

## ANNEX I.

### DESCRIPTION OF THE ACTION

Within the framework of the proposed action, People in Need and partners will effectively achieve the **overall objective – the reduction of rural poverty in Imereti and Racha**. Via the development of business-oriented small farmers' and rural entrepreneur groups and reinforced by support for a more favourable agribusiness environment, the proposed action will support Imereti and Racha farmers to achieve economies of scale and ultimately fulfill the region's agricultural development potential.

The proposed action targets semi-commercial small farmers as well as agribusiness and rural entrepreneurs in order to **increase their productivity and income as members of business-oriented groups such as cooperatives and associations**<sup>1</sup>. Such groups represent an alternative to current independent farming practices on fragmented plots with limited cooperation and allow for farmers to decrease operational costs, increase the efficiency and quality of their production, improve market access and thus increase their power to influence market prices. With the adoption of the new Law on Agricultural Cooperatives in July 2013, the conditions for the establishment of cooperatives have been improved and there is an unprecedented opportunity for this more efficient business practice to flourish in Georgia. Thus, the creation of sustainable agricultural cooperatives that will increase the efficiency, productivity and income of Imereti and Racha farmers will be the core aim of the proposed action. To achieve the proposed objectives, project will focus on the following target groups:

#### Target groups

- a) A minimum of 200 semi-commercial farmers and entrepreneurs in the nine target districts of Imereti and Racha<sup>2</sup> who take part in cooperative and business plan development trainings during the grant competitions
- b) A minimum of 330 - 450 members of cooperatives supported within the scope of the proposed action<sup>3</sup>
- c) A minimum of 100 farmers and other rural actors<sup>4</sup> in the target districts will take part in the participatory policy making and advocacy initiatives and feedback mechanisms related to agribusiness and rural development policies

#### Beneficiaries

- a) Approximately 47,000 inhabitants<sup>5</sup> in the rural areas of the target districts will be invited to participate in the preliminary information meetings and thus learn about the advantages and principles of effective cooperation among small farmers
- b) Rural population of target districts, approximately 237,000 persons – will indirectly benefit from the increase in agriculture production and income as well as an improved agribusiness environment
- c) Local and regional authorities and relevant experts (including bank officials and local NGOs) will have an increased understanding of agribusiness needs and be able to jointly develop strategies and projects to address them

The proposed action will achieve the following results:

<sup>1</sup> For the purpose of the proposed action, the business-oriented small farmers' groups defined in the Concept Note will be referred to as cooperatives. The proposed action will establish cooperatives as defined by the new Law on Agriculture Cooperatives and will also open the competition to groups in other legal forms such as associations and non-profit organisations. For simplicity and brevity purposes, the Full Application Form will refer to all groups as cooperatives.

<sup>2</sup> As a result of an extensive field assessment conducted jointly by People in Need and Elkana from July 8-19 and a desire to ensure full coverage of Imereti region in consultation with other ENPARD applicants, the number of direct beneficiaries was increased and there is an addition of one new target district in Imereti – Kharagauli.

<sup>3</sup> As a result the above-mentioned assessment it was determined that both the level of interest and capacity of farmers is sufficient to support more cooperatives than initially planned during the Concept Note development. It was stated that People in Need will create 12-15 medium sized groups and 4 larger groups and but the number has been changed to 14-16 medium sized groups and 6 larger groups. The number of farmers is calculated based on an estimated average between 18 smaller cooperatives with 10-15 members each and 6 larger cooperatives with 25-30 members each. The exact number will depend on the number of applicants in the grant competition although the minimum will be between 330-450.

<sup>4</sup> Estimated as a minimum of 2 representatives of each newly-established cooperative and other interested agribusiness actors including individual farmers, local NGOs, input suppliers and other key Imereti stakeholders

<sup>5</sup> Estimated as 20% of the total rural population (living outside of the district centers) in the target districts - The total rural population

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

In order engage in more efficient business and farming practices and increase the incomes of Imereti and Racha semi-commercial farmers and rural entrepreneurs, People in Need, Elkana, the Association of Young Economists of Georgia and experts from the Czech University of Life Sciences Prague will support the development of cooperatives. **The cooperatives established and supported within the framework of the proposed action will achieve economies of scale, improve access to markets and increase the income of members via more efficient joint business and farming operations.** Members will acquire knowledge and technical support to improve their business practices, strengthen the value chain in their sector and contribute to overall economic development in Imereti and Racha region.

While the business grant competition will be open to all agriculture and rural business sectors in Imereti and Racha, People in Need's 8 years of experience in the region and preliminary research indicates that there are **several key sectors with the most potential for cooperation and growth in the domestic and international market.** These sectors include: greenhouse herbs, wine, fruit, beekeeping, tea, cattle meat and dairy, sheep breeding, hazelnuts, poultry and agro tourism. As further described in the Description of Activities and Methodology section, the proposed action will **target these pre-identified sectors, focusing on the organisational development of cooperatives and strengthening the entire value chain via intensive trainings, technical sub-grants and ongoing field support.**

Target Group	Improvement of their situation and capacities
200 semi-commercial farmers and entrepreneurs	<ul style="list-style-type: none"> <li>Improved business management and financial planning capacities</li> <li>Increased income and new market opportunities through membership in newly-established cooperatives</li> <li>Increased efficiency and productivity of cooperatives</li> <li>Reduction of operational costs related to production, processing, sales and marketing</li> </ul>
330 - 450 members of newly-established cooperatives	

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

People in Need, Elkana and experts from the Czech University of Life Sciences Prague will **strengthen the technical skills of the members in order to increase the quality, quantity and overall value chain of their products.** Highly tailored trainings on modern agriculture techniques will be enhanced by demonstration model fields where these new techniques will be practically implemented. In addition, the trainings will focus on adding value to the primary production via processing and packaging as well as improving market linkages via branding and marketing expertise. This **technical expertise will be complemented by technical sub-grants in the form of infrastructure or equipment to the cooperatives to increase their productivity as well as add value to their products via improved storage, processing and packaging.** In order to exchange best practices and allow for sharing of ideas and future collaboration, planned Farmer Days in Georgia, agriculture exhibitions in Kutaisi and exchange visits to the Czech Republic will provide beneficiaries with a solid background to further strengthen their farming and business practices. Such a comprehensive set of activities will allow for the supported cooperatives to **strengthen both as individual farmers and as a group, thus contributing to increased productivity and incomes as well as a stronger position in the domestic and regional market.**

Target Group	Improvement of their situation and capacities
330 - 450 members of newly-established cooperatives	<ul style="list-style-type: none"> <li>Increased agriculture yields and productivity as a result of utilising modern technologies and practices</li> <li>Improved conformity of production to meet domestic and international food safety and market requirements</li> <li>Added-value to cooperative members' products via improved storage, processing and packaging</li> <li>Improved access to regional and national markets and strengthened channels for export of local</li> </ul>

of target districts is 237,000, with Imereti and Racha region being the second most densely populated area outside of Tbilisi.

products

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

As a result of farmers' and rural populations' direct participation in policy making processes, **the proposed action will result in an improved agribusiness environment via agriculture sector legislation and policies that meet the needs of the population.** In coordination with the Oxfam-led alliance of agriculture stakeholders - Georgian Union of Agriculture and Rural Development (GUARD) and other agriculture and rural development stakeholders, People in Need and the Association of Young Economists will **empower Imereti and Racha cooperatives and mobilised rural communities to be engaged in agriculture policy making processes at the local, regional and national level.** They will have formalised mechanisms to voice their concerns and recommendations to decision-makers via a regional level forum while the forum will also give the government a channel to communicate their policy agenda and plans to rural communities. Project beneficiaries will participate in monitoring processes via farmer-led field assessments and jointly work to develop recommendations for improved policies and legislation. This will enable them to be not only recipients of government assistance, but also to be engaged in monitoring and developing recommendations for improvement. Furthermore, the project will support the joint planning of new projects/programs on local, regional and national levels based on local agribusiness and rural development needs.

Target Group	Improvement of their situation and capacities
330 - 450 members of newly-established cooperatives  100 participants in the regional forums, farmer-led field assessments and joint planning workshops  Rural population of target districts	<ul style="list-style-type: none"> <li>• Increased awareness of agriculture and rural development policies and programmes</li> <li>• Increased ability of Imereti and Racha farmers and rural entrepreneurs to advocate for improved agribusiness policies and legislation</li> <li>• Improved linkages between agribusiness actors and regional and national level authorities</li> <li>• Empowered local experts, NGOs and agribusiness actors contribute to relevant policies and legislation on regional and national level</li> </ul>

The above mentioned results will be achieved through following activities:

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

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

**Participatory Rural Appraisal**

In the beginning stage of project implementation, People in Need and Elkana will jointly conduct a Participatory Rural Appraisal in all target districts focusing on agricultural incomes, yields, markets as well as business and farming practices of farmers in target districts. The assessment will provide essential baseline information on the socio-economic situation of farmers in the target municipalities, existing value chains and markets, farmers' current knowledge and practices, needs for training and skills development, cooperation levels and main obstacles for cooperative development. The assessment will serve as a **general baseline assessment as well as contribute to the pre-identification of potential beneficiaries, facilitate overall cooperative development and support the project implementation process.**

The survey respondents will include farmer households in the target districts, local authorities, value chain actors and other actors in the rural economy. It will be conducted using the Rapid Rural Appraisal and Participatory Rural Appraisal techniques. These two techniques are a set of methods, that will enable the project team to obtain and analyse information over a short period of time by identifying leaders and involving the local population in data collection and information analysis. The Participatory Rural Appraisal will also be used to mobilise and pre-identify potential beneficiaries by informing them about the aim of the project as well as encouraging them to take part in the information meetings and expert workshops. The Participatory Rural Appraisal will take place in the first 2-3 months of project implementation and will be conducted by a team of four experienced rural development specialists, two from People in Need and two from Elkana.

## **Market Assessment**

In the initial stages of project implementation, Association of Young Economists in cooperation with the Czech University of Life Sciences Prague, will conduct a market assessment of the key sectors identified during the preliminary field assessment: greenhouse herbs, wine, fruit, beekeeping, tea, cattle meat and dairy, sheep breeding, hazelnuts, poultry and agro tourism. As noted, these pre-identified sectors have the most potential for cooperation and market growth and there is a distinct need to strengthen their value chain.

**The assessment will enable potential cooperatives to focus their business plans on the concrete needs and opportunities outlined in the assessment and the current market situation, thereby ensuring improved prosperity and sustainability of the group.**

The assessment will analyse the supplier-customer relationships in the pre-identified sectors, the price level and structure of added value of products, representative competitive brands and products, competitive ability of local products compared to imports from other regions and abroad, consumer habits, state regulations and legislation, quality standards, anticipated development of foreign trade (in particular in connection with the prepared zone of free trade between Georgia and the European Union and the opening of the Russian market) and an analysis of key figures and their control of the market. In addition, the assessment will propose strategies for increasing sales and a SWOT analysis for increasing the quality and quantity of new products and new businesses of small-scale farmers.

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

## **Informational Meetings**

People in Need will organise a series of public informational meetings in the main villages of the target districts in order to introduce farmers and agribusiness actors to the concept of cooperatives, the new Law on Agricultural Cooperatives and planned ENPARD activities including details about the cooperative development grant competition. In addition, the Ministry of Agriculture specialists will present their role, services and Ministry policies and programmes via the newly-established Information Consulting Centres.

The objective of the meetings is to **introduce the concept of cooperatives as an efficient agribusiness model and an alternative to the current independent and inefficient farming practices on fragmented plots**. By demonstrating how current agribusiness challenges could be overcome via joint operations, the meetings will increase the willingness for voluntary cooperation and further the understanding that membership in a cooperative doesn't exclude individual entrepreneurship. The Ministry of Agriculture's Information Consulting Centre staff will be present throughout these sessions to support farmers in identifying spheres of common production and assessing their joint potential.

Facilitated by People in Need, informational meeting participants will be encouraged to consider a set of key benchmarks for forming a cooperative including: the farmers' desire to solve a common problem or take advantage of an economic opportunity; the farmers' understand the principle of joint economic activities and are motivated to work together. After this reflection process, **farmers will be able to make an informed choice about whether they are interested in establishing a cooperative and taking part in the grant competition**. In total, a minimum of 4-5 informational meetings will take place in each district during each grant competition round in all of the main villages of the target districts. The meetings will be publicised by People in Need in all target districts via project staff, local media outlets, Ministry of Agriculture Information Consulting Centre staff and local authorities. In order to ensure that the sectors which employ a large number of women are included such as greenhouse herbs dairy, tea, fruit processing and agro tourism, People in Need will organise additional meetings for these particular sectors and encourage the participation of women.

Preliminary discussions with fellow members of the Oxfam-led GUARD initiative have determined **the need for a coherent message about the benefits of cooperation among farmers** to be disseminated in the ENPARD target regions. As such, People in Need has been cooperating with other ENPARD actors at the proposal development stage and it has been agreed that the successful applicants will collaborate during implementation to jointly develop a methodology and tool kits for the organisational development of cooperatives, using the same terminology, messages about the benefits and principles of cooperation as well as description of the new Law on Agricultural Cooperatives.

## **Expert Workshops**

Following the informational meetings, People in Need will organise expert workshops for interested participants from each of the **pre-identified sectors which were identified during the preliminary assessment and have strong development potential and including greenhouse herbs, wine, fruit,**

**beekeeping, tea, cattle meat and dairy, sheep breeding, hazelnuts, poultry and agro tourism.** Led by an Elkana expert in the specific sector and the Association of Young Economists, workshop participants will work together and discuss the results of the market assessment, cooperation opportunities within the sector, potential for value chain development and brainstorm concrete business proposals with leading experts in their sector. Applicants will use the results from the market assessment to assess which value chain activities will be most profitable in their area and determine what technical support (equipment and infrastructure) are required. A minimum of one workshop will be organised for each sector per competition round, with additional workshops organised for larger, more prominent sectors such as wine, cattle meat and dairy and greenhouse herbs. In addition, expert workshops targeted specifically at female-dominated sectors will be organised in order to encourage women to participate in the grant competition.

In total, a minimum of 20-25 Expert Workshops will be organised and participation in the expert workshop will be mandatory for potential founders of the cooperatives and will serve as opportunity for People in Need and partners to identify strong applicants for the establishment of cooperatives. Most significantly, the **workshop will provide interested cooperative members with a strong foundation for business proposals based on the current market for their products** to be further developed at the mandatory trainings during the grant competition.

### **1.3 Cooperative Grant Competition**

Based on People in Need and partners' experience in Imereti region, it is most effective to organise the cooperative grant competition in two rounds. The first round will focus on supporting smaller cooperatives with a minimum of 10 members each and the second round will focus on supporting additional smaller cooperatives as well as opening the competition to larger cooperatives with a minimum of 25 members each.

#### **Announcement of Grant Competition**

Following the Informational Meetings and Expert Workshops, People in Need will announce the cooperative grant competition in all target districts. The competition will be announced via project staff, local media outlets, Ministry of Agriculture staff and local authorities. Detailed information about the competition including selection criteria, regulations, obligatory trainings and deadlines will be made available to the public via the above-noted channels and on People in Need and partners' websites.

#### **Intensive Training for Grant Applicants**

As part of the grant competition, a mandatory intensive training course for all applicants will be conducted by People in Need, the Czech University of Life Sciences Prague and the Association of Young Economists. The five-day training course will **focus on the principles and organisation of cooperatives, development of business plans and drafting of cooperative statutes.** The training will be mandatory for a minimum of two people from each potential cooperative in order to ensure active involvement of the key founders in the preparation of the grant application and business plans. The training course will take place in two cycles spread over several weeks in order for participants to update their business plans based on consultations and advice from expert trainers. In total, a minimum of 8 five-day training courses for a minimum of 200 applicants will be held during both the first and second round of the grant competition.

Small Farmers' Cooperation - The first two-day training cycle will be led by the Czech University of Life Sciences and focus on the principles of cooperation, organisation of cooperative structures, new Georgian legislation, rights and obligations of group members and the development of statutes. Adapted to the local context with the support of People in Need, Czech expert trainers will bring experience from the Czech Republic as well as international best practices and will present examples of cooperative statutes that can be adapted to the Georgian context. The interactive training will give participants an opportunity to design their own statutes and share their drafts with expert trainers for review and feedback.

Business Plan Development - The second three-day training module will be led by the Association of Young Economists and will focus on business plan development, marketing and value chain development. The training will focus on a step by step design of business plans with the expert trainer demonstrating best practices, examples of successful cooperative business plans and allow participants to elaborate their own plans for expert review.

Individual Consultations – In addition to the mandatory trainings, People in Need and Association of Young Economists will provide individual business plan consultations to all applicants. Expert advice and guidance on business plan development will provide applicants with initial feedback and allow for improvements before the application deadline. One day of individual consultations will be organised in each target district.

The mandatory trainings are also part of the grant selection process as applicants will be evaluated based on their level of participation and acquired knowledge. Each training participant will be tested on their knowledge and trainers will provide feedback to People in Need on their participation in the training sessions.

### **Selection Process**

The deadline for submission of the grant application and business plans will be 45 days after the grant competition is announced. The selection process will be organised by People in Need and will include application and business plan evaluation, site visits, interviews with founding members and a final selection committee. The selection committee will include representatives of People in Need, Association of Young Economists and Elkana, as well as a local microfinance organisation representative and local authority representatives. The committee will be organised on a district level and will include representatives from 2-3 communities in the applicant's district in order to minimise the pressure of corruption on community representatives on the committee.

The selection committee will assess the following key components of each applicant including:

- Overall strength of business plan and marketing strategy
- Business background and experience of applicants
- Current level of cooperation among applicants
- Financial sustainability
- Market growth potential of the applicant's sector
- Gender equality, participation of women in the cooperative
- Environmental impact and sustainability
- Overall economic impact for community and number of job places to be created
- Available assets and planned co-financing
- Planned organisational structure of the cooperative

Once selected, competition winners will be announced and all participants will be officially informed of the results. The selection committee's comments and recommendations will be made available to the unsuccessful groups who will then be able to improve their business plans and compete in the second round of the competition in Year 2.

Competition winners will sign a contract with People in Need stipulating all **requirements and obligations of the group with specific focus on their legal registration, technical sub-grants, co-financing requirements, business investment fund and participation in the mandatory capacity building trainings and demonstration field models**. Further details are described in *Description of Technical Sub-Grants* section on page 12. In total, a minimum of 18 smaller cooperatives and between 6 larger cooperatives will be supported within the proposed action. As the exact number supported will be based on the number of applications submitted and selected, the estimated minimum number is based on People in Need and experts' knowledge regarding the capacity for cooperative development in the target districts.

#### **1.4 Technical Support to Cooperatives via Sub-grants**

As further described in the *Description of Technical Sub-Grants* section, People in Need will provide sub-grants in the form of equipment, infrastructure and in exceptional circumstances, input supplies to the cooperative grant competition winners. The sub-grants will provide the technical support necessary for the cooperatives to increase their yields as well as add value to their products via improved storage, processing and packaging.

As noted, the cooperative grant competition will be organised in two rounds. The first round in Year 1 will provide technical sub-grants valued at a maximum of 35,000 EUR for smaller cooperatives with a minimum of 10 members each. The second round in Year 2 will support additional smaller cooperatives with a maximum of 35,000 EUR grant as well as provide grants of maximum 60,000 EUR to larger cooperatives with a minimum of 25 members each. In total, the **proposed action will support a minimum of 18 smaller cooperatives and 6 larger cooperatives**.

#### **1.5 Organisational Development of Cooperatives**

Following the selection of cooperatives, People in Need and partners will support the establishment of the cooperatives with registration and finalisation of all documentation, organisational development and business management capacity building and regular advisory consultations.

### **General Assembly and Registration of Cooperatives**

In each selected cooperative, an initial General Assembly will be organised to approve the finalisation of the groups' statute and business plan, select the Board of Directors and list the founding members' contribution

to the groups' basic capital. Minutes of the General Assembly meeting, together with the list of basic capital commitment and statute will be delivered to the government agency responsible for registration of cooperatives.

#### **Organisational Development and Capacity Building**

Cooperatives will be supported by People in Need, the Association of Young Economists and the Czech University of Life Sciences Prague experts provided with institutional capacity building in order to strengthen their overall management and operational abilities. The comprehensive training packages for each cooperative **will focus on overall business management and will incorporate international best practices and instilling the principles defined by the International Cooperative Alliance** including:

- Voluntary and open membership
- Democratic control of members and members' economic participation
- Autonomy and independence
- Training and education of members and non-members
- Concern for community and increasing local social capital

Mandatory trainings for the cooperatives' founding members will be organised as a series of modules including: business and financial management; participatory learning and communication; governance and organisational management; member-driven planning; buyer/producer relations; taxation; legal issues and other topics as identified in the needs assessment. Cooperatives will be particularly encouraged to involve women in the business operations of the cooperative in such roles as accounting and financial management. Trainings will be led by the Czech University of Life Sciences Prague and the Association of Young Economists. In total, each cooperative will receive 15 days of training grouped in 6 modules.

#### **Advisory Consultations**

In order to provide ongoing support to the institutional development of the newly-established cooperatives, the Czech University of Life Sciences Prague, Association of Young Economists and People in Need will provide regular consultations and monitor the implementation of best practices in business and cooperative management. Particular emphasis will be on the most problematic areas in cooperative development including: member-management relations and communication; equal participation and use of services by all members; access for new members; transparent planning and finance management; adherence to rules for member investments and lost and profit sharing. Information from advisory consultations and monitoring will be used to ensure that cooperatives are being properly managed according to the statute and as outlined in the contract between People in Need and founding members. Joint monitoring will be done on a monthly basis by People in Need and the Association of Young Economists as well as ad-hoc consultations upon the request of cooperative members. In addition, the Czech University experts will provide individual consultations to cooperatives following each of their training modules.

### **1.6 Exchange Visits to the Czech Republic**

In order to introduce more efficient business practices based on active cooperation among farmers, **the direct transfer of knowledge and experiences from the Czech Republic's agriculture transition will be critical in the development of the newly-established cooperatives.** As in Georgia, the Czech agriculture sector was dominated by large government-managed cooperatives. The Czech Republic experienced a dramatic transformation in the 1990s and is now a modern, agricultural country with a diverse mix of agricultural enterprises – companies, individual small farmers and cooperatives. This new type of voluntary and democratic cooperatives play an important role in production, bargaining with large food industries and advocacy. Furthermore, the Czech Republic has experienced the process of transitioning to European Union food safety and environmental regulations as part of pre-accession agreements. This transition from collectivised agriculture to modern, cooperative practices and adherence to European Union regulations will provide participants with both the framework and motivation to replicate this experience in Georgia.

The Czech University of Life Sciences Prague will organise three one-week exchange visits for a total of 24 cooperative members and 4-5 Ministry of Agriculture officials. The visits will combine trainings with practical field excursions to the university's partner cooperatives as **examples of Czech best practices and will allow Czech farmers to share their experience in post-collectivisation cooperative development.** The focus of the trainings and experience sharing will also be the Czech experience from the European Union-funded pre-accession projects like SAPARD (Special Accession Programme for Agriculture and Rural Development) and later projects such as LEADER and LEADER+.

In order to continue the exchange between Czech and Georgian cooperatives, the Czech University of Life Sciences Prague will organise visits of 2-3 leaders from the Czech cooperative movement to Georgia. To be organised twice during the project, the visits will be an opportunity to share practical know-how in cooperative transformation and management. The Czech cooperative leaders will be present during Czech

University-led cooperative management trainings in Georgia and will facilitate a more in-depth discussion focusing on the practical management issues of Georgian cooperatives, based on the Czech Republic's similar transition in the 1990's.

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

**Activity 2.1. Technical Trainings for Cooperatives**

In order to increase the cooperatives' production, processing, sales and marketing capacity, People in Need and Elkana will provide **comprehensive, tailored training packages that meet the specific needs of cooperatives and address the recommendations and opportunities outlined in the key sector market assessment**. The training package will include a mandatory set of modules that will be provided to all cooperatives including: sustainable agriculture, food safety and marketing and value chain development.

Sustainable Agriculture - As Elkana is a leader in organic farming in Georgia, the general training will have a specific focus on sustainable agricultural methods, land management and organic farming, including the use of natural fertilisers, crop rotations and organic pesticide among others. Particular attention will be given to land and soil management, agricultural biodiversity, sustainable production and organic farming standards. This will improve farm management practices, increase the productivity and longevity of farmer fields.

Food Safety - In order to better prepare local agriculture products for domestic and international markets, there will be a specific focus on food safety and the transition of Georgian agriculture towards European Union standards. The Czech University of Life Science Prague experts will contribute to the development of the training modules as the Czech experience in transitioning to European Union food safety standards can be transferred and adapted to the Georgian context.

Marketing and Value Chain Development - Marketing and value chain development practices are low, if not non-existent. It is recognised that support to primary production only addresses one part of the value chain and in order to be competitive and increase market share, the action must support overall value chain development of the cooperatives and link them to new market opportunities. As such, cooperatives will receive trainings by Elkana that focus on marketing, branding and value chain development.

In addition, each cooperative will be provided with a set of tailored trainings to meet their specific needs based on an assessment by Elkana experts, the market assessment and the interests of the cooperatives. The trainings will vary depending on the sector of the group and will include topics related to inputs, technologies and mechanisation, veterinary health, storage, processing, further support to value chain development and other technical topics as required, such as soil fertility improvement, field operations, pests/disease and weed control, irrigation, harvesting and post-harvest management, etc. Based on the needs and requirements, Elkana will develop individualised training modules for each cooperative. At the end of each module, trainers will assess the progress and future modules will be discussed with members.

The trainings will also have a specific focus on implementing the market assessment recommendations and strengthening the entire value chain via a focus on quality standards, post-harvest processing, distribution and storage operations and marketing. One of the main constraints facing agriculture development in Georgia is the lack of effective collaboration between farmers and processing companies. The existing processors claim insufficient supply of raw materials. At the same time, farmers have problems with the sale of their products. The proposed action will encourage the development of value chain schemes and facilitate the establishment of links between producer groups and processors. Together they can identify mutually-beneficial cooperation mechanisms to further develop the product. For this purpose, the action will focus on the results of the market assessment, which will present the analysis of the existing local agro-processing companies and their conditions. People in Need will also organise visits of the target cooperatives to local agro-processing companies where they will be able to discuss mechanisms for potential cooperation.

Within the framework of the project, cooperative founding members will receive 10-12 days of training of the sustainable agriculture, food safety, marketing and value chain modules. In addition, each individual cooperative will receive a minimum of 15 days of tailored trainings based on the needs assessments.

**Activity 2.2 Field demonstration models and organisation of Farmer Days and Agriculture Fairs to exhibit best practices, modern techniques and attract new costumers**

In order to increase the impact of the technical trainings and connect with all value chain actors, People in Need and Elkana, in coordination with Ministry of Agriculture specialists and the Agrarian Faculty of Kutaisi

State University, will make extensive use of field demonstration models and organise Farmer Days and Agriculture Fairs to learn new techniques, exchange best practices and establish linkages with input suppliers, processors, wholesalers and exporters.

Field Demonstration Models - Demonstration models will be in each district in addition to one central model near Kutaisi that is associated with the University. The models will be an instrument through which Elkana agriculture experts can demonstrate and test modern agriculture and animal production techniques for beneficiaries. The models will focus on improvement of existing agricultural practices and show examples of use of quality seed and planting material, selected breeds, irrigation, pruning or field management practices.

Demonstration models will also be used to increase market linkages between communities, particularly cooperatives and local marketing and processing opportunities. As part of its market assessment, the local requirements of processors and wholesalers for the key pre-identified sectors will be identified. Cooperative members and local farmers will observe the cultivation of products that meet the standards (size, weight, etc.) of local processors and wholesalers. With this information, farmers, particularly cooperatives who have the ability to secure large-scale orders, will be able to replicate these methods to produce high quality outputs that are attractive to wholesalers and processors and therefore increase marketing opportunities for these products. Where appropriate, introduction of new species or breeds may be practiced at the models.

The Demonstration models in target districts will be located on land belonging to a member (or members) of the supported cooperative and the products will be used to generate additional income for the members. Elkana experts will be responsible for the overall management of the demonstration models in coordination with Ministry of Agriculture specialists. To multiply the achieved results, the models will be also used to arrange Farmer Days, knowledge transfer sessions, thematic workshops and exchange meetings among the project beneficiaries. Female participation will be encouraged in model implementation, in particular in the models focusing on the sectors in which they have a high level of involvement.

Farmers Days - In order to provide cooperative members with an opportunity to learn from other farmers and agribusiness actors, People in Need and Elkana will organise Farmer Days. Farmer Days are organised visits for cooperative members to leading farmers and processors that use modern farming, production and processing techniques. The Farmers Days will be open to all interested farmers and agribusiness actors in addition to cooperative members. Beneficiaries will have the opportunity to observe the modern practices and discuss the challenges and opportunities involved in adopting the more modern techniques.

In total, each cooperative will participate in a minimum of two Farmers Days and will learn directly from other Georgian farmers implementing best practices in farming, processing, storage and marketing and have an open forum where they can discuss key challenges. Based on their extensive experience organising Farmer Days, Elkana will lead these exchanges to ensure that the knowledge generation and sharing takes place among beneficiaries. Particular attention will be given to enabling conditions for value addition such as processing or packaging.

Agriculture Fairs - In addition to the exchange of best practices within Georgia, People in Need will support the newly-established cooperatives' participation in Agriculture Fairs both in Tbilisi and Kutaisi. The annual fair in Tbilisi brings together Georgian and regional agribusiness actors and will be an opportunity for beneficiaries to link with wholesalers, learn about innovative farming and processing techniques, promote their products and meet with others in their particular sector.

In order to promote local products and attract new customers annual Agriculture Fairs will be organised in Imereti's capital, Kutaisi. As Georgia's second largest city, it was an important industrial and agriculture center of Soviet Union and has strong motivation to become an important business center of the country. It is well-placed to organise such an event that will bring together agribusiness actors from Tbilisi, Kutaisi and Batumi. The Fairs will aim to promote the cooperatives' products, find wholesalers and exporters as well as establish and strengthen links between the value chain actors like producers, processors and input suppliers. The latter will also be given the opportunity to participate in order to promote their products to a wider community. In partnership with regional and municipal authorities, People in Need will organise Agriculture Fairs 3 times during the project and invite other ENPARD actors to participate as well as national and regional agriculture stakeholders. Information about the Imereti Agriculture Fairs, participants and products of the newly-established cooperatives will be presented on the project's website, administered by People in Need in order to establish linkages between cooperatives and potential buyers.

### **Activity 2.3. Ongoing expert field consultations**

In addition to the tailored trainings, cooperatives will receive professional, field-based consultancy and extension services tailored to the specific needs of the group. Elkana experts will provide each cooperative

with a minimum 20 individual consultation days and will develop and disseminate advisory hand-outs on needed relevant topics. In addition to Elkana's expert field consultations, it has been agreed with the Ministry of Agriculture that their specialists in each target district will also make regular visits to beneficiaries and provide consultations.

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

Coordination with key agriculture actors including the Agrarian Faculty of Kutaisi State University and Ministry of Agriculture Information Consulting Centre staff are an integral component of the project design and will **ensure that the proposed action has a wider, more sustainable impact throughout Imereti and Racha regions**. In consultation with the University and Ministry of Agriculture officials, People in Need has secured their cooperation for different initiatives including participation in informational meetings, technical trainings, field demonstration models, field assessments and individual field consultations.

The Agrarian Faculty of Kutaisi State University has agreed to include People in Need's project into their study programme, thus providing the **opportunity for its students to gain practical field experience and participate in trainings and field assessments**. In addition, the University has offered People in Need and partners use of their 20 hectare demonstration model field outside of Kutaisi. The University has students from every target district and specialising in a range of areas including Agronomy, Agro Technology and Agro Ecology. The students will be teamed up with cooperatives and Elkana experts that match their area of study and use this practical field experience to enhance their academic studies. Specifically, the students will use research and results from the demonstration model fields, field consultations with beneficiaries and field assessments for research papers to be presented for evaluation at the end of each semester. Furthermore, the University envisions the research and papers can be used as a basis for master theses and academic conferences. Depending on the needs and interests of the students, it is anticipated that approximately each cooperative supported within the project will be teamed with an undergraduate or masters student. In total, a minimum of 24 University students and their faculty members will take part in project activities.

In addition, the Ministry of Agriculture Information Consulting Centre specialists in each target district will also take part in informational meetings, expert workshops, technical trainings, assist with the field demonstration models, consultations and assessments. As the Ministry's specialists are a new form of support to farmers, **it will be critical that their services are integrated into ENPARD activities in order to establish linkages between local farmers, agribusiness actors and the government**. People in Need has met with Ministry of Agriculture officials in Tbilisi and their specialists in each target district to discuss coordination and preliminarily agree on specific areas of cooperation.

#### **Result 3 - Improved agribusiness environment and agriculture sector legislation as a result of farmers' and rural populations' direct participation in policy making processes**

#### **Activity 3.1 Small farmers' groups advocate for farmers' rights and serve as a voice for agriculture sector reforms via formal participatory policy making mechanisms with relevant government authorities**

Within the framework of the proposed action, People in Need and the Association of Young Economists will develop an Imereti regional forum where agriculture and rural development stakeholders including individual farmers, cooperative members, agricultural experts and other NGOs together with relevant government authorities can **address critical issues in their sector and establish links between the private and public sector**. As a member of the Oxfam-led GUARD alliance, People in Need recognises the importance of coordinating on agriculture and rural development advocacy and policy making issues in order to be most effective. Thus, at the proposal development stage, **People in Need coordinated with other ENPARD applicants and have agreed on joint design and coordination of advocacy and policy development initiatives to bring regional issues to a national platform**. In addition to coordination with GUARD, People in Need and the Association of Young Economists will link with the Georgian Farmers' Association planned to be supported by CARE in order to streamline advocacy and participatory policy making initiatives.

The Imereti-level regional forum will serve as key tool for all project beneficiaries in to discuss the agriculture policy agenda, programmes and legislation with government officials and advocate for an improved agribusiness environment. Forum membership will be open to cooperative members and all mobilised farmers based on their interest, knowledge and ability to voice the opinion of their communities to the relevant authorities. People in Need and the Association of Young Economists will provide capacity building trainings for the regional forum to develop the skills and knowledge of beneficiaries, individual farmers, farmers' unions and other agribusiness stakeholders in order to increase their ability to advocate farmers'

interests, monitor agriculture and rural development programmes and participate in policy formulation. In total, a minimum of 100 regional forum members, interested community members and select government authorities will be trained in a series of trainings on effective networking, government partnership, monitoring and evaluation, participatory decision making, joint planning and coalition-level advocacy.

Following the initial trainings, regional forum members will prepare their recommendations and policy feedback at preliminary workshop meetings facilitated by the Association of Young Economists and later present their views and needs to relevant agencies at regional forum meetings and national-level advocacy events. Meeting quarterly, the **regional forum will gather Imereti and Racha-level agriculture and rural development stakeholders and work to link the Imereti and Racha-level initiatives to similar actions of ENPARD actors at the national level.** With GUARD as a national platform for policy advocacy, the Imereti-level regional forum will feed into their work as well as the advocacy actions of the Georgian Farmers' Association. The Imereti-level regional forum will coordinate with the Georgian Farmers' Association, which can serve as an umbrella organisation representing the needs of farmers across all sectors and serve as a link between the grassroots actors (including ENPARD beneficiaries and other farmers) and the Ministry of Agriculture and other relevant government agencies.

### **Activity 3.2 Participatory monitoring and feedback on new Ministry of Agriculture programmes via farmer-led assessments and field reports**

In coordination with other ENPARD partners and GUARD members, People in Need and the Association of Young Economists will **organise farmer-led assessments to provide the Ministry of Agriculture with feedback and develop recommendations for improvements in Ministry policies and programmes.** Such assessments and field reports will provide the Ministry and donors with detailed information directly from farmers on the impact and effectiveness of programmes such as low-interest agriculture loans, services of Information Consulting Centres, rehabilitation of irrigation systems, among others. The exact programmes and policies to be monitored will be selected in coordination with regional forum members, ENPARD partners and the Ministry of Agriculture. It has been agreed with other GUARD members that **field assessments will be coordinated across all ENPARD target areas in order to provide the Ministry and donors a wider picture of the impact of policies and programmes.**

Various monitoring tools including surveys, field data collection on outputs/yields and focus group discussions will be utilised according to the type of monitoring that will be used (for example efficiency, legislative or financial monitoring, etc.). As noted, the monitoring and feedback initiatives will be facilitated by the Association of Young Economists but farmers will be actively involved in the data collection, along with students from the Agrarian Faculty of Kutaisi State University and Ministry of Agriculture extension specialists. The results of the monitoring and recommendations for improvements in policies and programmes will be presented to the Ministry at open forums in Tbilisi along with other ENPARD actors.

Within the framework of the proposed action, a minimum of four detailed farmer-led assessments and feedback initiatives will be organised by People in Need and the Association of Young Economists in coordination with other ENPARD actors, Oxfam's GUARD initiative and the Ministry of Agriculture.

### **Activity 3.3 Joint planning of local agriculture development projects through assessment of local agribusiness needs and advocacy at local, regional and national levels**

In order to provide local, regional and national government authorities with detailed information about the agribusiness sector in Imereti and Racha regions and serve as a basis for joint planning of agriculture development projects, the Young Economists will conduct an **assessment of local agribusiness business needs** using quantitative surveys, focus groups, desk research, interviews and site visits. Via the regional forum described in Activity 3.1, the results of the **assessment will be a tool for advocacy at the local, regional and national level as well as joint planning of rural development and infrastructure works in the target districts.** Based on the results of the assessments, Imereti and Racha agribusiness actors will voice their concrete needs and develop specific project plans to be advocated at the district level, via the Imereti regional forum and at the national level via GUARD and the Georgian Farmers Association. Such projects developed at joint planning workshops organised by the regional forum may include improvements of transport and irrigation infrastructure or increased access to drainage systems, new veterinary services, flood protection, among others as prioritised by regional forum members and mobilised rural communities.

With the Association of Young Economists' experience in capacity building and evidenced-based advocacy, the results of the agribusiness needs assessment and subsequent joint planning workshops **will empower cooperative members as well as Imereti agriculture and rural business stakeholders to advocate their interests and work with government authorities to plan future rural development initiatives.**

## Description of Technical Sub-Grants

People in Need will support the establishment and strengthening of cooperatives via technical sub-grants in the form of equipment, infrastructure and in exceptional circumstances, input supplies. The **technical sub-grants will complement the organisational development and technical capacity building activities within the project and will provide the technical support necessary for the groups to increase their yields and incomes as well as add value to their products via improved storage, processing and packaging.** Based on their elaborated business plans, People in Need will provide grants valued up to 35,000 EUR to smaller cooperatives with a minimum of 10 members each and grants valued up to 60,000 EUR to larger cooperatives with a minimum of 25 members each. Depending on the number and quality of grant competition applicants, **People in Need will support a minimum of 18 smaller cooperatives with approximately 35,000 EUR grants and 6 larger cooperatives with 60,000 EUR grants.**

Formalised cooperation among farmers in the form of cooperatives is a relatively new area of intervention for Georgian farmers. Thus, starting on a smaller scale that can serve as an example to other potential group members is the most effective strategy. Furthermore, based on People in Need's experience and recent assessments in the region, smaller scale groups supported with technical sub-grants of approximately 35,000 EUR meet the current needs and capacities of the majority of Imereti and Racha small-scale farmers. The cooperative development experience in Georgia demonstrates that larger cooperatives funded by large technical grants have over-estimated their capacity and not allowed for a gradual development of the group. Therefore, by opening up the larger grant competition only in the second round, this enables People in Need to carefully identify those groups with capacity to manage such a significant investment.

### Eligible Grants

Eligible grants will be in the form of purchase of necessary equipment or construction/rehabilitation of infrastructure as outlined in the groups' approved business plan. The types of activity eligible for sub-grant include:

- Small Infrastructure – dry or cold storage, post-harvest facilities, irrigation channels, greenhouses, wineries, small food processing establishments, among other agriculture-related infrastructure
- Equipment – equipment for processing, packaging, harvesting, tractors, cultivators, irrigations systems, laboratory and veterinary equipment, transport, food safety and food quality control tools, among other related equipment
- Input Supplies – to be procured in exceptional circumstances only – high quality breeds and seedlings, beehives, among others

### Criteria

The criteria for the technical sub-grants will be published as part of the grant competition guidelines. In addition to the criteria established within the grant competition regulations, in order for the newly-established cooperative to receive the technical sub-grant, they must first meet the following criteria:

- Legal registration of cooperative with statute and separate bank account
- 25% co-financing secured and audited by People in Need
- Establishment of Business Investment Fund in a separate bank account

### Contract Requirements

As per People in Need's grant allocation methodology, the technical grants will be procured by the project team and handed over to the cooperative when the 25% co-financing obligation stated in the grant contract has been met. An agreement valid for at least 24 months for the first competition round, 18 months for the second competition round will be signed with the cooperative founders. The technical grants will remain property of People in Need and is lent to the grant recipient for the duration of contract. If the conditions of the contract are not met, the property will be returned to People in Need. In such cases, the grant will become available for other cooperatives via an ad-hoc competition open to groups meeting the same criteria as the two rounds of the grant competition. Upon completion of the contract validity, People in Need will organise a donation committee made up of the project team and partners. The donation committee will review the results of the grant recipients and all contractual obligations including contracts, monitoring reports, business investment fund statements, etc. When the donation committee agrees all contract terms are met, the contract of donation is signed and the property officially is transferred to the cooperative.

### Co-Financing

Based on People in Need and partners' experience in agriculture development in Georgia, a **significant amount of beneficiary co-financing will be required by the cooperative in order to ensure their commitment and investment to the project.** The required co-financing will be 25% of the total technical grant amount and can be cash or in-kind. Only capital investments are eligible and include the following: purchase of new land and/or building plot strictly for use of the group; construction or rehabilitation of

building or infrastructure necessary strictly for use of the group (including cold or dry storage, mills, etc.); purchase of equipment or machinery. People in Need will evaluate the value of the in-kind co-financing in coordination with experts including engineers for construction works. The origin of the co-financing shall not impact the democratic structure of the cooperative and all members will have equal access to the technical sub-grant provided by People in Need.

#### **Business Investment Fund**

In order to contribute to the sustainability of the cooperatives and support its further growth, grant recipients will be required to **re-invest 25% of the value of the grant into the future development of the group and agriculture development in their communities**. Such a 'payback' system will encourage cooperative members to plan for future business growth as well as the agriculture sector as a whole within their communities. Within the scope of the Business Investment Fund, members will focus not only on the impact of their business growth but also overall economic development. An estimated 70% of the fund can be reinvested to further business development and 30% should be invested to support agriculture development in their communities. It can be accomplished through different means such as making available storage facilities or technical equipment to other farmers for subsidised prices, vocational trainings for non-members, infrastructure rehabilitation, etc.

The Business Investment Fund plans will be a part of the business plans submitted during the grant competition phase and will be evaluated within the selection process according to selection criteria. With the support of People in Need and business experts from the Association of Young Economists, the cooperative will use the investment fund as outlined in their business plans within the timeframe of their contract. As part of the overall handover of the technical sub-grants to the cooperative, People in Need will review and approve the use of the fund. A separate bank account will be established for fund and use of the funds will be approved by the General Assembly.

#### **List of Publications**

Within the framework of the proposed action, the following assessments/studies will be published:

**Activity 1.1 – Market Assessment** – The Association of Young Economists and the Czech University of Life Sciences Prague will conduct a market assessment of the key sectors identified during the preliminary field assessments. As described, the market assessment will be used during the business grant competition in order for applicants to design business plans based on updated information on the market in their sector.

**Activity 3.3 – Imereti and Racha Agribusiness Sector Study** – The Association of Young Economists will conduct a study on the Imereti agribusiness sector needs to serve as a tool for agriculture and rural development joint planning and policy advocacy.

#### **Modifications from Concept Note**

Since the submission of the Concept Note, People in Need and partners have re-evaluated both the number of cooperatives to be established within the proposed action and the geographic coverage. The revised plan **increases the number of cooperatives to be established to a minimum of 18 smaller cooperatives with a minimum of 10 members and 6 larger cooperatives with a minimum of 25 members**. In addition, People in Need will **expand the geographic coverage** by adding the Imereti district of Kharagauli, remove Samtredia and Vani and add Ambrolauri and Oni districts in Racha region. Following further assessments in July 2013, People in Need and partners consider the proposed additions to more accurately reflect the opportunities, capacity and interest of the target population.

Based on further research during a joint People in Need/Elkana field assessment in July 2013 and further consultations with local Imereti agriculture specialists, the project team determined that **there is both the interest and capacity to develop more cooperatives in the target districts**. While the exact number and size of cooperatives will be dependent on the competition results, People in Need and partners have estimated that there is sufficient capacity and interest in the target districts for a minimum of 18 smaller cooperatives and 6 larger cooperatives. This estimation reflects the current environment in Imereti, the and the opportunity for growth and cooperation in the Imereti agribusiness sector.

By increasing the number of target districts, People in Need will cover 7 districts in Imereti region and 2 districts in Racha. As the most densely populated region outside of Tbilisi, the **total population of the 9 districts is approximately 334,000, with the rural population living outside of the district centres totalling 237,000**. This large rural population in a region strategically located between Tbilisi and the Black Sea presents a unique opportunity to develop their potential as a regional agribusiness hub.

As was agreed in October 2013, People in Need will split Imereti region with Mercy Corps. As there was an overlap in Imereti of Samtredia and Vani districts between People in Need and Mercy Corps, it has been

agreed that in place working in those two districts, People in Need will work in Ambrolauri and Oni districts of Racha Region. In addition, it has been agreed that mobilisation, awareness raising and advocacy activities within Imereti and Racha will be closely coordinated, as will be with other ENPARD actors.

#### **1.1.4 Methodology (max 5 pages)**

##### **Overall Methodology**

People in Need's proposed methodology for this action is based on the following key principles and strategies:

**Local Ownership** – Strong local ownership in project activities and a front-loaded approach ensures that beneficiaries are committed to the project activities and have a vested interest in the success of their cooperative. Specifically by requiring applicants to attend mandatory five-day trainings during the grant competition phase, initiating a significant 25% co-financing requirement and the organisation of a Business Investment Fund, People in Need will develop a high level of ownership and commitment from the beneficiaries. Furthermore, the emphasis on locally-driven advocacy via the regional forum and at the national level via GUARD and the Georgian Farmers Association will ensure strong local ownership of government policies and the decision-making process.

**Systematic, Step-by-Step Approach** – Based on extensive experience working in the agriculture development sector in Imereti, People in Need and partners will apply a systematic, step-by-step approach to cooperative development. As noted, it is recognised that not all farmers are ready for a large investment and this can often result in failure as the investment was more than was manageable by the newly-established group. Therefore, beneficiaries are encouraged to not overestimate their growth and management capacities and will elaborate their business development plans for future development. For this reason, People in Need will require cooperatives to establish a Business Investment Fund that will be used to further develop their group and also contribute to overall benefit to the agriculture sector in their community.

**Coordination with other NGOs and Government Authorities** – People in Need and its Georgian partners recognise the importance of genuine coordination with other NGOs and government authorities within the proposed action. As such, People in Need is a member of the Oxfam-led GUARD alliance and had several coordination meetings with other ENPARD applicants during the proposal preparation stage. People in Need will also work in close coordination with the Ministry of Agriculture Information Consulting Centre staff in each target district to ensure that ENPARD activities are in line with the Ministry's Agriculture Development Strategy and farmers are utilising the field services offered by the Ministry. During implementation of the proposed action, People in Need and partners will continue to coordinate with ENPARD actors, government authorities and other national and international agribusiness and rural development stakeholders to ensure a coordinated, effective approach to poverty reduction in Imereti and Racha.

**Gender and Equality** – Aspects of gender inequality are always examined during the situational analysis to ensure that women are given equal opportunity for participation in project activities. Within the agriculture sector in Imereti and Racha there are several sectors in which women play a central role such as greenhouse production, dairy, tea, fruit processing and agro tourism. During all project activities, particular attention will be paid to the level of involvement of women in the agriculture sector and allow for People in Need to target the activities more effectively so as to support women's involvement in the development of cooperatives.

##### **Cooperative Development Methodology**

Specifically, People in Need, Elkana and the Association of Young Economists will employ a methodology that focuses on the core principles noted above and tailor them to the specific context of cooperative development in Imereti and Racha. By designing the proposed action as an informed, targeted intervention that supports the entire value chain, People in Need and partners will ensure that the cooperatives supported will be sustainable enterprises that assist farmers and rural entrepreneurs achieve economies of scale, increase their incomes and contribute to overall poverty reduction in Imereti and Racha.

**Voluntary Cooperation** – It is critical that farmers understand the advantages of membership in cooperatives in order to ensure they are motivated to engage in joint business and farming practices. The concept of cooperatives will be introduced as an alternative to the current independent and inefficient practices. By demonstrating the benefits of cooperation and by identifying farmers that are already cooperating on a formal or informal level, the proposed action will work with those farmers who have a solid understanding of the value of joint operations and are interested in formally establishing cooperatives.

**Informed, Targeted Intervention** – People in Need and partners have been working in the rural development sector in Imereti for several years, understand the region and have established strong partnership with local NGOs, experts and local authorities. The deep local knowledge is critical in the design and implementation of the proposed action as it incorporates the feedback of a range of local stakeholders.

Specifically, People in Need has targeted districts and sectors in which there is already a high level of informal cooperation and have the greatest potential to contribute to overall poverty reduction. Furthermore, by dividing the grant competitions into two groups – support for smaller cooperative with 35,000 EUR grants and larger cooperatives with 60,000 EUR grants, People in Need recognises that not all farmers have the same capacity and the intervention needs to be adapted to meet the specific needs of each group.

Specifically, People in Need and Elkana utilised their local expertise during an extensive assessment in March and July 2013. Via focus groups, key informant interviews, analysis of government data and an expert forum, the assessment conducted by the project team identified key sectors in each of the target districts and

Sectors	District	Current Areas of Cooperation	Opportunities for Future Cooperation	Technical Support Required
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analysed their current area of formal and informal cooperation, potential for further cooperation and technical support needs. Based on the assessment as well as People in Need and partners' experience in Imereti and Racha agriculture development, the proposed action will pre-identify sectors that have the most potential for successful cooperation and market growth. While the competition will remain open to all agriculture and rural development sectors, via this pre-identification, People in Need will be able to prioritise those sectors where there is a market demand and will most contribute to overall poverty reduction in Imereti and Racha.

Sheep breeding	Terjola, Tskaltubo	- tending of sheep - information sharing - currently there is an informal cooperative of sheep breeders in Terjola	- feed production - processing and selling wool - sharing knowledge and improved techniques	- better quality feed production - improved technical and veterinary knowledge
Greenhouse production (vegetables and herbs)	Tskaltubo, Bagdati	- mechanisation - sales - information sharing - currently there is one cooperative in Bagdati, established by People in Need	- purchase of inputs - processing and packaging - storage - sales	- cold storage facilities: construction and equipment - construction of modern greenhouses - equipment to process herbs and vegetables: drying, vacuum packing - improved production and processing knowledge - improved knowledge about diseases
Wine	Terjola Bagdati  Ambrolauri Oni	- harvesting - information sharing - currently there is an informal cooperative in Bagdati with land, but no grapes yet	- wine production - production of various grape products (such as raisins, grape juice, "churchkhela") - sales of grapes to wholesalers or wineries - land use - soil analysis - technical trainings/adoption of modern techniques	- technical knowledge to improve soil productivity - improved mechanisation - improved technical knowledge - improved grapes breeds
Beekeeping	Bagdati Kharagauli Tkibuli Tskaltubo Ambrolauri	- information sharing - currently there are two informal groups working together in Bagdati and Tkibuli	- packaging - honey quality analysis - honey comb and beehive production - mother bees and royal jelly production - sales - technical trainings	- increased technical knowledge in food safety standards - organic production techniques - honey comb, beehives, mother bees and royal jelly production technology - equipment to diagnose bee illnesses and ensure quality - packaging equipment - improved marketing and sales knowledge
Fruit Growing and Processing	Bagdati  Ambrolauri (mountainous zone)	- information sharing - joint sales - currently there is a cooperative fruit drying enterprise in Bagdati	- cold storage - drying and processing - packaging - renewing orchards	- processing and packaging equipment - increased technical knowledge - marketing and sales support - new sorts of fruits
Cattle (meat and dairy products)	Khoni Zestafoni Kharagauli Ambrolauri Oni	- input purchases - information sharing related to diseases and market prices - tending to cattle - sales	- artificial insemination - purchase of high quality breeds - feed production - production of dairy products - sales of dairy products	- increased technical knowledge in food safety standards - improved feed production - import of high quality breeds - improved veterinary services - processing and production equipment
Potato, corn and haricot	Oni (mountainous zone)	- information sharing	- soil analysis - storage	- storage facilities: construction and equipment - improved production and processing knowledge
Tea	Tkibuli Tskaltubo	- collecting and selling tea together to processing factories - currently there is a tea growers cooperative in Tskaltubo	- mechanisation during harvesting - drying and processing - packaging - sales	- processing and packaging equipment - support to rehabilitate tea gardens
Poultry	Khoni Terjola	- input purchase	- feed production - sales - cold storage use - incubator use	- increased technical knowledge - processing equipment for feed production - equipment to diagnose illnesses and ensure quality - cold storage
Rural Tourism	Bagdati Tkibuli Oni	- sharing tourists among guesthouses - currently there is an agro tourism association in Tkibuli, established with support from People in Need	- inclusion of other tourist services including guides, drivers, etc	- trainings on service provision - marketing and sales support - technical support for website design

In addition to the information gathered during the field assessment, the pre-identified sectors will be further analysed as part of the market assessment as described in Activity 1.2. This knowledge will assist People in Need and the Association of Young Economists to most effectively support the development of cooperative business plans that meet the current needs/opportunities of the particular sector.

**Value Chain Development** – There are many value chain business models developed worldwide: producer-driven, buyer-driven, integrated and facilitated. As these types of business models are new in Georgia, People in Need will use the facilitated model within the proposed action.

#### Introduction of Facilitated Value Chain Models

In many other countries like Georgia, there is almost a dual agricultural system in which a developed agro-industry coexists alongside marginalised producers who are living at subsistence levels. Facilitation by development organisations, both NGOs and government agencies, has demonstrated that external support via a facilitated value chain model can open up opportunities for smallholder producers' integration into value chain and financing.

Larger buyers and wholesale chains often seek out large-scale suppliers due to a number of factors that are challenging when dealing with small-scale farmers who may not be well-organised, require higher transaction costs; lack both technical capacity and the technologies to reliably produce the high quality and quantity required in a consistent manner and lack organisational capacity and resources to deliver the required products in a timely fashion. Consequently, the costs of organising and training small producers can be deemed too high to be taken on by a large company.

As such, People in Need and partners will provide support to facilitate the integration of small-scale farmers into commercial value chains. This is a long-term process unless the cooperatives will reach the level where they are able to become self-sustainable and gain a strong position within market and value chain. In recognizing this, from the beginning of this process, People in Need will focus on activities that will ensure sustainability of the cooperatives and viability of their businesses via support to the entire value chain.

#### Value Chain Development Activities:

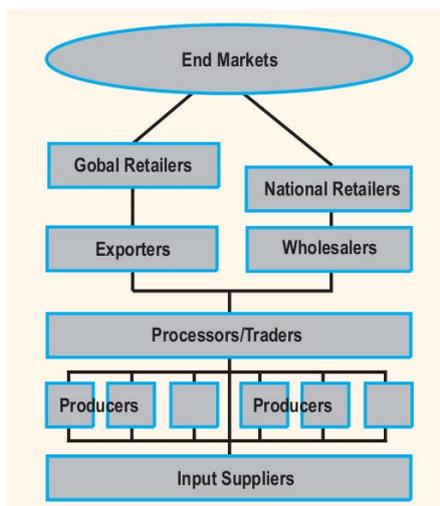
Although the cooperatives can have multiple tasks in serving its members, People in Need and partners will utilise the facilitated value chain model noted above to build both the institutional and technical capacity of the cooperatives in order for the members find better market place and improve their bargaining position. As demonstrated in the chart below, the farmers/producers are situated between the input suppliers and the traders/processors in the current value chain. The objective of the action will be to strengthen their bargaining position both in terms of inputs supply and sales/marketing of the end products.

As the concept of value chain development is relatively new in the Georgian context, in particular in the rural areas of the target districts, the newly adopted Law on Agricultural Cooperatives provides advantages for the farmer groups/producers to maximise their profits through the following project activities:

- Strengthening the Organisational and Institutional Capacity of Cooperatives
- Improving Technical and Productive Capacity of Cooperative
- Enhancing Market and Sales of Agriculture Production

The proposed action will address each link of the value chain and support the development of the cooperative via the organisation and technical capacity building (Activity 1.3, 1.5 and 2.1); technical sub-grants to add value to products (Activity 1.4); exposure to international best practices (Activity 1.5 and 1.6) and creation of linkages with other value chain actors (Activity 2.2).

The proposed action will focus not entirely on improving the primary production of the cooperatives, but ensure that they develop a business model that works with all value chain actors. Specifically, it will support beneficiaries to develop a solid business and marketing plan, strengthen their bargaining power with input suppliers, increase the quality and quantity of their yields by introducing new techniques, add value to their products via modern processing, storage and packaging and finally link them with larger wholesalers and exporters via fairs and exhibitions.



The main purpose of the proposed action is to introduce the cooperative concept, demonstrate existing best practices and highlight the benefits of cooperation for further dissemination. The activities with cooperatives and value chain development are the initial steps in this direction. While People in Need proposes to strengthen technical and institutional capacity of the cooperatives to improve their market place among inputs suppliers and buyers and processors, there is a wide range of future business development activities that could be offered to these cooperatives such as merging into larger associations that will eventually provide new perspectives in developing the value chain. As such, the proposed action is a stepping stone for small and medium-sized farmers to enter into larger domestic, regional and international markets and thus have a greater impact on poverty reduction and the region's overall economic development.

#### **Continuation of Previous Actions and Lessons Learned**

The proposed action builds on People in Need and partners' long-term presence in western Georgia and success in the field of local economic development and is based on the consortium's best practices and lessons learned. The action combines technical expertise, experience working with both the target population and local authorities and detailed knowledge of the obstacles and opportunities in Imereti. Specifically via the support to over 160 small businesses in western Georgia, People in Need has strengthened its capacity to provide tailored support to small farmers and rural entrepreneurs. Based on internal programme monitoring and external evaluations, the main conclusions and recommendations have been incorporated into an updated methodology that forms the foundation of the proposed action including:

- Mandatory business development trainings as part of an open grant competition and significant co-financing requirements ensure a high level of ownership on behalf of the beneficiaries.
- Involvement of local experts in the grant allocation process ensures the activities are properly targeted and accurately reflect the needs and opportunities of the target regions including market access, growth opportunity, access to financial services, etc.
- Technical sub-grants must meet the current needs of the cooperative, not the future needs. Over-investment in large infrastructure does not allow for step-by-step growth of the cooperative. Requiring a Business Investment Fund that will allow the cooperative to invest in further business growth based on their business plan enables the group to fulfil their current needs and grow when they have the capacity and need.
- Cooperation with local authorities and a range of stakeholders is critical. As such, the action includes strong partnerships with the Agrarian Faculty of Kutaisi State University and the Ministry of Agriculture's Information Consulting Centre staff in the target districts. Their involvement in the action's activities will contribute to overall sustainability, strengthen interactions between the Ministry of Agriculture and Imereti and Racha farmers and further multiply the impact of the proposed activities.

### **ENPARD Synergies**

The proposed action is integrated into People in Need's overall agriculture development strategy in Georgia and will be part of an Imereti-focused agriculture development programme supporting cooperative development currently being implemented by People in Need with financial support from the Czech Republic. The action will also complement on going European Union-funded actions in the fields of rural development, food safety and participatory policy making as well as the Ministry of Agriculture's Agriculture Development Strategy. As noted, People in Need met with several ENPARD applicant in order to synergise cooperative development methodologies and preliminarily agree on joint actions in the field of awareness raising, advocacy and participatory policy making. Such coordination with international organisations and relevant government authorities will ensure coherence of activities throughout Georgia and maximise resources.

### **Monitoring and Evaluation**

Monitoring and Coordination – Regular monitoring of all project activities implemented by People in Need and partners will take place and follow the results-based monitoring policy of People in Need. The following tools will be used to ensure that the action is implemented on time and reaches the expected outcomes:

- Result-Based Monitoring approach will be utilised for overall management of the project and measuring outputs, outcomes and impact
- Project Steering Committee will be established and meet on quarterly basis, serving as a platform for monitoring progress, discussing possibilities for improvements and project planning.
- Quarterly Progress Reports will be prepared as a standard reporting and communication tool between People in Need's headquarters, the project team and partners.
- Participatory monitoring by target groups and beneficiaries will be based on regular field visits of People in Need, Elkana and Association of Young Economists project team.
- Complaint Response Mechanism will be introduced and used by the project team

Internal and External Evaluations – A baseline assessment will be conducted as part of the Participatory Rural Appraisal in line with the project's monitoring and evaluation plan. The baseline assessment will detail and potentially refine the logframe indicators in the three result areas against which progress will be monitored. In addition, a detailed baseline and final survey will be conducted with all cooperative members in order to measure the impact of their membership in the cooperative. An internal mid-term evaluation will be conducted to a) determine progress towards project outcomes and b) provide recommendations to ensure long-term sustainability of cooperatives and their business strategies so that they continue to responding to the markets. At the end of the project, a final evaluation will be conducted by an external consultant in order to provide an accurate picture of the project's impact; how these changes were achieved; levels of attribution to the project; and overall sustainability of the intervention. Importantly, the evaluation will provide lessons and recommendations that will assist People in Need and other stakeholders to enhance the impact of their future, similarly-focused programmes.

### **Role and Participation of ENPARD Stakeholders**

People in Need – As leader of the consortium, People in Need will provide overall supervision and strategic guidance on project implementation, will be responsible for mobilisation and organisation of beneficiaries and will lead coordination with other ENPARD stakeholders. People in Need has extensive experience in the Imereti agriculture sector and managing large, integrated projects. Thus, People in Need will be in parallel managing overall implementation while strengthening the project management capacity of local partners.

Elkana – Elkana is a leader in agriculture development in Georgia and has been working in partnership with People in Need for several years. They will be responsible for the overall technical development of the cooperatives by introducing modern, sustainable farming techniques and strengthening the value chain.

Association of Young Economists of Georgia – In the economic development and advocacy sector, the Association of Young Economists is well-known in Georgia. With a field office in Kutaisi, they have the regional expertise and will be the main partner responsible for market and agribusiness needs assessment, business plan development, business management trainings, advocacy and participatory policy making.

Imereti and Racha Farmers and Rural Entrepreneurs – As the main target group, the action will involve them in every stage of the project from the Participatory Rural Appraisal to the advocacy and policy making activities.

Ministry of Agriculture and Government Authorities – As main stakeholders, People in Need consulted with the Ministry of Agriculture during the design of the proposed action by agreeing to partner with their Information Consulting Centre specialists in Imereti and Racha and involve them in mobilisation, capacity building and advocacy activities. In addition, the action will rely on strong relations with district authorities who will assist with identification of potential beneficiaries, mobilisation and joint planning of agriculture-related projects.

### **Organisational Structure**

The proposed action will be managed by People in Need's international Project Manager responsible for all programmatic, financial and donor compliance issues. Under the direct supervision of People in Need's Country Director, the Project Manager will supervise all activities and will have a project team based in Imereti's capital, Kutaisi. The project team will include People in Need Deputy Project Manager and Field Coordinators and two Association of Young Economists and Elkana Project Coordinators based in Kutaisi.

In order to effectively manage implementation of the action, People in Need will establish a Project Steering Committee. The Steering Committee will meet on a quarterly basis and consist of the People in Need Country Director and the entire project team, Elkana Project Director and Association of Young Economists Director. The aim of the Steering Committee will be to: prepare a detailed project plan with benchmarks; monitoring and evaluate project activities; assist project management with strategic decisions; provide expert advice and assist to mainstream with the government priorities and coordination with other ENPARD actors.

### **Means Proposed for the Implementation**

The main means required for implementation of the proposed action include the technical sub-grants for the newly-established cooperatives. As described on page 12, the technical sub-grants will be determined based on the cooperatives' business plan and will be limited to equipment, machinery, infrastructure such as cold storage units and only in exceptional cases, inputs will be provided.

### **Attitude of Stakeholders**

People in Need and partners have been working in the Imereti region for several years and are well-known in their respective spheres. As such, they have built relations with the population, the local authorities and local experts, enabling a high level of trust to be developed. Despite this, there remains great deal of scepticism among farmers towards cooperatives as the legacy of collectivised agriculture is still very much alive. However, as a result of People in Need's extensive work in the region and the successful cooperatives already established by People in Need, positive local examples can be demonstrated in order to alleviate the general mistrust of cooperative farming and government involvement in the agriculture sector. People in Need will continue working closely with local authorities and support the government's new Agriculture Development Strategy and other policies aimed at enhancing the agriculture and rural development sector. During the design of the action, People in Need consulted with district and regional level authorities as well as the Ministry of Agriculture in order to gain their support and ensure the planned activities accurately reflect the challenges facing Georgian agriculture development and are in line with government priorities.

### **Visibility Actions**

In accordance with the *Communication and Visibility Manual for EU External Actions*, People in Need will ensure maximum visibility of the action and EU funding. All printed materials, People in Need and partners' websites and community signboards will include the required European Union flag and recognition of funding. Furthermore, all equipment and materials purchased, including technical sub-grants, within the frame of the proposed action will bear the appropriate visibility stickers.

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

The duration of the action will be 42 months.

Year 1													
	Half-year 1						Half-year 2						
Activity	Month 1	2	3	4	5	6	7	8	9	10	11	12	Implementing body
Preparation Activity													
Preparation Activity Baseline Assessment													People in Need and Elkana (as part of PRA – Activity 1.1a)
Preparation Activity Establishment of the Project Coordination Structure													People in Need, Elkana, Association of Young Economists (AYEG)
Execution Activity													
<b>Result 1 - More efficient business practices increase farmers' income via successful development of business-oriented small farmers' and entrepreneur groups</b>													
Activity 1.1 a Participatory Rural Appraisal													People in Need and Elkana
Activity 1.1b Market Assessment													AYEG and the Czech University of Life Sciences Prague (CULSP)
Activity 1.2a Information Meetings (First Round of Grant Competition)													People in Need
Activity 1.2b Expert Workshops (First Round of Grant Competition)													People in Need and Elkana
Activity 1.3 Cooperative Grants Competition (First Round)													People in Need, AYEG and CULSP
Activity 1.4 Technical Support to Cooperatives via Sub-Grants													People in Need





For the following years:						
Activity	Half-year 3	4	5	6	7	Implementing body
<b>Result 1 - More efficient business practices increase farmers' income via successful development of business-oriented small farmers' and entrepreneur groups</b>						
Activity 1.2 Information Meetings and Expert Workshops (Second Round)						People in Need and Elkana
Activity 1.3 Cooperative Grants Competition (Second Round)						People in Need, Elkana and AYES
Activity 1.4 Technical Support to Cooperatives via Sub-Grants						People in Need
Activity 1.5 Organisational Development of Cooperatives	1 <sup>st</sup> Round	1 <sup>st</sup> Round	1 <sup>st</sup> and 2 <sup>nd</sup> Round	1 <sup>st</sup> and 2 <sup>nd</sup> Round	1 <sup>st</sup> and 2 <sup>nd</sup> Round	CULSP and AYES
Activity 1.6 Exchange Visits to the Czech Republic						CULSP
<b>Result 2 - Increased agricultural yields and volume of sales due to modern, improved farming, production, processing and marketing techniques</b>						
Activity 2.1 Technical Trainings for Cooperatives	1 <sup>st</sup> Round	1 <sup>st</sup> Round	1 <sup>st</sup> and 2 <sup>nd</sup> Round	1 <sup>st</sup> and 2 <sup>nd</sup> Round	1 <sup>st</sup> and 2 <sup>nd</sup> Round	Elkana and CULSP
Activity 2.2 Field Demonstration Models, Farmer Days, Agricultural Fairs	1 <sup>st</sup> Round	1 <sup>st</sup> Round	1 <sup>st</sup> and 2 <sup>nd</sup> Round	1 <sup>st</sup> and 2 <sup>nd</sup> Round	1 <sup>st</sup> and 2 <sup>nd</sup> Round	People in Need and Elkana
Activity 2.3 Field Consultations	1 <sup>st</sup> Round	1 <sup>st</sup> Round	1 <sup>st</sup> and 2 <sup>nd</sup> Round	1 <sup>st</sup> and 2 <sup>nd</sup> Round	1 <sup>st</sup> and 2 <sup>nd</sup> Round	Elkana and CULSP
Activity 2.4 Partnership with University and Ministry of Agriculture						People in Need, Elkana and CULSP
<b>Result 3 - Improved agribusiness environment and agriculture sector legislation as a result of farmers' and rural populations' direct participation in policy making processes</b>						
Activity 3.1 Regional Farmer Forum Advocacy						AYEG
Activity 3.2 Farmer-led Field Assessments						AYEG
Activity 3.3 Municipal Joint Planning Workshops						AYEG

## 1.1.6 Sustainability of the action

### Impact of the Action

People in Need and partners' extensive experience in Imereti has resulted in the design of an action that will have significant impact at the technical, economic, social and policy levels. The successful establishment and operation of at least 24 cooperatives established within the framework of the action will demonstrate that **a methodology based on strong local ownership, well-targeted interventions and a systematic, step-by-step approach** is the most effective way to support efficient cooperation among farmers and sustainable agriculture development. This approach, combined with empowerment of rural communities via participatory advocacy and policy making will ensure the impact is felt beyond the immediate beneficiaries.

Specifically, the proposed action will have a significant impact on the technical and economic level by introducing modern business and farming practices based on international best practices and adapted to the Georgian context. **New, more efficient practices will lead to a reduction in operational costs, conformity of production to meet market demands and food safety requirements, improvement in the market position and increase in sales and income of cooperative members.**

The proposed action will also have an impact on the social and policy level by giving **rural communities a stronger voice in government policy and decision making.** Active participation in the regional forum, national level advocacy, field assessments and joint planning of district-level rural development projects will result in an empowered rural population, agriculture policies and programmes that accurately reflect the needs of citizens and ultimately an improved agribusiness environment that leads to overall economic growth of Imereti and Racha region and Georgia as a whole.

### Dissemination and Multiplier Effects

The success of the proposed action will be measured not only by the impact on the the direct target beneficiaries but also by the overall impact on Imereti and Racha, including the wide dissemination, multiplication and replication of activities. The project is designed to be disseminated to as wide an audience as possible as demonstrated by the large number of public information meetings, Field Demonstration Models, open Farmer Days, Agriculture Fairs, partnership with Kutaisi State University and the Ministry of Agriculture Information Consulting Centre staff as well as Imereti and Racha-wide advocacy and participatory policy making initiatives. Furthermore, People in Need's experience has shown that initial scepticism of cooperative practices can be overcome by demonstrating examples of successful cooperation. In the framework of the proposed action, the achievements of a People in Need-supported cooperative in Bagdati district of Imereti will be highlighted in order to provide beneficiaries with real-life examples of successful cooperative business and farming practices. This will allow for such successes to be replicated by other interested farmers and rural entrepreneurs.

In addition, via the extensive business plan development support, on-going business management consultations and the Business Investment Fund, the cooperatives will be constantly encouraged to plan for realistic, sustainable growth of their operations which will include adding new members to the group. This growth will allow for the extension of the project impact beyond the initial project beneficiaries and thus have a greater influence on regional economic development. In addition, while not all applicants will be successful during the grant competition stage, over 200 Imereti and Racha farmers will receive extensive business plan development training skills which can then be utilised when applying for commercial bank loans or establishing their own rural businesses.

### Risk Analysis and Contingency Plan

Activity	Risk	Mitigation Plan
Establishment of Cooperatives	a) Farmers and entrepreneurs do not understand advantages of cooperation and are not interested in establishing cooperatives b) Grant competition applicants	a) An extensive awareness raising campaign and information meetings before each grant competition will provide potential cooperative members with details of the benefits of cooperative action and the new favourable legislation.

	<p>are not able to develop solid business plans that reflect real market needs and their capacity</p> <p>c) Domestic and regional political instability results in economic decline, closure of regional markets and a decrease in prices</p> <p>d) Environmental factors such as floods, droughts, harsh winters, pest invasion or animal diseases damage crops and livestock and result in cooperatives unable to reach business growth goals</p>	<p>b) People in Need's methodology of combining expert workshops with extensive training to grant applicants ensures that applicants have the knowledge and support to design solid business plans that reflect real market needs and are realistic in their growth plans.</p> <p>c) By encouraging cooperative members to diversify their markets so as not to rely on one single market will reduce the risk that domestic and regional political instability impacts business growth</p> <p>d) Limited mitigation measures can be taken, although Elkana will provide sustainable land management trainings to mitigate longer-term environmental degradation as well as pest/disease management trainings.</p>
Technical Support to Cooperatives via Sub-grants	<p>a) Cooperatives are not able to meet requirements specified in grant contract including co-financing</p> <p>b) Cooperatives misuse technical grants and do not follow the contract obligations with regards to equitable use of technical sub-grants among members</p>	<p>a) Grant contract conditions were consulted with local experts and designed based on their recommendations and People in Need's experience. Thus, the amount is reasonable for small-medium farmers and high enough to ensure that only the most committed applicants are selected.</p> <p>b) Grant contract conditions clearly state the property belongs to People in Need for a specific period of time (18-24 months) after which if the cooperative meets all conditions, it is handed over to the group.</p>
Technical Trainings for Cooperatives (incl. Field Models and Farmer Days)	Trainings are too theoretical and farmers are not able or willing to use new and modern techniques in practice	Elkana and CULSP experts have several years' experience with interactive training models and as such, the trainings are complemented by practical field demonstration models and exchange visits among Georgian farmers utilising best practices.
Organisation of Agriculture Fairs	Agriculture Fairs do not attract wholesalers and exporters and there is a lack of interest in presented products of supported cooperatives	A detail marketing plan will be evaluated as part of the grant competition, thus requiring the cooperative to have already investigated new sales points and potential customers. People in Need and partners will work with the Imereti and Racha regional government authorities to attract a large, targeted audience.
<p>-Farmer-led advocacy and policy making initiatives</p> <p>-Participatory monitoring of government agriculture programmes</p> <p>-Joint planning with local authorities on agriculture development initiatives in</p>	<p>a) Farmers are not willing to actively participate in advocacy/policy making and field assessments</p> <p>b) Government authorities are not interested/willing to work with beneficiaries and do not involve farmers to planning of agriculture development initiatives</p> <p>c) Political instability results in changes in government policy and a lack of support for cooperatives</p>	<p>a) People in Need and AYEG have worked in target communities for several years and are experienced in mobilisation and participatory democracy. As such, they have strategies to involve farmers in decision-making processes and will ensure high level of participation among all stakeholders</p> <p>b) People in Need has met with local authorities and the Ministry of Agriculture during preparation of the action and they are supportive of the initiatives</p> <p>c) New laws have been created to support the agriculture sector and large-scale investment from international donors will ensure that the policies/programming continue to support agriculture and rural development.</p>

target districts		
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### **Main Preconditions and Assumptions**

The main preconditions and assumptions of the proposed action are the following:

- Target population recognise the benefits of cooperation and are motivated to form cooperatives
- Newly-established cooperatives are effectively managed and sub-grants are not misused
- Support of the agriculture sector remains one of the priorities of the Georgian government and there is a willingness of the government to listen to the rural populations' voice
- The domestic and regional political situation does not deteriorate
- Macroeconomic conditions are stable or improved
- No major natural disaster/disease outbreak resulting in crop destruction and loss of livestock

### **Sustainability of the Action**

Sustainability of the proposed action forms the foundation of People in Need's methodology as the project will provide beneficiaries with both the means and structures necessary to improve their economic situation beyond the project's duration. Specifically, the cooperative development methodology including obligatory trainings, significant co-financing and Business Investment Fund ensures that members are highly motivated, entrepreneurial and dedicated to the cooperative concept, thus avoiding the temporary, opportunistic cohesion which often results when informal agricultural groups are formed solely to facilitate the receipt of inputs or financial assistance. Furthermore, locally-driven, low-cost advocacy initiatives that have the support of the local authorities such as the regional forum will ensure that the actions are sustainable and will continue to be an active voice in regional and national level policy formation.

**Financial Sustainability** – As noted, People in Need emphasises the ownership and accountability of beneficiaries, guiding them to establish successful, sustainable business operations that are within their capacity and reflect the real market situation. Financial sustainability is built-in to the design and from the initial stages, the proposed action applies a systematic, step-by-step approach and supports the cooperatives to achieve manageable business growth rates and avoid over-investment. Financial sustainability will be ensured by selecting only those business plans with clear and feasible financial plans and applicants with sufficient business skills. The significant co-financing requirement (25% of the technical sub-grant) and the Business Investment Fund component seeks to build sustainable linkages between farmers and financial institutions and enhancing their capacity to become responsible borrowers and able to ensure business development after the project completion.

**Institutional Sustainability** – Intensive capacity building of the cooperatives, partnerships with local stakeholders including Kutaisi State University, the Ministry of Agriculture's Information Consulting Centre staff, local experts and district and regional authorities will ensure a high level of ownership in the proposed action. As noted, People in Need's systematic, step-by-step approach to cooperative development has proven successful in Imereti and ensures that cooperatives operate within their capacity and manage their growth as a result of strong management skills and well-prepared business plans. Furthermore, by recognising that there are a limited number of groups that have the capacity to establish large cooperatives with more than 25-30 members from the very beginning, People in Need will emphasise the development of smaller groups with a minimum of 10 members. These smaller groups will be encouraged to create a strong foundation in the initial set-up period and responsibly manage their existing business before trying to expand. This will reduce the risk of overgrowth and ensure institutional sustainability of the new cooperatives.

**Policy level Sustainability** – By initiating Imereti and Racha-level participatory policy initiatives and linking agriculture actors with local authorities and the Ministry of Agriculture, the action will foster strong, lasting public/private sector relations. Beneficiaries will be involved in the design, implementation and monitoring of policies and programmes in order to ensure they accurately meet the needs of the population and there is strong ownership. Via farmer-led monitoring and evaluation of government programmes and joint planning of district-level development projects, the action will lead to an improved agribusiness environment that reflects the voice of the beneficiaries. Furthermore, by linking Imereti-level interventions with a national umbrella organisation such as the Georgian Farmers' Association, the policy level intervention at the national level will continue via their continued lobbying and advocacy as representatives of a range of Georgian farmers.

**Environmental Sustainability** – In partnering with Elkana, a leading Georgian NGO in the sustainable land management, organic farming and eco-tourism sector, the environment impact of the proposed action will be a major consideration. Each newly-established cooperative will receive a minimum of 3 days of training in sustainable land management and organic farming, in order to introduce beneficiaries to low-impact farming practices. In addition, Elkana field consultations will ensure beneficiaries are not engaging in practices that have negative environmental impact. Farmers will also be encouraged to consider environmental issues from an economic standpoint in order to view sustainable land management practices as an investment in their business operations and a means to improve the quality of their products.