
Beyond Statistics: The Informal Economy in Rural Georgia

A PRELIMINARY STUDY INTO THE INFORMAL ECONOMY IN THREE MUNICIPALITIES OF THE KVEMO KARTLI REGION OF GEORGIA

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ALLIANCES KVEMO KARTLI



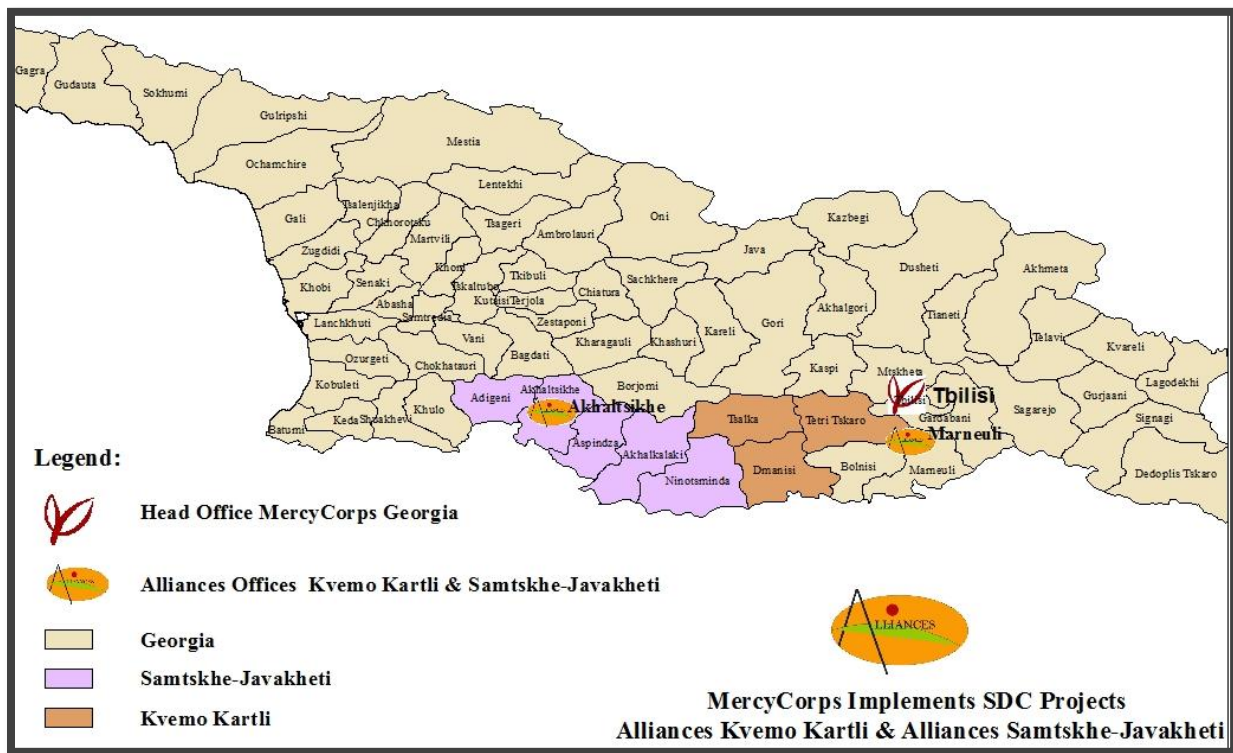
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ABOUT ALLIANCES KK:

Alliances- KK is a Swiss Development Cooperation market development project implemented by Mercy Corps Georgia¹ working in the dairy, beef and sheep sub-sectors in three municipalities of the Kvemo Kartli region, a region in the South East of Georgia highly dependent on livestock production. The goal of Alliances-KK is to contribute to poverty alleviation and the transition to a durable market economy for the livestock sector in the Kvemo Kartli by creating sustainable changes in the dairy, beef and sheep market systems for the ultimate equitable benefit of small, poor farmers, regardless of gender or ethnicity. Access to services, products and information for these farmers that could improve small farmer's production and terms of trade in these market systems is limited, difficult to obtain and expensive. The businesses that do provide these services are also often poor and constrained in the same ways. Larger businesses are often unaware of the market potential that exists in accessing small farmers and do not know how to develop it. Alliances-KK identifies and works with businesses large or small, who have the best potential to generate changes that are economically beneficial for the small farmers who are their clientele or suppliers. Alliances also works with local and national government and other key organizations to help influence regulations and rules which relate to the business environment in which the businesses function. This results in changes that are economically advantageous to the businesses with whom it works and others who see the benefits and copy them. The economic, social and political advantages generated for local and national government provide the incentive to make the changes in the regulatory environment necessary to continue them. For more information please go to www.allianceskk.ge



¹ MC Georgia also implements the sister M4P SDC project Alliances Samtskhe Javakheti.

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1. PURPOSE OF THE RESEARCH

As a market development programme working in rural Georgia measuring our programme through universal impact indicators of scale, employment and income, we became bound to ask the following question:

Are we ignoring an important part of what counts for rural inhabitants and if we cease to ignore it how do we measure it and count it?

By it we mean the informal economy.

A system of trade or economic exchange used outside state controlled or money based transactions. Practiced by most of the world's population, it includes barter of goods and services, mutual self-help, odd jobs, street trading, and other such direct sale activities. Income generated by the informal economy is usually not recorded for taxation purposes, and is often unavailable for inclusion in gross domestic product (GDP) computations.²

We became increasingly aware that the informal economy plays an important and diverse role in the day to day life of the Small Scale Livestock Producers' (SSLP'S) in our programme area. Small scale livestock producers, whom the programme targets, make up 70% of the population of the programme area. Characterized³ by the programme as owning up to five breeding cows or thirteen breeding sheep, and up to two hectares of land with access to pasture, they produce dairy and meat based products for home consumption with surpluses sold.

Dairy farming forms the mainstay of their income with four main outlets for milk:

- home consumption of milk and dairy products
- production and sale of cheese, yoghurt and butter from surpluses
- sale of milk to Milk Collection Centres
- sale of liquid milk to small cheese factories.

Activity seemed to be diverse and a widespread practice amongst SSLP's, going beyond individual cashless transactions between friends and neighbours. In one village a formal weekly market operates where goods from lower altitudes such as grapes and oil are exchanged via wholesalers for those from the locality such as cheese. In local shops many goods can be 'paid for' with cheese or potatoes, and miscellaneous services paid for with labour, cheese, crops, use of land, hay or various other skills and goods. It became apparent that home produced cheese was perhaps the most important commodity in the various transactions and is made and also traded by women.

The programme seeks to meet a target (amongst others) of a 10% increase in income from sales, reduced production and transaction costs, increased net worth and employment in 20% of SSLP households in the programme area. If a substantial percentage of household economic activity is conducted outside of the cash economy and programme activities increase the volume and value of this activity, then it became

² www.businessdirectory.com

³ Based on the results of the Alliances KK Focus Group Survey 2011. See the full survey at www.allianceskk.ge/index.php/en/downloads.html

apparent that the programme should find a way of quantifying, measuring, attributing, and evaluating the impact of this in order to prevent the loss of potentially, a significant proportion of programme impact. It also became obvious that should this be the case, then programme systems and strategy should be calibrated to account for it.

The growing programmatic observations also challenged a foundation assumption which had been made by the programme from its inception in 2008⁴ that SSLP's with fewer than three cows produced milk and dairy products for 'home consumption'; it was beginning to seem apparent that the phrase masked a layer of cash free activity contributing to the economic life of the household with cheese as the currency.

Broader Implications

Inability to quantify and evaluate the impact of informal economic activity at a programmatic level is of course magnified at national level. Quantifying the economic contribution of the informal economy is problematic. In terms of global significance; according to World Bank estimates, the informal economy generates 40% of the Gross National Product (GNP) of low-income nations and 17% of high-income countries. (Ogharanduku, 2011) Agriculture however is often excluded from these estimates and yet is the sphere in which informal activity is at its highest with women as the majority as actors⁵ within it. In Georgia it is highly likely that informal economic activity is masked in and skews national statistics, statistical analysis and subsequent results pertaining to the agricultural sector. A 2010 study of the dairy sector in Georgia⁶ pointed to the lack of accurate statistical data including; household consumption, household production, farm accounts, commodity price data (farm gate and retail) and sales, as the root cause of the difficulties inherent in accurately evaluating the dairy sector and levels of dairy production in Georgia. This then also hampers subsequent comparative analysis particularly where the informal economy is not recognized as a factor. In the dairy sector (as in others) these national statistics and the evaluations on which they are based form the backbone of the reports and sector surveys which guide the formation of government and development strategy and the delivery of funds. Although this paper is merely a qualitative start point it sheds light on the informal economy in rural Georgia, on the mechanics of its use, and the reasons behind it and characteristics of its existence. This lends an in depth layer of information and understanding to the economics of rural livelihoods in Georgia, pertinent perhaps to other rural economies, which is presently uncaptured and its implications unsynthesized in the wider agricultural development debate.

Defining the Scope of the Research in the Programme Area

The initial observations of the Informal Economy in the programme area clearly highlighted the gaps in programme knowledge concerning details of the scope and use of the informal economy in the programme area which would allow the programme to deepen its understanding and integrate this into the programme framework. Barter exchange and the provision of services by Service Providers (SP's) in return for diverse non-cash payments (NCP's) in the form of labour, goods and mutual self help had become apparent as the main forms of informal economic activity and obviously formed an important part of the structure of the agricultural livelihoods of the SSLP's and wider economy. The research therefore

⁴ The first phase of Alliances began in 2008, followed by a second phase in 2011 and a new sister programme in a new region, under which this research was conducted; Alliances KK.

⁵ See Section 2 Literature Review

⁶ Abbott, A, H (2010) *The Dairy Sector of the Republic of Georgia, Economic Situation and Prospects*. Tbilisi.

sought to gain an in depth view and measure of the relative value of barter exchange and NCP transactions and systems.

2. THE INFORMAL ECONOMY: PAST AND CURRENT TRENDS

Research into the informal economy, as a defined sphere of research commenced in Africa in the 1970's when it was 'discovered' (Chen, 2007). Since then it has been in and out of fashion in development circles but has remained a pertinent and useful concept as it describes the reality of a significant proportion of workers and economic units who operate outside of regulated economic activities and protected employment relationships (Ibid, 2007). It has become the subject of renewed interest worldwide to policy makers, development workers and researchers due to two main facts: the informal economy has not only grown in many countries but emerged in new and unexpected guises and there has been increasing recognition that support to informal enterprises and informal jobs are key pathways to promoting growth and reducing poverty (Ibid, 2007).

In terms of global significance; according to World Bank estimates, the informal economy generates 40% of the Gross National Product (GNP) of low-income nations and 17% of high-income countries (Ogharanduku, 2011). The informal economy is also particularly significant in agriculture and most often takes the form of self-employment (Ibid, 2007). Although many countries exclude agriculture from their measurement of the informal sector, in most developing countries the majority of the informal workforce is thought to be in agriculture. Where agriculture is included in estimations the percentage of the informal sector increases substantively: '83 per cent of non-agricultural employment to 93 percent of *total* employment in India; from 55 to 62 per cent in Mexico; and from 28 to 34 per cent in South Africa (Chen, 2007).

Previously the tendency had been to view the Informal Economy from a negative perspective. It has been known variously, as 'shadow, secondary, underground, clandestine, undeclared, unreported, black, irregular, submerged and subterranean' (Becker, 2004). In some countries, like the Newly Independent States (NIS)⁷ formed since the collapse of the Soviet Union, newly emerging economies saw a growing informalization of their labour markets, mainly caused by structural changes in the labour market, that were been characterized by insecurity in domestic markets, high levels of bureaucracy, corruption and low wages in the legal sector. Consequently, in these countries the major features of the Informal Economy were less attractive: petty trade, corruption, the stealing of state property, bribery, tax evasion, and organized crime (Bernabe, 2002).

However, the renewed interest in the informal economy has been accompanied with a rethinking of key concepts as summarized in Table 1 below, which includes the removal of the stigmatization of the informal economy and its positive re-evaluation based on concepts such as the key role the Informal Economy plays in servicing the needs of poor consumers by providing accessible and low-priced goods and services and the recognition that to stimulate sustainable economic growth and job creation, the informal economy needs to be better understood both by governments and donors (Becker, 2004).

⁷ NIS: Newly Independent States, the 15 independent states that formed after the Soviet Union collapsed in December 1991, Georgia being one of them.

Table 1: Showing a Summary of Past and Current Research Perspectives of the Informal Economy (Chen, 2007)

| The Old View | The New View |
|---------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The informal sector is the traditional economy that will wither away and die with modern, industrial growth. | The informal economy is 'here to stay' and expanding with modern, industrial growth. |
| It is only marginally productive. | It is a major provider of employment, goods and services for lower-income groups. It contributes a significant share of GDP. |
| It exists separately from the formal economy. | It is linked to the formal economy—it produces for, trades with, distributes for and provides services to the formal economy. |
| It represents a reserve pool of surplus labour. | Much of the recent rise in informal employment is due to the decline in formal employment or to the informalization of previously formal employment relationships. |
| It is comprised mostly of street traders and very small-scale producers. | It is made up of a wide range of informal occupations—both 'resilient old forms' such as casual day labour in construction and agriculture as well as 'emerging new ones' such as temporary and part-time jobs plus homework for high tech industries. |
| Most of those in the sector are entrepreneurs who run illegal and unregistered enterprises in order to avoid regulation and taxation. | It is made up of non-standard wage workers as well as entrepreneurs and self-employed persons producing legal goods and services, albeit through irregular or unregulated means. Most entrepreneurs and the self-employed are amenable to, and would welcome, efforts to reduce barriers to registration and related transaction costs and to increase benefits from regulation; and most informal wage workers would welcome more stable jobs and workers' rights. |
| Work in the informal economy is comprised mostly of survival activities and thus is not a subject for economic policy. | Informal enterprises include not only survival activities but also stable enterprises and dynamic growing businesses, and informal employment includes not only self-employment but also wage employment. All forms of informal employment are affected by most (if not all) economic policies. |

The Informal Economy encapsulates a broad sphere of activity. It includes everything from household production and consumption, to inter household barter, sharing, subsistence, unpaid labour and labour exchanges, unreported business transactions and care giving to young and old, both paid and unpaid (Ratner, 2000). Informal employment also tends to be a larger source of employment for women than for men in the developing world (Chen, 2007).

In rural areas the Informal Economy functions as an alternative distribution network where those without access to or possession of cash to buy goods and services are able to access at least some of what they need for both production and consumption (Ratner, 2000). Another advantage of the informal economy in rural areas is the ability to remain self sufficient through engaging in a wide range of economic activity alternatives (Slack, 2005). The informal economy in a rural area also provides the opportunity to combine formal employment with informal or unrecorded work, barter or other forms of nonmonetary exchange, and self-provisioning (Ibid, 2005). As mentioned, the Informal Economy is particularly prevalent in

agriculture and therefore in rural areas in developing and transition economies where a large percentage of the population is dependent on natural resource based livelihoods and agriculture, such as in Georgia where at present, more than 50% of the Georgian population live in rural areas and of whom more than 90% are involved in agriculture, generally in subsistence farming⁸.

In her study of informal employment of countries in transition which included Georgia, Bernabe (2002), isolated positive and negative aspects of the informal economy by separating ‘informal’ from ‘underground’ activities and found that the largest portion of the informal economy was constituted by agriculture. She classified informal workers as: self-employed, contributing family workers, employees with oral agreements or employees employed casually or temporarily, members of producers’ co-operatives, workers with formal primary jobs and informal secondary jobs. All these workers were characterized as ‘informal’ rather than “underground” or “illegal”. According to the study, the majority of Georgia’s employment was informal, especially in poorer areas of the country. Based on 1998-99 data the author suggested that Georgia’s informal economy was the largest in the Caucuses region, and accounted for up to 65% of GDP and included 52 % of workers.

There is very little recent data available on the Informal Economy in Georgia and there are no up to date studies on the characteristics and extent of the Informal Economy in rural areas. A recent article published on the Transparency International website⁹ drew attention to the official unemployment rate as published by the Georgian Statistics Department of 16.3% in 2011 in comparison to statistics from the National Democratic Institute survey that the unemployment rate is actually 29.24% and of those counted as employed; the article asserts 50% are subsistence farmers. It can therefore be reasonably surmised as evinced by the results of this survey and the research cited in this literature review that the Informal Economy plays a significant role in the lives of these farmers and also of many of their dependants or of those considered unemployed and living in rural areas in Georgia.

3. RESEARCH METHODOLOGY

The research is based on in-depth semi-structured interviews. A set of twelve open ended questions for two questionnaires; one for SSLP’s and one for SP’s were developed based on initial research carried out by the programme through focus group meetings. These questions allowed the interviewers and respondents to explore a wide range of issues together and to analyze how the informal economy works for service providers and SSLP’s. Issues included the identification of the full range of items and services that are employed in the informal economy, what negotiations are undertaken, what payment methods are employed, what deals are undertaken, the frequency of transactions/exchanges, benefits derived, the advantages and disadvantages of the system and the reasons for engaging in it. The interviews were carried out with SP’s and SSLP’s from November 8th to December 30th in three municipalities of Dmanisi, Tetrtskaro and Tsalka covered by Alliances Kvemo Kartli (Alliances KK). The key document detailing this process is the Key Informant Interview Table in Annex 2. The questionnaires are provided in Annex 1 and the methodology for the key informant selection process is detailed below.

⁸ Official Georgian statistics. www.geostat.ge

⁹ <http://www.transparency.ge/en/blog/p2-2-5-georgias-official-statistics-and-unfolding-greek-tragedyp>

Selection of Key Informant Service Providers

A list was compiled based on initial research, of the services and commodities that are included in non-cash exchange and was added to as the research progressed. The list was used in the selection of key market actors who were interviewed in the key informant interviews. The identification and coordination of the interviews was aided by local vets who arranged initial focus groups to which key SP's were invited and where a presentation of the programme and the goals of the research was given and contact information was gathered after which each person was contacted and interviewed individually. In Tetrtskaro municipality the focus group yielded poor results, following which service providers were contacted individually after identifying them through questioning local communities.

Selection of Key Informant SSLP's

For selection of the farmers, villages were selected in which the service providers said they provided services for non-cash payment and from those that could ensure an appropriate representation of gender and ethnicity¹⁰. Geographical location was also taken into consideration to ensure the representation of both upper and lower zone villages. Table 2 below shows the gender and ethnic composition of the key informants.

Table 2 Showing the Composition of the Key Informants According to Municipality

| <i>Key Informants</i> | <i>Tsalka</i> | | <i>Dmanisi</i> | | <i>Tetrtskaro</i> | | <i>Total Interviewed</i> | <i>Total Interviewed Women According to Ethnicity</i> | <i>Total Interviewed Men According to Ethnicity</i> |
|--------------------------|---------------|----------|----------------|----------|-------------------|----------|--------------------------|-------------------------------------------------------|-----------------------------------------------------|
| | <i>M</i> | <i>F</i> | <i>M</i> | <i>F</i> | <i>M</i> | <i>F</i> | | | |
| <i>Service Providers</i> | 5 | 1 | 6 | 3 | 3 | 3 | 21 | 7 <i>1 Armenian, 6 Georgian</i> | 14 <i>1 Azeri, 13 Georgian</i> |
| <i>SSLP's</i> | 3 | 4 | 4 | 3 | 2 | 3 | 19 | 10 <i>2 Azeri, 1 Armenian, 7 Georgian</i> | 9 <i>2 Azeri, 2 Armenian, 5 Georgian</i> |
| <i>Total</i> | 8 | 5 | 10 | 6 | 5 | 6 | 40 | 17 | 23 |

¹⁰It is important to ensure respondents from villages with ethnic diversity and with women of different ethnicity as this can significantly influence factors such as access to goods and services and freedom of movement.

4. RESULTS

The following results provide information on the two main forms of activity which were found to characterize the non-cash economy in the programme area. Barter exchange and non-cash payments for services. The following tables in the *Overview Section* provide an overview of the extent and nature of the non-cash payments for services, what services are most commonly provided in return for non-cash payments and what products are most commonly accepted and provided in lieu of cash. The *Results in Detail Section* provides an in depth look at the specifics of these two forms of activity as they occur in the programme area and includes illustrative quotes from the key informants. It also includes insights into aspects of non-cash payments such as payment preference, positive and negative aspects of cash payments and factors predetermining their use.

Overview

Key informant SP's and SSLP's were asked to provide estimations of the percentage of families in the selected villages involved in barter exchange in the eight selected villages of the survey. The results clearly supported the key finding of the study that the more remote the village and the more restricted the access to transport the greater the prevalence of barter exchange¹¹.

In total 16 out of 19 farmers engaged in barter exchange with traders and other SSLP's¹² (see 4.1) with 10 out of 19 SSLP's receiving services for NCP's (see 4.2). Amongst service providers, 12 out of 21 interviewed SP's were engaged in service provision for NCP's and two grocery shop owners and one second hand clothes dealer were involved in the barter exchange of their products for NCP's. Table 3 below highlights the percentage engagement of SSLP's and SP's engaged in the two main forms of non-cash activity, barter exchange and services in return for NCP's.

Table 3: Percentages of Farmers and Service Providers Engaged in the Two Main Forms of Non-cash Activity

| Respondents | % of Respondents Engaged in Activity |
|-------------------------------------------------------------------------------------------------------|--------------------------------------|
| Farmers (19) | |
| Barter Exchange with other SSLP's and traders | 60% |
| Receiving Services in return for NCP's | 30% |
| SP's (21) | |
| SP Exchanging Products (barter exchange by grocery owner and second hand clothes) in return for NCP's | 15% |
| SP's Exchanging Services in return for NCP's | 51% |

Table 4 shows the results of attempting to determine what services can be used in lieu of cash. The question was posed to include what services or goods respondents had ever received or provided in return for non-cash payment. Table 5 below shows the products most commonly used for NCP's and barter exchange.

¹¹ Two villages estimated between 71-90%, two villages between 51-70%, one between 31-50% and two between 11-30% and one 10% or less. The results could be directly correlated to distance from the municipal centres i.e. the more remote the village the higher the estimated percentage of families involved in barter exchange.

¹² See 4.1 Results in Detail section for a detailed description of barter exchange.

Table 4: Table Showing the Type and Extent of the Services Given or Received for Non-cash Payment by the Research Respondents

| Services | Additional information: | % of respondents with experience of receiving or giving these services in return for NCP's |
|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| Mechanization: | Machinery service providers keep part of the goods they transport or help harvest: e.g. hay, maize and then they sell it. SP's provide a service and the farmers pay in the form of crops following their harvest as a form of credit. In the case of mowing and baling, hay is used as the NCP. | 100% |
| Mutual assistance | Neighbours help each other in miscellaneous tasks but primarily land cultivation, and the chopping of firewood and with grape picking. | 100% |
| Herding | Farmers give products, clothes or sheep to shepherds in return for herding. | 85% |
| Veterinary services | Vets provide services including vaccination and receive cheese and potatoes, silage, mineral blocks, machinery services, and sometimes food and drink. | 78% |
| Horses | Neighbours lend/borrow horses when they collect or store their crops and they offer presents in exchange mainly food and drink. When they lend horses to mow the grassland they receive hay. | 75% |
| Borrowing | Neighbours lend milk, bread and hay to one another receiving it back at another time (usually in a week, two weeks). | 75% |
| Bulls | Where a bull goes to service the livestock of a herder the bull owners are released from the herder's fee. | 73% |
| Donkey | Farmers lend donkey's to transport crops; and are treated to food and drink or keep part of the goods the donkey transported. | 73% |
| Second-hand clothes | Second hand clothes shops are in the centres of municipalities; if the owner travels to villages, clothes are exchanged for products particularly cheese; if not – the shop sells for cash. | 73% |
| Pastures | The owners of pasture give SSLP's pasture access and take cheese or milk in exchange. If assisted in mowing or baling, the pasture owner gives hay bales. | 70% |
| Car repair | Sometimes a car mechanic will take cheese or potatoes in return for repairing a car. | 12% |
| Milling | Customers leave a portion of the milled cereals to cover the price of the milling service. | 9% |
| House repair | Builders sometimes take NCP's e.g. livestock, cheese in lieu of cash. | 4% |
| Teaching | Sometime teachers ask the parents of pupil, in the case of non-payment to pay with potatoes or cheese. | 4% |

| | | |
|----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----|
| Informal milk collection/ cheese production centre | In summertime when milk collection reaches up to one tonne neighbours help produce cheese in return for butter, cottage cheese or whey. | 2% |
|----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----|

Table 5: Showing the Type of Products Most Commonly Used for Exchange and the Extent of their Use

| Products most commonly exchanged | % of respondents with experience of receiving, bartering or paying with these products |
|----------------------------------|----------------------------------------------------------------------------------------|
| Milk products including cheese | 100% |
| Potatoes | 100% |
| Fruit | 100% |
| Grapes | 97% |
| Second-hand clothes or shoes | 97% |
| Maize | 75% |
| Hay | 75% |
| Wood | 12% |
| Calves/Sheep (livestock) | 7% |
| Domestic items | 2% |

Twelve out of twenty one service providers interviewed engage in service provision for non-cash payment. Of those, Table 6 shows the percentage of business they conduct in non-cash transactions.

Table 6: Percentage of Business Conducted in Non-cash Transactions

| Service Providers | % of Business Conducted in Non-cash Transactions |
|----------------------------------------------------------------------|--------------------------------------------------|
| 1. Machinery service provider/ Imera, <i>Tsalka</i> | 50% |
| 2. Machinery service provider/ <i>Dmanisi</i> | 15% |
| 3. Machinery service provider/ land owner/ Iraga, <i>Tetrtskharo</i> | 30% |
| 4. Secondhand clothes shop/ <i>Dmanisi</i> | 30% |
| 5. Grocery store/ <i>Sakhrioni, Tsalka</i> | 30% |
| 6. Grocery store/ Imera, <i>Tsalka</i> | 30% |
| 7. Land owner/ <i>Useikendi, Dmanisi</i> | 15% |
| 8. Land owner/ <i>Iphnari, Dmanisi</i> | 30% |
| 9. Informal milk collection centre/ <i>Dmanisi</i> | 30% |
| 10. Vet/ <i>Dmanisi</i> | 3% |
| 11. Tailor/ <i>Tetrtskharo</i> | 60% |
| 12. Truck owner/ <i>Tsintskaro, Tetrtskaro</i> | 20% |

This section is comprised of three parts; a detailed look at barter exchange, a detailed view of some of the key services provided in return for NCP's and key aspects of the Non-cash Payment's as a whole.

4.1 Barter Exchange within the Community

The key finding of the survey was that, in the programme area the most prevalent informal economic activity is barter exchange. Within the programme area cheese, potatoes and calves are exchanged for basic food staples such as flour, sugar, vegetable oil and pasta and the geographic location of the village plays a huge role in determining the extent to which this takes place. The more remote the location the more prevalent barter exchange seems to be. The research showed that barter is crucial for inhabitants of Tsalka Municipality as a whole due to its remote location; whereas in Tetrtskaro and Dmanisi Municipalities barter trade prevails only in the zones which have limited transportation. In the lower zones of Tetrtskaro for example they take their own products for sale to market as they are close to the urban centres of Marneuli and Tbilisi and transportation costs are relatively low.

“We exchange cheese for necessary staples. Traders bring fruit, and it is exchanged bucket-for-bucket or kilo-for-kilo. We don't even go out of the village; they bring everything here; many people do so. With regards to money, we have sheep and we sell them; cheese is often exchanged.” (Gulnara Iskandirova, Owner of 5 cows, Kizilkilisa Village, Dmanisi Municipality).

In Darakovi Village, Tsalka municipality, farmers exchange bull-calves for flour¹³.

“Traders are coming every day from October; we store products for winter. The exchangers¹⁴ take from us the products that are currently expensive on the market: potato, cheese, cattle”. (Laert Toghosian, Owner of 3 cows, Darakovi Village, Tsalka Municipality).

4.1.1 Grocery Shops Involved in Barter Trade

Grocery Stores in Tsalka villages, who also produce cheese and have access to a market for products received in exchange were found to be involved in the barter exchange of products. They exchange products from their shops for milk and cheese, produced by the local population. In Imera Village, the Milk Collection Centre and the Grocery Store are next to each other. The MCC operates with a two week delay in paying SSLP's however an agreement is in place whereby SSLP's can take products from the Store and the MCC pays for these products. The Grocery Shop in Imera Village collects milk, produces cheese and then sells it; the Shop Owner in Sakhdrioni Village also uses barter.

“I take milk and exchange it for my products; 30 % of the products sold in the Grocery Store, are 'bought' through barter exchange. In my village, 70 % of the population does this; the useful thing is that the number of my clients is increasing and I don't have problem with selling the products they give me in

¹³ A typical transaction would be one bull calf weighing 25kg and worth 200Gel would be exchanged for four 50kg sacks of flour worth 50Gel each.

¹⁴ Exchangers are traders who exchange product they bring for local products they come from outside the region from places like Tbilisi, Marneuli & Kakheti to the programme area of Alliances KK.

exchange. I refuse only in case if the milk is skimmed” (Tsezari Kakhidze, Shop Owner, Sakhrioni Village, Tsalka Municipality).

“There have been many occasions when I received milk, made Suluguni cheese and sold it in Tbilisi. The product price is increased over the local one by 10-15 tetris/kg. I also take milk at the local price so I generate double profit and I can offer the farmer a higher price for milk” (Shota Vanadze, Shop Owner, Imera Village, Tsalka Municipality).

Products are not accepted by the Shop Owner in Darakovi Village, as he does not know where to sell these products afterwards. In the centres of the Municipalities, shops sell for cash. Owners of shops in the lower zone do not work on barter exchange:

“Here they bring money; sometimes they offer beans, but I don’t take it; it is not profitable for me; I don’t know where to sell it afterwards. I buy only the quantities of goods I can sell so they don’t get spoiled; my turnover is low. I prefer cash.” (Lali Aslanishvili, Shop Owner, Vardisubani Village, Dmanisi Municipality).

4.1.2 Second-hand Clothes in Barter Exchange

In all three municipalities, produce is exchanged for second-hand clothes.

“I take clothes to Azeri villages, and the Iailo summer pastures and they take enough for the whole year and give me cheese in exchange. I maintain relations with my old customers; they call me and make orders. I know the market and I know where to sell cheese. I exchange clothes and shoes for cheese and then I sell the cheese in Tbilisi. If they don’t have money, I offer them barter exchange for cheese. It is suitable for me; this way I sell more clothes.” (Nana Parjiani, Owner of a Second-hand Clothes Shop, Dmanisi, Dmanisi Municipality)

4.2 Services Provision for Non-Cash Payment

The second most prevalent form of informal economic activity was found to be the provision of services for NCP’s. The section below provides details of some of the key services provided in return for NCP’s.

4.2.1 Machinery Service Providers

Machinery service providers and those with their own transport often keep part of the goods they transport: e.g. hay, maize for later sale.

“I have many times taken hay for my service; I have also taken potatoes; a few minutes ago I loaded my truck with hay and exchanged it for cheese. I took one product in exchange for the other; and I generated profit” (Merab Artmeladze, Truck Owner, Iraga Village, Tetrtskaro Municipality).

“Exchange often involves getting back your debts or lost money. Sometimes I take cheese from my debtor. Although it takes effort to sell exchanged products; so I go to such clients in the very end; however I’d rather work with whatever is available than stop completely”. (Ednari Antadze, Truck Owner, Tsintskaro, Tetrtskaro Municipality).

Machinery Service Providers also take products in exchange for the services they render.

“I provided a service worth 60 GEL and I took potatoes and wheat as payment. Then I sowed the wheat and I sold part of it. Sometimes I work on credit and my debtor pays me when he sells his products. Once I had problem with my machine, it got damaged and in exchange for the welding I offered my service to the welder. I have had cases when I cultivated the land and in exchange they lent me a machine, which would have cost GEL 100” (Vladimer Devnozashvili, Machinery Service Provider, providing services in 6 villages; Dmanisi Municipality).

In Imera Village, Tsalka municipality, the Machinery Service Provider named the SANTE¹⁵ Milk Collection Centre as a broker between himself and the farmers.

“When farmers have no money, but have milk and need to cut the grass or cultivate their land, they take milk to the SANTE centre and then the Centre pays me. We trust this Centre and this Centre is a guarantor.” (Merabi Tarieladze, Machinery Service Provider, Imera, Tsalka Municipality)

Machinery Service Providers however say that non-cash payments for their services are not always beneficial for them, as they need cash to buy fuel and they cannot always wait for crops. They need a daily income and they would rather take money. However when they do have sufficient cash flow they sometimes do take hay or potatoes for their services and keep the exchanged goods and sell them when their price is high. In such cases it is profitable and occasionally instead of taking cash they prefer to wait for the crops and take the products instead. Those Machinery Service Providers who have money and are able to store products and then sell them for higher price, are known by SSLP’s as, “wealthy mechanics”.

“We prefer money; equipment needs money; we need to pay for fuel; it takes time to harvest potatoes and then sell them. Farmers also prefer cash. But, if we don’t have clients, we agree to such deals as well. It is good if a machinery service provider is able to keep potatoes and later sell them for higher price. There were occasions when I took hay for 2.50 tetris and then, in high season, sold it for GEL 3-3.50 in West Georgia”. (Temur Beridze, Machinery Service Provider, Imera Village, Tsalka Municipality).

“I have taken potatoes as well. It is good if you can store potatoes and sell them later; thus you will gain more profit. During high season, I took 1 ton of potatoes for 50 Tetris/kg and then sold them for 70 tetris” (Merabi Tarieladze, Machinery Service Provider, Imera Village, Tsalka Municipality).

Machinery Service Providers, who are also land owners, often accept physical labour in exchange for their services.

“I have two hectares of land. I often cultivate the land for farmers or cut grass for them and then they plough my land (using horses); it is mutually beneficial” (Merab Artmeladze, Truck Owner, Iraga Village, Tetrtskaro Municipality).

¹⁵ Sante is the largest dairy company in Georgia whose milk supply is sourced from SSLP’s supplying milk to Milk Collection Centres.

4.2.2 Access to Pastures

The use of pasture forms an important commodity.

“I have 5 hectares of land and I give hay to those who help me. Sometimes I let the cattle into the grassland and I take cheese in exchange. It happens when both sides need it. Sometimes I exchange grassland for sheep; there were cases when I borrow a horse to collect hay and gave hay in exchange; I exchange hay for wood, wine, grapes; there were cases when I gave hay to shepherds” (Leri Girgvliani, Land Owner, Iphnari Village, Dmanisi Municipality).

“4 villages use my pasture. In summer, when there is more milk, milk is exchanged for pastures. Farmers give me 30 % of total collected milk; for the rest they pay money. These are the people who cannot sell the milk themselves. As they cannot pay cash, I work on barter exchange. Then I submit the milk to Ecofood (Large dairy company). (Zura gadrani, Land Owner, Kharabulakhi Village, Dmanisi Municipality).

4.2.3 Vet Services

Currently vets think that there is low demand for their services; they often only deliver medication to farmers and the farmer’s carry out the vaccination and calving themselves; therefore, non-cash payments are few. Vaccination is basically done through government programmes. Vets take NCP’s only when they need such products for their household.

A vet from Dmanisi has some involvement in non-cash transactions;

“I provide non-cash services to 2-3 percent of my client. I have received cheese and potatoes. I remember one case, when I helped a cow deliver and then the owner helped me to cultivate my piece of land. Non-cash transactions are more prevalent in summer; summer is disease outbreak season” (Nugzar Girgvliani, Vet, Dmanisi Municipality).

A Vet in Tsalka remembers very rare occasions when he took products in exchange for his services, or was rendered another type of service in exchange. He says he has sufficient milk in his own household and does not need more:

“I’d rather make a gift of my services than take something from them. I basically work for cash; my service does not cost much and so they can pay. I did though have a case when I rendered my service to a machinery service provider, who works on hay baling; he told me that he’d provide his service in exchange; I have also had vehicles to deliver wood” (Jemal Dekanadze, Vet, Tsalka, Tsalka Municipality).

A Vet from Tetrtskaro remembers ‘favours’ meaning being treated with food and drink.

In the service checklist that was completed by the respondents, 32 respondents out of 41 said that they have offered “favours”, products and other services in exchange for veterinary services. Kinship and social ties are important and they often provide services for the sake of acquaintance.

“The Vet vaccinated the cows in our association, (up to 100 heads), and we gave him silage and locki-blocki (a mineral lick).” (Giorgi Devnozashvili, Milk Collection Centre, Gantiadi village; Dmanisi Municipality).

4.2.4 Bulls

In general in the use of unimproved bulls, the owner of the bull is released from the herder’s fee. Herding one head costs the cow owner GEL 5 a month.

“Bulls are generally free of charge; some cow owners offer “favours” although there were cases when they paid GEL 3-4” (Ioseb Adamashvili, Bull Owner, Dmanisi Municipality.)

4.3 The Non-Cash Payment Process

This section includes how non-cash payments work: including negotiation, the people that are involved in the processes, the importance of kinship and social ties, the positives and negatives of the process, the proportion of income that NCP’s can comprise for some SP’s and preferences regarding cash or NCP’s.

4.3.1 Negotiation

Negotiation ensures that nobody loses as a result of the exchanges. All respondents point out that they finally reach an agreement acceptable for both parties. First actors negotiate and agree on a ‘price’ and then they exchange services and products. Often services are provided as a form of credit.

“(In barter exchange) It’s true that sometimes we cannot agree on price, but whoever comes, is unwilling to take the products back; we need them too; that’s why eventually both parties come to agreement”. (Phasha Kasumov, Kizilkilisa, Dmanisi Municipality).

“Right now I am exchanging cheese for salt. I know that the price for this salt is 7 GEL but they brought and offered it to me for 15 GEL, so I only offered them 1.5 kg instead of 3kg of cheese, and we agreed.” (Esma Iremadze, Tbeti Village, Tsalka Municipality).

4.3.2 The People Involved in the NCP Process Those involved in barter exchange and the use of NCP’s instead of cash were found to have limited resources; limited or no means of transportation, those whose sale of their own products at market would only consist of small amounts of cheese to enable them to buy products for home consumption (Oil, Sugar, Salt, Pasta and etc.) and those whose families have no cash turnover and no salaries. Moreover, barter exchange is mainly carried out by women who are more aware of what products the family needs and who are responsible for cheese production, a main barter commodity.

“Those, who have several cows, they go and exchange; mainly women do it; it offers them the chance to exchange for products that they need” (Jemal Dekanadze, Vet, Tsalka municipality).

It must be pointed out that in Azeri villages some women do not or are prohibited from leaving their houses and products are delivered to their door:

“We do not go outside our village. Everything is delivered here, and it is better. It has been one year since I last went out”. (Gulnara Iskandarova, Kizilqilisa, Dmanisi Municipality.)

With regards to service providers those involved in the noncash payment process tend to be those who:

- Find it easy to sell, store and transport collected products and have a ready market for them and can capitalize on higher prices through storage or transport
- Who need the produce on offer for their own use
- Are shop keepers who collect milk, process it and then sell it, and sell their products for local prices.
- Lack of cash-paying clients.

“Some have extra produce they cannot sell, and that’s why they offer it to you. Often times I needed wheat and I made the offer myself” (Vladimer Devnozashvili, Machinery Service Provider, Dmanisi Municipality).

Azeri traders, who bring early crops from lower eco-zones, also bring products from Tbilisi, Bolnisi, Marneuli, Kakheti and exchange them.

4.3.3 The Importance of Social Ties in Non-Cash Payments

Where services are provided in return for non-cash payments, acquaintance plays an important role. It is important for service provider to know their client; they trust clients, who they know and trust is a prerequisite of the exchange. If they do not know the client, they do not agree to the transaction.

“These people are neighbours; in the suburbs we basically work for money; it’s a matter of trust” (Temuri Beridze, Machinery Service Provider, Imera, Tsalka Municipality).

Respondents view non-cash payments as a form of mutual assistance and help:

“I always provide a service whenever I am called. I cannot leave a man in trouble; I help them out and they would help me out and instead of money they give me cheese or potatoes; many are grateful” (Leri Girgvliani, Vet, Dmanisi Municipality).

“I think that if I refuse and don’t lend a helping hand to my neighbour, his business will suffer and so will mine.” (Merab Artmeladze, Machinery Service Provider, Iraga, Tetrtskaro Municipality).

4.3.4 The Positives and Negatives of Non-Cash Payments

The most beneficial aspects of non-cash payments for SSLP’s are the savings in transportation costs, and particularly for women, time spent selling produce as well as the time saved in not having to buy goods for the home. For service providers, the most beneficial aspect is the sale of the produce they receive in

return for services, for a profit. Those with transportation, storage and a market or buyers can generate a profit from waiting to sell a commodity when the prices are higher or by transporting them to an area where the commodity is scarce. In the case of shop keepers, they benefit from buying household goods at wholesale prices and selling them at retail prices for farm produce at farm-gate price which they then sell at wholesale or retail price. Thus a margin is made both on the household products and the farm produce. They do however bare some risk and the storage, transport and marketing costs in these exchanges. Providing they have the means to do it, converting produce received in return for services into cash is profitable for all service providers although it incurs extra effort. Service providers also prefer to exchange their service for produce rather than incur debt. In a thin market where there is a shortage of cash paying clients and the service market is relatively underdeveloped, NCP's offer a way of continuing business.

“The good side of exchange is that both offer what the other side needs; there is no negative side; that's how I receive 30 % of payments. This system is better for mowing of grasslands; they cannot pay money; so we work on exchange”; (Zura Gadrani, Grassland Owner, Dmanisi Municipality).

“I view it as business; anyway I need these products; I must go and buy them; for me both are important – cash and noncash transactions (Vladimer Devnozashvili, Machinery Service Provider, Dmanisi Municipality).

90 % of the respondents have a positive attitude towards non-cash transactions. Those, who say that noncash transactions have their negative side; state the desire for cash flow as the main reason and the extra effort involved to translate the NCP's into profit.

“The bad thing is that money does not circulate. There are families that have cash income only in the form of a pension; they use this cash to pay for utilities; people have little money” (Giorgi Devnozashvili, Milk Collection Centre, Gantiadi Village; Dmanisi Municipality).

“The bad thing is that I need money; sometimes I am forced to take cheese and cannot sell it.” (Leri Girvliani, Land Owner, Iphnari, Dmanisi Municipality).

4.3.5 Proportion of Income as Non-Cash Payments

For those service providers, who have an established practice of converting NCP's into cash a major part of their income is dependent on them.

“I save GEL 100 per month when I get something in exchange for my services.” (Iana Markirosian, Tailor, Tetrtskaro Municipality).

“I can say that out of GEL 500, GEL 100 is non-cash profit” (Temur Artmeladze, Truck Owner, Tsintskharo Village, Tetrtskaro Municipality).

“(By taking NCP's) We increase shop income by 10-15 %. If I worked just with cash, my business would collapse.” (Shota Vanadze, Shop Owner, Imera Village, Tsalka Municipality).

“My monthly average income is GEL 300; GEL 150 I receive through barter trade.” (Nana Parjiani, Owner of Second-hand Clothes Shop).

“If I make GEL 400-500 a month, GEL 100-200 comes as a result of barter trade”. (Lali Tsindeliani, Owner of Informal Milk Collecting Centre, Dmanisi Municipality)

4.3.6 Preferences: A Comparison of Cash Payment and Non-Cash Payment

When the respondents were asked whether they liked NCP's and what they would prefer given a choice, despite the positive evaluation of the benefits of non-cash payments by all respondents, all respondents replied that they would prefer payments in cash. Cash providing more security and freedom of choice enabling the respondents to buy what they want rather than what they are offered.

“It is always better to take cash. It would be better to have a market where we can sell and buy whatever we need and at the price we prefer.” (Madona Mosiashvili, Mashavera Village, Dmanisi Municipality).

Respondents felt that given access to markets they would prefer to sell their own products for better prices and then buy other goods at market price with the cash. SSLP's believe that they lose out in exchanges where their produce is exchanged for low prices with whatever they exchange it for being relatively expensive. Farmers would prefer to have better access to markets, in order to have the opportunity to sell their own products. However they also like and see the benefits of the system, and think that under current circumstances they do not have any other choice. NCP's are also actively sought by some service providers, who have the resources to generate a higher return on the produce they receive.

5. CONCLUSION

This research provides a comprehensive if introductory picture of the informal economy and its operation in relation to SP's and SSLP's engaged in the dairy, beef and sheep sector. The research provides preliminary details of activities and information about employment, income and market activity in the programme area hitherto relatively 'hidden' to the programme's understanding and with no consequent modification or accommodation made for it in its design and implementation. It is clear that it is particularly important to evaluate the role of the informal economy in a rural programme area with livelihoods based on agriculture and with the integral participation of women in key value chain activities. The following points below summarize some of the key factors of the informal economy in the programme area as it emerged from the research:

1. Barter and NCP's allow SSLP's access to products and services that would otherwise be unavailable when they do not have cash.
2. Barter and NCP's allow community based service providers to continue business where there is a shortage of cash paying clients.
3. The positive benefits of barter are savings in transportation costs, time, a ready market for products and the ability to sell and buy despite the unavailability of cash.

4. Non-cash payment is profitable for those service providers who have the resources i.e. transport, storage, time, market information to generate a higher return on the produce they receive.
5. In terms of profitable economic transactions, service providers rate cash payment first; non-cash payments second and services provided on credit, third.
6. Villages with limited transport e.g. highland villages have a higher incidence of barter exchange and NCP's for services.
7. Readily available commodities in highland villages i.e. calves and potato are exchanged for commodities available from other geographical and climatic zones e.g. for sacks of flour for bread at home.
8. Large farmers usually pay cash.
9. Cheese appears to be the most important product in barter exchange. It is easily exchanged and is in demand.
10. Women are more involved in barter trade than men; as they make cheese and then buy the products required for the family which they know are required.
11. Women save time through exchange; time that would have been spent in marketing the cheese and time buying goods for the family¹⁶.
12. Azeri women, who often face restrictions on their movement outside the home, responded positively regarding the convenience of everything being delivered to their door. The interaction between gender, ethnicity and barter requires further study¹⁷.
13. Kinship and community ties are pivotal in the informal economy where trust is a significant factor in dealings and the requirement to help neighbours/members of the community.
14. Negotiation is a part of exchange setting the value of the goods and services used in the exchange.
15. Barter exchange takes place throughout the year.
16. Most of the available cash of most of the families involved in barter exchange, comes from pensions and some salaried work and is used to to pay for utilities etc.

Discussion and Implications

What is apparent even at this initial stage of research into the value of the informal economy and the implications for its incorporation into a market development programme is that it must be taken into consideration during all stages of programme development and implementation from market research to impact assessment.

A major area of integration will for example be in the calibration that will have to occur in the calculation of the Net Attributable Income Change of each intervention. Another key area is the insight that the

¹⁶ Some recent debate has been ongoing in the market development and gender sphere about whether 'saving time' (due to programme activities e.g. the transition to the sale of liquid milk to a Milk Collection Centre rather than the sale of cheese) in the form of rendering it unnecessary for women to go to market to sell produce, denies women an opportunity for social interaction and other potential opportunities for engagement. The respondents of this survey indicated that the time saved in this way was for them a positive benefit and that this time can provide them with more time for tasks in the home including time spent with their children engaged in tasks such as helping with homework, other income generating opportunities or with leisure time which indeed may be social.

¹⁷ E.g. it could be that there is a prevalence of barter exchange in the transactions of Female Headed Households (who often lack cash or are restricted in movement) but this needs further study.

research gives into the lives and 'economy' in which female SSLP's operate. An important tenet of the Alliances programme has always been that those families with fewer than three cows do not sell liquid milk and produce cheese for 'home consumption'. This research has now expanded the understanding of the economic activity which lies behind the phrase 'home consumption', with cheese being one of the primary commodities valued by SSLP's and SP's alike for the exchange of goods and services. An intervention dealing with the transition of cheese making to the sale of liquid milk must now make additional assessment of the relative benefits and disadvantages of such an intervention. Indeed many assumptions must be reassessed, indicators re-evaluated and impact assessment expanded to encompass the complexity of the reality of market activity in the area, as it now begins to appear.

Incorporation into programme methodology will not be without difficulty as what has emerged from the research confirms what the body of research that has gone before it has already established, i.e. the flexible and opportunistic nature of the informal economy. The informal economy emerges and grows to fill the gaps opened by constraint. Opportunities to make profit on exchanged goods by service providers are taken, if resources (transport and storage), time and market information are available to them and if by not accepting them they will incur a debt. In barter exchange, SSLP's know that their products are exchanged for below optimum market price and that the goods they receive in return are relatively expensive but also acknowledge the convenience of the system in the face of constraints; lack of market information i.e. a market for their product and pricing, lack of transport, lack of mobility (including cultural/gender/age based constraints on movement) and lack of access to credit/cash which weaken their bargaining power. In the exchange of their labour or products for services however SSLP's often receive services from providers who would prefer cash but accept that their 'customers' are paying with the only 'currency' that they have. The informal economy therefore allows services to continue that would otherwise collapse and customers to buy/access them that would otherwise be unable to do so.

The system has its basis in community life and is regulated by kinship and social ties embedded in the social norms and values of a community and allows for social welfare to be included into market based transactions in a way cash does not. This system whilst the aforementioned constraints continue is therefore fundamental to rural life and social well being in the programme area and the programme must now consider the quantitative and qualitative measurement of its value in its programme strategy, design and impact assessment.

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ANNEX 1: SMALL SCALE LIVESTOCK PRODUCERS AND SERVICE PROVIDERS
QUESTIONNAIRES



Research into the Informal Economy
Questionnaire for Small Scale Livestock Producers

DO NOT READ this section to the group. Please fill it out based on your observations during the course of the discussion. Any additional information gained should be entered on the back of the forms.

| Interviewee Background | | | |
|------------------------|------------------------------------------------------------------|--------------------------|--|
| Name of interviewee | | Ethnicity of interviewee | |
| Village | | Community | |
| Gender | <input type="checkbox"/> Male <input type="checkbox"/> Female | Type of activity | |

| | |
|-----------------------------------------------------------------------------------------------------------------------------------|--|
| 1. Are non-cash payments used in your community? (E.g. farmer to farmer, SP to farmer, SP to SP etc. If yes, please list them) | |
| 2. Are services provided by enterprises in return for non-cash payments?(If yes, please list them) | |
| 3. Do you ever provide any non cash goods or services in return for services from service providers? | |

| | |
|-----------------------------------------------------------------------------------------------------------------------------------|--|
| <i>(If yes, please list them)</i> | |
| <i>4. How does it work?(how is negotiation conducted, when is the payment made? before the job? After?, agreement, how much)</i> | |
| <i>5. What people who are involved in these non cash transactions and who aren't?</i> | |
| <i>6. Where do these transactions take place?</i> | |
| <i>7. What advantages do NCP's have? What is /are the biggest advantage/s for you?</i> | |
| <i>8. What are the negative sides of cash-free service? What is/are the biggest problem/s for you?</i> | |
| <i>9. Is such activity a main source of your income? What proportion of your livelihood are made up of non cash payments?</i> | |
| <i>10. Do you like this system or would you prefer cash?</i> | |
| <i>11. Do you think this form of payments and services is good for you or do you have no choice?</i> | |
| <i>13. Do you have any questions or comments for us?</i> | |

Research into the Informal Economy Questionnaire for Service Providers

DO NOT READ this section to the group. Please fill it out based on your observations during the course of the discussion. Any additional information gained should be entered on the back of the forms.

| Interviewee Background | | | |
|----------------------------|----------------------------------------------------------------------|---------------------------------|--|
| Name of interviewee | | Ethnicity of interviewee | |
| Village | | Community | |
| Gender | <input type="checkbox"/> Male <input type="checkbox"/> Female | Type of activity | |

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------|--|
| | |
| <i>1. Are non-cash payments used in your community? (E.g. farmer to farmer, SP to farmer, SP to SP etc. If yes, please list them)</i> | |
| <i>2. Do you ever provide services to SSLP's in return for non-cash payments?(If yes, please detail)</i> | |
| <i>3. Do SSLP's ever offer NCP's in return for you providing them with a service? (if yes please provide detail).</i> | |
| <i>4. How does it work?(negotiation, when paid? before the job?after?, agreement on how much)</i> | |
| <i>5. Who are the people involved in using NCP's and who are those who aren't involved?</i> | |

| | |
|--------------------------------------------------------------------------------------------------------------------|--|
| 6. <i>Where these services are provided?</i> | |
| 7. <i>What advantage do NCP's have? What is/are the biggest advantage/s for you?</i> | |
| 8. <i>What are the negative sides of cash-free service? What is/are the biggest problem/s for you?</i> | |
| 9. <i>Is this activity a main source of your income? What proportion of your livelihood are non cash payments?</i> | |
| 10. <i>Do you like this system or would you prefer cash?</i> | |
| 11. <i>Do you think this is good for business or do you have no choice?</i> | |
| 12. <i>Do you have any questions or comments for us?</i> | |

ANNEX 2: KEY INFORMANTS LISTS

Table 1: Interviewed Farmers.

| <i>Key informants</i> | <i>SSLP</i> | <i>Village, municipality</i> | <i>Ethnicity</i> | <i>Gender</i> |
|-----------------------|----------------------|------------------------------|------------------|---------------|
| <i>K1</i> | Laert Togosian | Darakovi, Tsalka | Armenian | Male |
| <i>K2</i> | Gonsu Petrosian | Darakovi, Tsalka | Armenian | Female |
| <i>K3</i> | Vartan Meltoian | Darakovi , Tsalka | Armenian | Male |
| <i>K4</i> | Esma Iremadze | Tbeti , Tsalka | Georgian | Female |
| <i>K5</i> | Nana Phutkaradze | Tbeti, Tsalka | Georgian | Female |
| <i>K6</i> | Guliko Khozrevanidze | Imera , Tsalka | Georgian | Female |
| <i>K7</i> | Avto beridze | Imera, Tsalka | Georgian | Male |
| <i>K8</i> | Phasha Kasumovi | Kizilqilisa, Dmanisi | Azeri | Male |
| <i>K9</i> | Phakhrad Mamedovi | Kizilqilisa, Dmanisi | Azeri | Male |
| <i>K10</i> | Gulnara Iskandarova | Kizilqilisa, Dmanisi | Azeri | Female |
| <i>K11</i> | Madona Mosiashvili | Mashavera, Dmanisi | Georgian | Female |
| <i>K12</i> | Leri Aslanishvili | Mashavera, Dmanisi | Georgian | Male |
| <i>K13</i> | Petre Mantishashvili | Gantiadi , Dmanisi | Georgian | Male |
| <i>K14</i> | Tamila Cindeliani | Dmanisi | Georgian | Female |
| <i>K15</i> | Sevda Mashadieva | Tsintskaro, Tetrtskaro | Azeri | Female |
| <i>K16</i> | Megi Bejanishvili | Tsintskaro, Tetrtskaro | Georgian | Female |
| <i>K17</i> | Irakli Katamadze | Iraga, Tetrtskaro | Georgian | Male |
| <i>K18</i> | Nato Gogokhia | Iraga , Tetrtskaro | Georgian | Female |
| <i>K19</i> | Zurab Choguri | Ksovreti , Tetrtskaro | Georgian | Male |

Table 2: Interviewed SP's

| <i>Key informants</i> | <i>SPs</i> | <i>Specialization</i> | <i>Location</i> | <i>Ethnicity</i> | <i>Gender</i> |
|-----------------------|------------------------|---------------------------------|------------------------|------------------|---------------|
| K1 | Merabi Tarieladze | Machinery Service Provider | Imera, Tsalka | Georgian | Male |
| K2 | Temuri Beridze | Machinery Service Provider | Imera, Tsalka | Georgian | Male |
| K3 | Shota Vanadze | Grocery Store Owner | Imera, Tsalka | Georgian | Male |
| K4 | Cezari Kakxidze | Grocery Store Owner | Sakdrioni , Tsalka | Georgian | Male |
| K5 | Guguli Devdariani | Clothes Store Owner | Tsalka | Georgian | Female |
| K6 | Jemal Dekanadze | Vet | Tsalka | Georgian | Male |
| K7 | Nana Pharjiani | Second Hand Clothes Store Owner | Dmanisi | Georgian | Female |
| K8 | Zura Gadrani | Grassland Owner | Useikendi, Dmanisi | Georgian | Male |
| K9 | Leri Girgvliani | Grassland Owner | Iphnari, Dmanisi | Georgian | Male |
| K10 | Lali Cindeliani | Informal Cheese Producer | Dmanisi | Georgian | Female |
| K11 | Nugzar Girgvliani | Vet | Dmanisi | Georgian | Male |
| K12 | Giorgi Devnozashvili | Milk Collecting Centre | Gantiadi, Dmanisi | Georgian | Male |
| K13 | Lali Aslanishvili | Grocery Store Owner | Ardisubani, Dmanisi | Georgian | Female |
| K14 | Ioseb Adamashvili | Bull Owner | Dmanisi | Georgian | Male |
| K15 | Vladimer Devnozashvili | Machinery Service Provider | Dmanisi | Georgian | Male |
| K16 | Merab Artmeladze | Machinery Service Provider | Iraga, Tetrtskaro | Georgian | Male |
| K17 | Ednari Antadze | Truck Owner | Tsintskaro, Tetrtskaro | Georgian | Male |
| K18 | Liana Markirosiani | Tailor | Tetrtskaro | Armenian | Female |
| K19 | Tamar Beqauri | Grocery Store Owner | Namtvriani, Tetrtskaro | Georgian | Female |
| K20 | Gela Aphciauri | Vet | Tetrtskaro | Georgian | Male |
| K21 | Nino Guledani | Second Hand Shop | Tetrtskaro | Georgian | Female |