different sectors of agriculture and have experience to provide training. Agro-Service also collaborates with international consulting organizations and in case of necessity, invites international experts to provide trainings and consultations.

The topics will cover environmentally-friendly inputs, machinery and equipment more suitable for FGs and their members' needs, extension services. The associate, Pakka (in collaboration with its business partner, Anka Fair Trade) will also raise awareness on new technologies in hazelnut production and fair trade.

2.4. Co-investment for profitable expansion for ASPs

Mercy Corps will disburse co-investment sub-grants to ASPs, based on the co-financing applications. The average amount of each grant will be Euro 7,000. An estimated minimum of 60 such grants will be disbursed. The details of the objectives and expected results, criteria for selection can be found in 'Sub-grants' section (at the end of the activities section).

The decision regarding grant disbursement will be made by a special committee, consisting of Mercy Corps, Agro-Service and ABCO representatives. After disbursement of the sub-grant, constant monitoring of sub-grantees' activities will be undertaken by Mercy Corps to ensure optimum utilization of the grant.

Expected Result 3: Farmers have an increased voice in Agriculture Policy decision making, due to strengthened links and coordination between farmers' groups, service providers and the government sector.

To achieve Expected Result 3, Mercy Corps and GIPA in the baseline survey will identify and assess barriers that impede the promotion of small scale farmers' interests with local and regional governments. The action will then work with actors to address these barriers in each target municipality to proactively promote the voice of farmers, FGs and ASPs. In addition to trainings given to government staff on Agricultural Legislation, awareness raising of farmers' needs, alongside trainings to farmers on advocacy, leadership etc, the programme aims to establish an Agricultural Lobby Group in each of the 16 target municipalities.

Activities for Expected Result 3

3.1 Creation of agricultural lobby groups at municipal and regional level

The establishment of fourteen Municipal and four Regional Agricultural Lobby Groups will be promoted by Mercy Corps and GIPA, consisting of representatives of all agricultural stakeholders. The creation and mandate of the lobby groups will be discussed and agreed among the stakeholders during workshops. The members of the lobby groups will be elected from the most active representatives of FGs, ASPs and local and regional authorities (from different departments - agriculture, economic development, as well as the Ministry of Agriculture's local extension centres). It is anticipated each group will consist of about 15-20 members. A gender balance will be encouraged by Mercy Corps and GIPA, and following gender training and leadership skills (activity 3.4), it is anticipated that women, aside from being simply represented, through the Lobby Groups will be in a stronger position to actively participate and voice their needs – especially when these may be different to men's needs. Furthermore, where possible a strong representation of young farmers will be encouraged to join the lobby groups. Each group will become a permanent body, which will conduct meetings on a regular basis, at least quarterly, both during and after the programme implementation. The venue for the meetings can be allocated by the government or ASPs. The lobby group meetings will initially be facilitated by Mercy Corps and GIPA, but both FGs and ASPs representatives will be encouraged to take on active roles to ensure their ownership of the process from the very first step. Each lobby group will represent interests such as access to information regarding new agricultural regulations, creation of an enabling agri-business environment in the region, land-tenure issues, irrigation, taxation and assistance from the local government with livestock disease reporting and control.

3.2 In every Municipality and region, establish spaces for dialogue between FGs, service providers and the government sector.

Mercy Corps and GIPA will organise and facilitate joint meetings, where FGs, ASPs and the Municipal and Regional authorities will participate. The meetings will initially take place in every municipality in the target areas and then at the regional level, as a second step. At the Municipality meetings, representatives for the Regional meetings will be elected by the participants.

The main aim of the meetings will be to discuss the most important issues that participant organizations and individuals have in connection with their activities, centred around the agricultural input supply, extension and business development services, veterinary and animal feeding issues, agricultural production and marketing.

In addition to the policy making implications that can arise from these spaces for dialogue, the very fact that the staff of ASPs and the members of FGs will be in close and regular contact with one another, within a municipality and regional context, should help to ensure a fluid exchange of information and an increased coordination for products and services, so that during and after programme completion, business linkages are built and maintained with one another for the mutual benefit of every stakeholder.

Mercy Corps will ensure collaboration with other ENPARD implementing agencies in order to avoid duplication of such lobby groups at either local or regional level. This also includes close coordination of activities of Mercy Corps consortium partners with Oxfam-led consortium in Gori and Kaspi municipalities, where both Mercy Corps and Oxfam will implement the programme. The programme will also coordinate activities with the SDC-funded Mercy Corps Alliances-KK & SJ programmes, the Danish-Swiss funded Rural Economic Development (RED) programme as well as SDC-funded and HeksEper implemented Market Opportunities for Livelihood Improvement (MOLI) programme. With support of these programmes Advisory Committees are functioning in Kvemo Kartli, Samtskhe-Javakheti and Kakheti regions that facilitates productive engagement and information sharing of Alliances, RED and MOLI with local governmental and non-governmental stakeholders, involved in livestock breeding sector. Furthermore, coordinating with lobby groups that may have been created in other regions will give the members a much stronger voice with which to then lobby at central government level.

3.3. Trainings to government staff, related to the Georgian Agricultural Sector Strategy, Government communication; Gender legislation:

Mercy Corps will facilitate and GIPA will provide training to local and regional authorities on:

- Conveying agricultural strategy to the public
- Effective inter-intra government communication
- Awareness raising on gender legislation and its implementation.

The overall aim of the trainings is to provide the local and regional governments with a strong up to date knowledge base from which they can more efficiently deliver aspects of the agricultural strategy to the local population. Mercy Corps' has noted, through previous and existing agricultural projects that there is often a disconnect between local, regional and central government representatives, each vying for their own power in the respective hierarchy. The programme aims to improve communication between these levels, through both the lobby groups and the trainings given to government staff, who will all be learning under a neutral body.

Gender Balance, non-discrimination in every sphere and creation of equal opportunities for men and women is one of the priorities of the Georgian Government, including the Georgian Law on Gender Equality, approved in March, 2010. One of the aims of the law is to set forth the goal of eliminating discrimination in labour and employment, education, health and social services, family relations and elections. Often local authorities' representatives are not aware of this law and its implications on their work, so the trainings aim to address this. Under Alliances-KK programme Mercy Corps has established Women's rooms in municipal buildings in Kvemo Kartli region. Staff capacity and space of these rooms will be used during the Gender trainings and meetings with the government.

3.4. Trainings to FGs and ASPs related to Gender, Leadership and Lobbying/Advocacy skills

GIPA will provide training to FGs and ASPs on:

- Gender Integration;
- Leadership skills and Lobbying/ Advocacy skills.

In addition to the information to be provided to FGs and ASPs on gender legislation, via the government representatives (result of activity 3.3), Mercy Corps considers it important to address

gender issues in general, that are undoubtedly present in the agricultural sector³. Some aspects of the work are considered to be predominantly male or predominantly female oriented. The programme seeks to discuss these issues through gender integration trainings, which includes an analysis of stereotypical roles and responsibilities of men, women, boys and girls. Applying a gender equity approach will help farmers question such traditional roles and allow them to see benefits of allocating particular agricultural activities and services to men, women, boys and girls, according to the capacity and availability of each household member, rather than according to their gender or age.

Trainings in gender provided by GIPA, will include topics designed specifically to improve gender awareness, including national and international legal rights related to women, men, boys and girls, national laws promoting gender equality, and labour, health, educational issues related to each group. GIPA will promote increased understanding of the gender concept, diversity, equal opportunities, gender differences, gender roles, responsibilities and gender equity. The programme will highlight the importance of female participation in all aspects of local society and address certain barriers that may exist in women getting their voices heard. The programme will also encourage and promote women's active membership and participation in the FGs as well as in certain cases support the creation of women's agriculture cooperatives, if this is based on a viable business idea.

The aim of the leadership and advocacy skills trainings is to improve the ability of individuals; men, women and youth to be in a stronger position to lobby and advocate for their needs. Participants who particularly shine in this area are likely to be those who will go on to represent the FGs and ASPs in the municipal and/or regional lobby groups. Others having received the training will still be in a stronger position to voice their opinions at community level, in order that the representatives take this to the higher level. Trainings will highlight the need to listen to and respect the needs of constituents regardless of gender, age, disability and ethnicity.

Specific training topics include: understanding good leadership behaviour; the difference between leadership and management; polishing interpersonal skills and communication skills, making key decisions, leading by examples.

3.5. Facilitate orientation sessions from the government to FGs and ASPs on agriculture related legislation.

In addition to the spaces for dialogue, described in activity 3.2, Mercy Corps and GIPA consider it important to incorporate the facilitation of orientation sessions from the local and regional governments to FGs and ASPs on agriculture related legislation, which would be held at community level and would be open to all the public (rather than the limited representation in the lobby groups). This need for increased information flow, stems not only from the longstanding opinion from farmers that they are not informed about agricultural related legislation, but also from the fact that the last 2 years have seen several new policies, codes, practices introduced that need to be communicated well to the public. These include specifically, the new law on Agricultural Cooperatives, Food Safety, the Veterinary and Plant Protection Code, and Land Tenure and Taxation Legislations. Obviously this list may extend to include any new legislation, which might be adopted by Parliament during the implementation of the programme.

3.6 Advocacy/Lobbying Campaigns undertaken by the lobby groups in favour of small scale farmers.

In addition to the establishment of Lobby Groups in 3.1, they will develop special documents with the description of the issues and possibilities of how to resolve them. They will also organize and conduct advocacy campaigns at the local level, reflecting agricultural needs in the target municipalities and regions and aiming to gain local and regional authorities support. Then with the support of the local government, and other regional lobby groups, these issues will be lobbied at the central level with government and Parliament. Inclusion and support of municipal and regional governments' representatives will ensure successful delivery and lobbying of the policy changes at the central level. At least 14 advocacy/lobbying campaigns will be conducted over the programme lifetime. Mercy Corps and local NGO partners will support these activities through their constant involvement in policy dialogue forums with the relevant ministries and through participation in Civil Alliance for Agriculture and Rural Development. This mechanism is being established with leadership from Oxfam and active participation and collaboration of Mercy Corps as well as CARE and ACF. It represents a useful tool to coordinate activities on agriculture policy dialogue and complement the proposed programme activities

³ Gender analysis in Alliances-SJ programme area. Mercy Corps, 2011.

Alliances-KK annual gender workshop report. Mercy Corps, 2012.

under the Expected Result 3.

SUBGRANTS

The programme plans to re-distribute some of the grant to provide sub-grants to the following entities:

1. Business-oriented Farmers Groups (agricultural cooperatives)
2. Agriculture Service Providers

1. Business-oriented Farmers Groups (agricultural cooperatives)

In the first group, the action proposes to support a minimum of 70 FG with small sub-grants, which will be either a start-up fund for new organisations, or an improvement fund for existing organisations.

Objectives

- To help FGs develop better quality services to the members
- To strengthen the organizational capacity of FGs to serve small scale farmers' needs
- To help FGs with the implementation of advanced agricultural technologies, to enable them to receive higher yields, apply efficient post-harvest technologies and increase income
- To help FGs access new agricultural markets, with improved marketing of products

Results

This will help them to increase income through joint production activities, reduce costs through bulk discount purchases of inputs and/or services, improve production level and efficiency through advanced agricultural technologies and increase access to wider markets.

Selection criteria for assistance to the FGs, in the form of equipment and/or finance:

- Local legally registered organization according to the Law on agricultural cooperatives
- More than 80% of the members of the group will be small scale farmers who own maximum 1.25 ha of arable land and/or 2-3 cows with low levels of cash income, averaging GEL 350-400 monthly, and low level of commercial produce.
- Willingness to collaborate with the programme
- Potential to undertake profitable joint business-oriented activities in one or several value chains
- Willingness and possibility to contribute a minimum 30% (from this at least 15% in cash) to co-investment initiatives
- A common interest that unifies the creation of a cooperative around a certain business
- Trustful relationship between the group members.
- An ethnic composition that reflects the community's existing composition
- A membership with no less than 20% women
- A positive attitude to incorporating youth as members⁴
- Willingness and opportunities to obtain services from ASPs and use new agricultural technologies

Types of activities that the FG will implement: This will depend on the need of each FG, but may incorporate a number of different activities, in various value chains, such as:

- livestock breeding (dairy and meat), fruit, potato and other vegetables, bee-keeping, hazelnuts, fish farming, non-timber forestry

The programme will facilitate FGs to select particular value chain, based first of all, on market opportunities as well as possibilities to increase production and income of FGs members. The value chain approach will be used during the planning of business activities of every FG.

The types of activities in each value chain are likely to include:

- 1) Input supplies: a) farming related: variety of seeds and seedlings (for initial production, then promote self-replication allowing for sustainability), pure breed animals, vermiculture worms, beehives, soil composition/structure improvement, b) office related: stationery, packing supplies

⁴ Youth in this context means age 18 to 25

- 2) Equipment: tractors and other agriculture machinery/equipment, transportation means for agricultural purposes, irrigation/amelioration equipment, greenhouse equipment, atmosphere control technologies, apiculture equipment, small animal farming equipment, food processing machinery/equipment, storage facility equipment, food safety and food quality control tools, office equipment.
- 3) Small infrastructure (new and/or rehabilitation): greenhouses, nurseries, small slaughterhouses, milk collecting centres, feed mills, small food processing establishments, irrigation channels, sties, barns, fences, ponds, wells, hatcheries, wineries, hay barracks, cold storages, dry storages, silos, granaries and other post-harvest facilities. FGs office space and meeting halls small veterinarian clinics and other agriculture-related infrastructures.
 - Some initial subsidizing of running costs of the farmers' groups, such as office rental and staff salaries, may be considered by the programme staff, if this is sufficiently justified in their business plan, and for a limited time only (maximum one year), to avoid dependency on this.

In most cases the co-investment/sub-grant support will be provided to FGs in kind (as a commodity sub-grant) with a minimum 30% (of entire project amount) cash and/or in-kind contribution from the FG, from this, a minimum 15% must be in cash. FGs will be encouraged together with their own contribution to attract contribution (cash, goods, services) from third parties as well. These can be local private entity, business company/partner (supplier, buyer) and/or governmental institution. The amount of each sub-grant or commodities provided will range from Euro 1,000 up to Euro 60,000 and an average amount is estimated as Euro 15,000. When assessing a potential sub-grantee, Mercy Corps will encourage participation from all members of the FG and not only the selected or most active members. Additionally it will aim to ensure that all sub-grant activities promote equal opportunity and outcomes between women and men.

2. Agriculture Service Providers

The second group to receive co-investments/subgrants will be the ASPs. The action proposes to support up to 60 ASPs, with the following objectives:

- To help ASPs develop better and affordable services to FGs and small scale farmers,
- To help ASPs provide services to FGs in order to use advanced agricultural technologies, to enable them to receive higher yields and increase income
- To help ASPs to acquire new customer FGs and establish long-term business relationships with FGs.
- To strengthen the organizational capacity of ASPs to serve FGs and ultimately small scale farmers' needs.

The criteria for selecting the ASPs will be based upon:

- Legally registered organization working in the programme target area
- Minimum one year experience in business development and/or agricultural sector
- Staff demonstrate knowledge and expertise in the respective services and/or products they provide
- Preparation of viable business plan that addresses FGs and small scale farmers' needs.
- Demonstrate entrepreneurial capacity; willingness and opportunities to increase client numbers, particularly FGs and develop new services for them

The types of activities that the grants to ASPs will cover, will be based upon their individual capacity to serve FGs and small scale farmers' needs, but may target the following sectors:

- livestock breeding (dairy and meat), fruit, potato and other vegetables, bee-keeping, hazelnuts, fish farming, non-timber forestry

Co-investment support will be provided to ASPs with minimum 40% cash and/or in-kind as their contribution with at least 25% of cash contribution. The amount of each sub-grant or commodities provided will range from Euro 1,000 up to Euro 60,000 and an average amount is estimated as Euro 7,000

1.1.2. Methodology (max 5 pages)

Methods of implementation

In terms of the initial start-up stage, the action will take information from studies of previous programmes (EU: 'Linkages' and 'Strengthening Farmers' Groups in Samtskhe-Javakheti) in order to guide the design of the baseline survey and identify what additional information is required or needed to be updated. The programme will also apply experience of baseline and on-going market research and analysis used by SDC-funded Alliances programmes. The baseline survey will employ participatory methods, including key informants interviews and focus group discussion in order to capture both quantitative and qualitative data. Attention to gender, age and ethnicity balance will be established from this first activity and instilled into both staff and beneficiaries throughout the programme.

In terms of direct implementation of the programme, Mercy Corps recognises the need to *facilitate* the process, rather than becoming a dependent player for the cooperatives which would risk distorting the market system. It will be the remit of the partners, ABCO, Agro-Service and GIPA to train FGs, ASPs and local government, especially since they are already present and well known in the target area. Furthermore, Mercy Corps has strong links to some 'Associates' that are intended to provide additional expertise in certain areas, as mentioned in the activities section.

The programme aims to work at three different levels: (1) Setting up information gathering and sharing mechanisms to ensure that FGs, ASPs and local government have access to accurate, up to date information on the needs of small scale farmers; (2) Facilitating trainings and sub-grants to improve the capacity of FGs and ASPs which consequently improves access to relevant services for small scale farmers; (3) Setting up a lobbying forum to ensure small scale farmers, ASPs and FGs can influence policy in the long-term to create an enabling policy environment. Working at these three different levels ensures an integral approach to the many inter-related concerns that farmers, FGs, ASPs and the government sector share, within the whole agricultural sector.

Mercy Corps will encourage government officials to adopt good governance practices such as: Participation; Non-Discrimination; Efficiency; Transparency, Access to Information and Accountability. Likewise, in dealing with stakeholders and beneficiaries, Mercy Corps and implementing partners will practice good governance principles as well as ensuring gender balance and that ethnic minorities such as the Armenian and Azeri communities have equal access to the programme interventions.

During the programme implementation, the interventions and the context will be assessed regularly, and adjustments will be made to the programme strategy and implementation of interventions in order to respond to changes in local agriculture and market situation as well as changes in the government.

The action will build on Mercy Corps' successfully implemented two EU-funded programmes in Samtskhe-Javakheti region: Social and Market Akhalkalaki Linkages (2005-2009) and Strengthening Community Based Farmers' Groups and Agricultural Services (2010-2011), which promoted cooperation between small scale farmers and supported the establishment and development of business-oriented cooperatives and associations. As a result, more than 20 farmers' groups were supported and currently the majority of them continue operations. Based on the Akhalkalaki Linkages experience, a Replication Model was developed by Mercy Corps, which can be used as a guide for the development of farmers' groups throughout Georgia, and indeed will be an important tool for both Mercy Corps and other NGOs implementing the ENPARD programme. Similarly, the successful cooperatives from Akhalkalaki municipality will be used for cross-visits and as models for the strengthening of cooperatives in the other target regions.

The evaluation of Farmers Groups, conducted in Samtskhe-Javakheti region lists several factors of FGs' success⁵, which will be taken into consideration for the proposed action:

- Selection of appropriate legal form for the group
- Importance that the group remains the vehicle to achieving income increase for the members, group formation or registration should not become an end in itself.
- FGs should receive the level of appropriate support be it material or through training and advice

⁵ A Lessons Learned Review of Different Approaches to the Group Organisation of Agricultural Service Providers and Producers in Samtskhe-Javakheti. H. Bradbury. 2009.

- Appropriate level of FG contribution to any grant, the provision of a grant/machinery /equipment /inputs
- Strong and motivated FG members, all contributing to group cohesion and unity of activity and purpose
- Marketing, access to markets and finding a market for the produce

Coordination with other programmes

The action will coordinate its activities with other components of the ENPARD programme framework. Regular meetings and collaboration will be established not only with the European Commission, but with other parties involved in the programme, eg. MoA, FAO and UNDP, other NGOs implementing ENPARD in other regions. Day-to-day coordination will be established with Oxfam and Elkana in Gori and Kaspi municipalities to avoid overlapping and repetition of each other's activities. The programme will also closely coordinate activities with SDC-funded Mercy Corps Alliances programmes in Kvemo Kartli and Samtskhe-Javakheti regions, which are working within agricultural market systems in the livestock sector and where appropriate, the action will adapt elements of this successful approach to the other value chains. The programme will also coordinate with the Danish-Swiss funded RED programme, where Mercy Corps is one of the implementing partners, and has good contacts with some ASPs. Activities will be coordinated with SDC-funded MOLI programme in Kakheti region. Mercy Corps has already established coordination mechanisms on agricultural policy issues with Oxfam, Care and ACF and plans to continue these collaborations under the ENPAD programme framework.

Internal/External Evaluations: Mercy Corps and co-applicants will design a detailed monitoring and evaluation framework that corresponds to the logical framework of the programme. This framework will ensure that outputs and subsequent impact are tracked throughout implementation. Monitoring will form part of the management of the programme through an iterative cycle of data gathering, analysis and practical feedback flowing between the programme staff and the beneficiaries. The quality of the M&E will be assured by clear and accurate roles and responsibilities, by appropriate M&E staff, and team coordination to ensure timeliness within the system. The mid-term internal evaluation of the programme will indicate the progress towards achievement of the final indicators and provide a benchmark for calculating the remaining activities, timeline and budget.

Surveying tools to be used will include focus groups discussions, individual interviews and key information interviews. Special questionnaires will be prepared for FGs, ASPs and government representatives. This will help triangulate information collected and ensure that results are truly representative of the existing environment.

Implementing partners Agro-Service, ABCO and GIPA will report regularly to Mercy Corps linking achievements to verifiable indicators, and reporting on Socio/Economic impacts. Mercy Corps will consolidate all data and information for the donor and progress reports will be submitted to the donor on a timely basis, according to the official schedule. The programme will also receive at least annual visits from support staff in Mercy Corps Scotland.

The programme's final external evaluation will aim to both evaluate the results and to reflect on the impact to date of the programme, and the likelihood of the action achieving sustainability in the long term. The final evaluation will also be an opportunity for all stakeholders to discuss lessons learned and recommendations to be made for future projects in the agricultural sector.

Co-Applicants:

Union Agro-Service: This association will provide training in modern agricultural technologies and food safety to FGs and guidance to ASPs for better implementation of business activities, assist with capacity building, and help with awareness raising for ASPs on new machinery and equipment. It has been implementing agriculture projects (15 in total) in Georgia since 2004, and has close working linkages with the Farming Service Centres in the target municipalities.

Their expertise include farmers training and consultations, organisation of small and medium enterprises for the development of farmers' cooperatives, empowerment of farmers associations with mechanization, introduction of modern technologies, organisation of demonstration plots and orchards, capacity building of regional agricultural specialists.

Association of Business Consultants ABCO: This entity will provide trainings to FGs and ASPs in: Farmers Cooperation, Organizational Management; Business development; Accounting and Taxation; New agricultural technologies; Food processing, Value chain development; , Food Storing and Processing; Market analysis, Marketing and advertising. It will also facilitate the development of business plans (co-investments applications), on the job training and direct consultation to FGs and ASPs and assist FGs with development of three-year sustainability plans. ABCO is the leading organization in Georgia providing Business Development Services and related trainings, and has had a successful partnership with Mercy Corps in previous EU-funded programmes.

Georgian Institute of Public Affairs - GIPA. They will be responsible for the implementation of activities related to policy and lobbying/advocacy. They will establish regular fora for dialogue between FGs, service providers and the government sector in the target municipalities; Facilitate orientation sessions from the government to farmer groups and ASPs on agriculture related legislation; provide trainings to the government representatives. GIPA is one of the leading education institutions with several schools and one outreach program – Georgian Rural Development Program with several years' experience with implementing agricultural projects and conducting successful advocacy activities with the government institutions to promote farmers' interests.

Associate Organisations

DGRV (German Cooperative and Raiffeisen Confederation). DGRV is the national apex organisation and top-level auditing federation of the German cooperative sector according to the German Cooperative Act. About 5,670 primary cooperatives are part of this cooperative system in sectors (agriculture, banking, small-scale industry commodities and services), which unite approximately 18 million members. DGRV has profound experience in building and supporting cooperative systems in many transition countries in Eastern Europe and has been active in Latin America, Africa and Asia for an extended period of time. It maintains relations with various international cooperative organisations such as IRU – International Raiffeisen Union, Cooperatives Europe, and many others.

Mercy Corps in collaboration with DGRV will organize study tours for members of Georgian cooperatives in European countries (Bulgaria, Turkey or Eastern part of Germany) to demonstrate successful examples of farmers' cooperation, from where Georgian farmers can learn and use their experience. DGRV consultants will also provide Training of Trainers to Mercy Corps and local implementing partners (Agro-Service and ABCO) in modern concepts of farmers cooperation, share international experience, provide information and materials which would build capacity of Agro-Service and ABCO and help them to convey the cooperation concept to the local small scale farmers.

Rural Development for Future Georgia; RDFG. It is a local NGO, which is working on the development of farmers' cooperation in different regions of Georgia. RDFG has interesting experience of establishment and development of Young Farmers Centres and Farmers Field Schools. Farmers in the target regions will be invited to participate in the similar activities in collaboration with RDFG.

Pakka. Swiss company: It is specialized in the marketing of hazelnuts in different countries of Europe. In Georgia Pakka partners with a local company Anka Fair Trade and MFI Swiss Credit. The main aim of working with Pakka will be to connect the agricultural cooperatives that are working on hazelnut production and/or storage (particularly, from Samtredia and Vani municipalities, Imereti region), with Pakka. Pakka will act as production and marketing partner for the cooperatives, which provides a guaranteed market for the hazelnuts. Pakka will assist small scale hazelnut producers (cooperative members) to ensure conformity and traceability of the production, application of environmentally-friendly production practices and fair trade principles. This collaboration facilitated by Mercy Corps, will be beneficial both for the FGs, who will have access to a high end market to sell their products and Pakka/Anka Fair Trade, which will have a guaranteed supply of the high-quality hazelnuts. FG will also be linked with MFI Swiss Credit, which will provide small credits suitable for the small farmers needs during the production period, repaid after the harvest season.

Finally, the programme will also work with private sector Banks/MFIs to facilitate and promote low-interest agricultural credits for the farmers' cooperatives. The programme will also establish collaboration in this regard with the Ministry of Agriculture to promote favourable agro-credits for the agricultural cooperatives.

Key stakeholder groups of the programme are: Informal (unregistered) farmers groups; Legally registered farmers groups; Private Service Providers (local veterinarians, agronomists, milk collection centres, machinery owners, intermediaries, etc); Private Service Provider companies (farmers/rural

service centres, input suppliers, consultation companies, veterinary pharmacies, agricultural shops, markets and supermarkets,); Government-owned Service Providers (Extension service centres, machinery centres, veterinarians,); Processors of agricultural products; Local and regional government; Central government (Ministries: Agriculture; Environment; Regional Development and Infrastructure; Economy).

Mercy Corps and local partners/co-applicants have constant interaction with the local stakeholders in all target municipalities as well as with the key ministries in Tbilisi. During preparation of the Concept Note and Full Proposal, Mercy Corps and the partners had several meetings with key private and government actors. All stakeholders agree that the promotion of cooperation among farmers and support to business-oriented farmers groups should be the main driver to effectively address current constraints in the agricultural sector, which is predominantly based on the smallholder farms; suffering from low productivity and poor accessibility to the markets.

The Organizational structure

The overall management of the programme will be undertaken by Mercy Corps. During the first 20 months of implementation the programme will have an expatriate Programme Director, located in Tbilisi with frequent travel in the target area. He/she will be in charge of overall management of the programme staff and ultimately responsible for planning and supervising the programme activities. The most senior national staff member will be Programme Manager/FGs Development Manager, who will work under the supervision of the expatriate Director from the beginning of the programme implementation, with the idea to be promoted as Programme Director for the last 28 months of the implementation, replacing the expatriate person, and demonstrating increased capacity of local staff. The mentoring and guiding of the Programme Manager, by the expatriate, will be written into their job descriptions in order to ease the transition and promote longer term management by local staff.

The programme permanent staff, both Mercy Corps and co-applicants, will be managed by the Programme Director and Programme Manager. The full-time staff will include Regional Coordinators in every target regions and additional Programme Officers in Shida Kartli and Imereti (as these are the largest target regions) who will work on facilitating the creation and day-to-day support and monitoring of business-oriented FGs and ASPs. Regional Coordinators and Officers (except Samtskhe-Javakheti) will represent partner NGOs, which will further strengthen the co-applicants' links with the local farmers, FGs and ASPs and contribute to the efficiency and sustainability of the programme. The Regional Coordinator in Samtskhe-Javakheti will be from Mercy Corps, as Mercy Corps has long-term experience of working in the region and most of the functioning FGs are located there (from the previous Mercy Corps programmes). Other permanent staff members from Mercy Corps will be: Agricultural coordinator, Co-investments Coordinator and Officer, who will be directly managed by the Programme Manager. They will be located in Tbilisi office with very frequent travel in the programme area. Monitoring will be undertaken by the Mercy Corps Monitoring and Evaluation officer, who will work directly under the Programme Director and in close coordination with other management staff and regional coordinators. Procurement Officer, Financial/Administration Officers and Drivers as well as partners' management staff will support the programme implementation.

Mercy Corps Georgia Tbilisi office includes the Country Director with more than 16 years of experience of implementing community mobilization and economic/agriculture development programmes in Georgia including the running of EC programmes (supporting FGs creation and development), a Finance and Compliance Director with experience in cash flow projections and micro finance, Procurement/Logistics Manager and other support staff. Mercy Corps support staff will provide backstopping to the programme at 30% of their time. Mercy Corps Scotland office will provide programmatic and financial support, including field visits to Georgia.

ABCO will employ two full-time Business consultants to support the development of business plans and sustainability plans of the FGs, provide consultations in marketing and promotion. These staff will work under direct supervision of Mercy Corps Programme Director. ABCO local training experts will provide training and capacity building, anticipated in the programme, to FGs and ASPs. ABCO's management and support staff will partially contribute with their expertise in the programme activities.

Agro-Service will employ a full-time Agriculture development Chief specialist and an ASPs Development Coordinator, who will work under direct supervision of Mercy Corps Programme Director. They will address agricultural issues related with FGs, development of ASPs and improvement of the linkages between FGs and ASPs. Agro-Service local training experts will provide

training and capacity building to ASPs. Agro-Service's management and support staff will partially contribute with their expertise in the programme activities.

GIPA will employ a full-time Agricultural policy/Advocacy coordinator and a Legal/outreach consultant, who will work under the supervision of Mercy Corps Programme Director. The Advocacy coordinator will work on the development of agriculture Lobby Groups and fostering advocacy activities with local, regional and central governments. The Legal/outreach consultant will closely work with local communities from the target municipalities and FGs members on the awareness raising, legal registration, and the obtaining of cooperative's status. GIPA local training experts will provide training and capacity building to ASPs. GIPA's management and support staff will partially contribute with their expertise in the programme activities.

Main means proposed for the implementation

The programme office will be located in Mercy Corps existing office in Tbilisi (three-floor house), thus rent will be a contribution of the total office rent. This location allows easy access to all target municipalities. Programme sub-offices will be located in Kutaisi (Imereti region) and Gori municipality (Shida Kartli region, where GIPA office will be used, in the village of Phkhvenisi). Small hub-offices will be located in Marneuli (Kvemo Kartli region), Akhalkalaki (Samtskhe-Javakheti region) and one of the target municipalities of Kakheti region.

From the programme funds 3 new vehicles will be purchased and 5 vehicles rented to implement the programme activities. 21 laptops and communication expenses will be required for effective implementation of the action. Mercy Corps will allocate 6 computers for Tbilisi support staff from its current resources. The computers and technical equipment will be purchased from the programme funds and used for programme purposes as indicated in the budget.

Attitudes of all stakeholders

Mercy Corps has conducted preliminary meetings with all of the programme stakeholders. Based on the previous and current successes of Mercy Corps' work in agriculture programmes, and the current position and linkages between co-applicants and the government sector as well as new legislation, supporting farmers cooperatives, all stakeholders have very positive attitudes towards the proposed programme and express willingness to participate and actively support the proposed activities.

Visibility

Mercy Corps and implementing partners will implement the following visibility plan:

- Ensure that the beneficiary population is aware of the roles of Mercy Corps, each implementing partner and of the EU in the activity, and of the programme activities and objectives.
- Raise awareness in Georgian local and national government of the benefits of foreign support such as shown by the EU to Mercy Corps' activities related with promotion of small scale farmers cooperation.
- Ensure that the private sector actors are aware of their inclusion in the initiative.
- Use local public media to announce key programme outputs and events, to publicize activities, develop business-oriented farmers groups, improve their linkages with ASPs and government as well as to acknowledge the private sector and donor partnerships involved in the action.

The means for ensuring visibility will be:

- Branding at programme sites and activities, and on publications which promote the themes of farmers cooperation.
- Local media will be utilized to promote EU activities to the general public including local authorities not within the immediate target audience of planned activities such as workshops, conferences, etc.
- Press releases, brochures, training materials, promotion materials, newsletters, info on Mercy Corps' website will clearly indicate, that programme is funded by EU with the respective text and flag.

All materials will be produced in adherence to EC Visibility guidelines, and display the EU logo as well as that of Mercy Corps and/or Agro-Service, ABCO, GIPA.

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

The duration of the action will be 48 months.

Year 1													
	Half-year 1						Half-year 2						
Activity	1	2	3	4	5	6	7	8	9	10	11	12	Implementing body
Hire staff, establish field offices													Mercy Corps, Agro-Service, ABCO, GIPA
1.1. Information campaign													Mercy Corps, Agro-Service, ABCO, GIPA
1.2. Baseline survey													Mercy Corps, Agro-Service, ABCO, GIPA
1.3. On-going market analysis													Mercy Corps, Agro-Service, ABCO, GIPA
1.4. Preparation of new, and update of existing training materials													Agro-Service, ABCO, GIPA
1.5. Support with creation of business-oriented FGs													Mercy Corps, Agro-Service, ABCO, GIPA
1.6. Trainings for FGs													Mercy Corps, Agro-Service, ABCO, DGRV
1.7. Support the development of viable business plans by FGs and selection of best ones for sub-grants													Mercy Corps, ABCO
1.8. Provision of start-up capital to new business-oriented FGs													Mercy Corps
1.9. Co-investment for existing business-oriented FGs													Mercy Corps
1.10. Monitoring of production target plans of FGs													Mercy Corps
1.13. Publications and media activities													Mercy Corps, Agro-Service, ABCO, GIPA
2.1. Training/Guidance for ASPs in business development.													Mercy Corps, Agro-Service, ABCO

1.8. Provision of start-up capital to new business-oriented FGs								Mercy Corps
1.9.Co-investment for existing business-oriented FGs								Mercy Corps
1.10. Monitoring of production target plans of FGs								Mercy Corps
1.11. Guidance in elaborating sustainability plans for FGs and monitoring								Mercy Corps, ABCO
1.12. Cross visits for FGs inside and outside of Georgia								Mercy Corps, ABCO, Agro-Service, DGRV
1.13. Publications and media activities								Mercy Corps, Agro-Service, ABCO, GIPA
2.1. Training/Guidance for ASPs in business development								Mercy Corps, Agro-Service, ABCO
2.2. Facilitation of developing of ASPs special service packages								Mercy Corps, Agro-Service, ABCO
2.3. Awareness raising of new inputs, machinery and equipment and extension services for FGs and ASPs								Mercy Corps, ABCO, Agro-Service, Pakka.
2.4.Co-investment for profitable expansion for ASPs								Mercy Corps
3.1. Creation of agricultural lobby groups								Mercy Corps, GIPA
3.2. Establish spaces for dialogue between FGs, service providers and the government sector								Mercy Corps, GIPA
3.3. Trainings to government staff								GIPA
3.4. Trainings to FGs and ASPs								Mercy Corps, GIPA
3.5. Facilitate orientation sessions from the government to FGs and ASPs								Mercy Corps, GIPA
3.6. Advocacy/Lobbying Campaigns								Mercy Corps, GIPA, Lobby Groups

1.1.4. Sustainability of the action (max 3 pages)

Impact of the action supported by quantifiable data

Economic	Increase of agricultural outputs of the target farmers households with 20%
Economic	100,000 farming households members in the target area increase their production output minimum by 10%
Technical	70 business-oriented FGs and 60 ASPs with improved mechanisms in place to ensure effective service provision
Political	Regional forums with participation of the government, ASPs and FGs are established and have regular meetings to address information sharing, coordination and small farmers' interests lobbying needs (intention of leading to improved legislation)
Social	70 farmers cooperatives (profit-oriented FGs) have at least 1400 member farmers
Social and economic	Farmers increase use of services and save time and money for other activities

Replication and extension

The programme will develop a replication strategy based on the approach used during the programme implementation, which includes not only capacity building and development of business-oriented FGs, but strengthening their linkages with ASPs and lobbying small scale farmers' interests with the government. Although the action targets five regions, the approach will be suitable for all regions and municipalities of Georgia. Whilst the value chains may vary between regions, the activities of FGs will not be limited only to their own particular municipality and region, but will be encouraged to establish business and market linkages with other parts of Georgia, where it is appropriate and profitable for the business. The facilitation of extensive networking of FGs and ASPs and advocacy and lobbying activities are in itself aimed at replication and extension to other municipalities and regions. This will ensure extension of the programme outcomes beyond the target area, benefiting communities and small scale farmers across Georgia. If awarded the programme, Mercy Corps will also closely coordinate activities with other NGOs, funded under this component, especially with Oxfam and CARE (if funded), with whom Mercy Corps already has close collaboration and coordination of activities especially on policy and advocacy issues. Jointly held conferences, with other ENPARD-implementing agencies, at both regional and central level should help disseminate programme results, outcomes and lessons learned in order to replicate the model throughout Georgia.

A detailed replication model (manual) document of the program will be developed in the final year of the programme implementation. The model will also incorporate the experience of previous Mercy Corps' implemented EU programmes, reflected in the Linkages programme replication model.. The main aim of the replication model is to describe the methods used during the programme implementation, indicate successes of the programme, challenges overcome and lessons learned. The replication model will also demonstrate how to apply programme approaches to other similar agricultural programmes in other regions in Georgia.

Risk analysis and contingency plan

Risk type	Analysis	Mitigation measures
Political	Presidential elections in October 2013 and local elections in 2014: likely changes in the structure and staffing of local and regional governments.	Staff will continue to work with the government representatives appointed after the elections Programme staff will also avoid any involvement in the political confrontation and discussions regarding political issues with the beneficiaries.
Political	Negative changes affecting farmers if legislation on agricultural cooperatives alters.	Mercy Corps and implementing partners will closely work with Ministry of Agriculture and Agrarian committee of Parliament to further promote the agenda of support to the

		agriculture cooperatives.
Economical	Markets related to the value chains of the farmers suffer price and/or demand fluctuations	Mercy Corps' staff, partners and associates closely monitor both national and international markets to advise of any concerns and help seek alternative markets for farmers.
Environmental	Drought, flood, pasture degradation and livestock disease	Staff will monitor environmental conditions in the target municipalities and coordinate activities with Ministry of Environment to ensure that potential hazards to programme interventions are identified and measures taken into account at the planning phase with the beneficiaries.
Social	Potential tension between farmers that do not join cooperatives and those who become members.	Close monitoring of members and non-members in order to ensure that all those wanting to join have been given an opportunity.

Preconditions and assumptions

The main preconditions and assumptions for programme implementation are as follows:

- Economic situation in Georgia remains stable
- Government will support implementation of the Law on Agricultural cooperatives and a special agency will be formed to ensure implementation of the law and monitor agricultural cooperatives.
- The Agricultural Strategy and action plan will promote farmers cooperation and it will remain the strategy's long-term priority
- Reform of local governance will not change completely the structure of regional and local governance in Georgia
- Agriculture sector strategy will not disrupt programme strategy
- The programme linkages are embraced by the FGs and ASPs
- Social conditions in the target regions will remain stable
- Economic situation will not significantly curtail the agricultural sector
- Expected turnover in officials in municipal and regional government will not disrupt programme activities
- Local and regional governments retain commitment to work with partnership with ASPs and FGs

Sustainability

a. Financial sustainability:

The programme will work with already established FGs and ASPs as well as newly established FGs. Already existing FGs and ASPs have one or several years of successful working history. These organizations are already implementing certain commercial activities that were initially supported by INGOs and/or Donor organisations. All FGs and ASPs, supported in the framework of the programme, will be legally registered, and the aim, at the end of the 4 year implementation period will be to have an established organisational structure and bank accounts, experience of implementation of profitable business activities and providing financial accounts to the tax office. The capacity building which will be provided to FGs and ASPs will significantly increase their sustainability, both operationally and financially. The gaps identified regarding these issues in the initial baseline survey will be addressed through the programme activities. New services developed by ASPs and more flexible payment schedules will enable ASPs to increase drastically the quantity of their clients and the number of transactions, and this should increase the profitability of the organization. Similarly, the FGs will have the possibility to receive more services, increase output and most likely increase profit, thus moving towards financial sustainability. 70% of FGs and ASPs covered by the programme activities, by the completion of the programme will either already have agricultural credits obtained or achieve financial sustainability level to qualify to receive agriculture credit with from Bank/MFI.

b. Institutional sustainability

As the programme aims at capacity building and empowerment of new and already existing FGs as well as ASPs with previous successful working history, it is intended that through careful selection and investments made in their empowerment and organizational strengthening, these organizations will continue and improve activities after programme completion. The trainings provided by the local partners, (who have long-term experience and qualifications) should allow FGs and ASPs to see the benefit of these activities, and thus continue to contract them beyond the programme. FGs and ASPs will also have the opportunity to share best practices among themselves, thus aiding progress towards sustainability. The design and monitoring of the 3-year sustainability plans will be a key tool in guiding the FGs towards more institutional sustainability.

c. Policy level sustainability

It is anticipated that the ownership of the Agricultural Lobby Groups will lie with local private entities and the government. Mercy Corps' facilitation approach will ensure that the main activities are implemented by the local entities, i.e. Agro-Service, ABCO, GIPA, FGs and ASPs, so that the withdrawal of Mercy Corps will not cause any disruption and ensure a smooth transition into a more institutionalised mechanism with which to lobby for the interests of farmers, thus linking them to local government for the long-term. The policy level changes advocated by the Lobby Groups at the regional and central level will continue after programme completion, since a permanent monitoring body (via the Lobby Groups) will be in place to both monitor existing policy and lobby for new changes where appropriate.

d. Environmental sustainability

All Mercy Corps programmes take into account the Mercy Corps Environmental Screening Guide, to ensure that they do not have adverse effects on the environment and take into account environmental sustainability. Mercy Corps and implementing partners will advise and guide the business development of FGs and ASPs to ensure that the land, water, and air do not become polluted by failure to install the proper modern safeguards to avoid environmental problems. Mercy Corps and implementing partners will encourage ASPs to include environmental best practices, such as mitigating soil erosion and encouraging reduced utilization of chemicals through their agricultural trainings. Farmers will be educated not to dump refuse or waste throughout the countryside. The programme's consistent focus on sound environmental practices will ensure environmental consciousness and enable farmers to make informed decisions that contribute to the long-term health of their arable and pasture land. Environmentally-friendly technologies will be promoted during the implementation of the projects by FGs and ASPs. All sub-grants will be screened on environmental sustainability and potential environmental impact. Mercy Corps can also call upon technical support in terms of environmental sustainability from our in-house sustainable resource management and climate change experts.