



**A Lessons Learned Review of
Different Approaches to the Group Organisation of
Agricultural Service Providers and Producers in
Samtskhe-Javakheti**

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Executive Summary

This review of the approaches, methodologies, activities and outcomes of work with farmers' groups in Samtskhe-Javakheti was undertaken as part of Output 5 of the SLAR project of *lesson sharing and cost-effective replication of sustainable livelihoods approaches in support of pro-poor growth in Samtskhe-Javakheti region*. The methodological approach comprised of a literature review of key project documents and background material, group consultations with a selection of the groups with whom the projects have worked and key informant interviews with project directors, managers, officers, agricultural extensionists, key government representatives and experienced members of the INGO community.

The three projects are:

SLAR: CARE Sustainable Livelihoods & Regional Planning

CIP2: CARE Community Investment Programme-2

Mercy Corps Linkages: Mercy Corps Akhalkalaki Market and Social Linkages Programme

The review is comprised of:

1. **Background:** The purpose of the review, agricultural priorities, government agricultural strategy pertaining to agriculture and farmer's groups.
2. **Groups Issues to Consider:** A review of some of the main issues affecting the formulation and registration of groups, including types of group, issues affecting membership, the importance of defining aims in group development and the stages of groups building.
3. **The Three Projects:** A detailed overview of the three projects under review with reference to the group survey questionnaire results and key informant surveys
4. **Recommendations:** Targeted recommendations according to topic.

The main themes and recommendations to emerge were:

1. The group as a *vehicle* for achieving an aim.
2. The importance of defining this aim and of ensuring and the selection of the right type of group, with the appropriate level of support to ensure the success of the aims.
3. The importance of clear project objectives, organisation and management from project outset in working with groups.
4. The importance of the market and market access to leverage gains in productivity, particularly in light of impending implementation of food safety and hygiene standards.
5. The importance of business development and related issues of financial support.
6. The importance of rural service providers in enhancing the sustainability of groups.
7. The need for the continued drive to commercial viability of the Rural Advisory Service in Akhaltsikhe and the Rural Service Centre in Akhalkalaki.
8. The need to leverage and exploit all the work done with farmers' groups, individual farmers, associations in the area and rural communities the development of an umbrella organisation offering membership, dissemination of information and the provision of a voice to smaller farmers, in a blend of policy making, advocacy and service support possibly connected to the two centres mentioned above.

9. The need for policy support from the government in the form of a clear timetable for the implementation of food safety standards.
10. The need for policy support to farmers with regards to requirements in the areas of grading, sorting, packaging and marketing for internal consumption and export.
11. The need for policy support and possible legislative changes to clarify different forms of commercial entities available to farmers' groups i.e. the commercial partnership or cooperative with consideration of a potential simplification of procedures for farmers' cooperatives.
12. The desirability of a reduction in the frequency of legislative changes to legislation surrounding groups.
13. The need for INGO's, NGO's and Government to pool experiences including work with farmers' groups; perhaps in the form of a website resource with downloadable publications, a discussion forum to help enhance existing or new projects starting in the region and the creation of a standardised interagency field guide for working with farmers' groups.
14. The need to ensure the development of vibrant agricultural extension services to meet the diverse and changing needs of farmers through collaboration between INGO's, NGO's, the government and relevant institutions. Collaboration could include secondment and a coordination link specifically for extension within the ministry to ensure the interchange of experiences and expertise.

1. Why this review?

This review of the approaches, methodologies, activities and outcomes of work with farmers' groups in Samtskhe-Javakheti has been undertaken as part of Output 5 of the SLAR project of *lesson sharing and cost-effective replication of sustainable livelihoods approaches in support of pro-poor growth in Samtskhe-Javakheti region*. In seeking to broaden the application of the review, the agricultural livelihoods components which include work with farmers groups of three main projects in the Samtskhe –Javakheti region have been included representing a broader set of experiences from which to compare, contrast and draw recommendations. Key informant interviews have also sought to include the experiences and inputs of people not directly involved in the management of the three projects, including government officials, service providers and experienced INGO members of CARE, CHF and Mercy Corps.

The three projects are:

SLAR: CARE Sustainable Livelihoods & Regional Planning

CIP2: CARE Community Investment Programme-2

Linkages: Mercy Corps Akhalkalaki Market and Social Linkages Programme

The overall purpose of the SLAR project is *to develop replicable models for participative regional planning and achieving sustainable improvements in the livelihoods of rural people*. Work with farmers to improve their production and ultimately their profit has formed an inevitable part of achieving this purpose and work with farmers' in groups has been the main means by which it has been undertaken. Examining the rationale of the three projects for working with farmers in groups has provided a significant set of examples to study. This study and the recommendations based upon it, is essential to building and improving upon future work in agricultural livelihoods in this region, particularly when considering the importance of agriculture to the livelihoods of the population and the likelihood that farmers' groups will remain the main tool for achieving improvements within it.

This review will examine the complete life cycle of work with groups by looking at the climate in and background against this work is being carried out, key issues to consider when evaluating groups and the evaluation of the projects themselves, the difficulties faced, problems encountered, successes achieved, things that with hindsight may have been done differently. Targeted recommendations divided into specific subject areas conclude the review.

The material on which the review is based has been gathered in a literature review of key project documents and background material, key informant interviews with project directors, managers, officers, agricultural extensionists, key government representatives and experienced members of the INGO community and group survey questionnaires of a selection of the groups with whom the projects have worked. As broad a sample in fact as has been possible to include within the timeframe of the consultancy of the individuals and groups whose knowledge could inform the review and the picture it has built of work with farmers' groups in the area.

The review aims to be a practical document to be of real use to future projects and practitioners working with groups of farmers and farmers groups in the Samtskhe–Javakheti region.

1.1. Agricultural Priorities in Georgia and the Region

CARE's *Environmental Overview* (Welton, 2007) provides a comprehensive overview of constraints in Georgian agriculture. This includes small land plots from the land distribution process on the collapse of the Soviet collective system, a lack of capacity to organise collectively for mutual benefit¹, the disrepair of the irrigation system, out of date machinery, lack of inputs, lack of financing, a lack of commercial planning and contracted relationships necessary to supply export markets and the need for secondary producers. The lack of a systematised agricultural support network which would include veterinary services and legislative frameworks for import and export markets, food safety and hygiene standards² which have been enacted in legislation but not implemented, can be added to the list.

Efforts to ameliorate the situation through initiatives from governmental, INGO's and International Organisations have included the promotion of exports leading to an understanding of the importance of and scope for import substitution and the domestic market, repair and reconstruction of the irrigation system including a large World Bank project investing \$40 million dollars ending in 2008, rebuilding of the transport infrastructure, increased access to credit and activities related to increased production, business development and consultancy support to help improve the financial expertise and management skills of farmers in the utilisation of their inputs and finances (Ibid, 2007). INGO's have been successful in raising production in target beneficiaries³ through improved technology and inputs and are increasingly working on ways to consolidate production, develop secondary producers and larger scale agricultural service providers⁴ such as slaughter

¹ 'Maintenance of infrastructure, buying of inputs, pooling of production or selling functions has not emerged naturally' (Welton, 2007)

² HACCP: Hazard Analysis and Critical Control Point (HACCP), is used to describe an internationally recognised way of managing food safety and protecting consumers. It is a requirement of EU food hygiene legislation that applies to all food business operators except farmers and growers. EU Regulation 852/2004 (Article 5) requires food business operators, including meat plant operators to implement and maintain hygiene procedures based on HACCP principles. The Hazard Analysis and Critical Control Point (HACCP) system is internationally accepted as the system of choice for food safety management. It is a preventative approach to food safety based on the following 7 principles:

- Identify any hazards that must be prevented eliminated or reduced
- Identify the critical control points (CCPs) at the steps at which control is essential
- Establish critical limits at CCPs
- Establish procedures to monitor the CCPs
- Establish corrective actions to be taken if a CCP is not under control
- Establish procedures to verify whether the above procedures are working effectively
- Establish documents and records to demonstrate the effective application of the above measures

Source: <http://www.food.gov.uk/foodindustry/meat/haccpmeatplants/>

³ See *Farming Families Increase Income Using New Technologies: SLAR: Agriculture Extension* December 2008. CARE Georgia. & George Sadunishvili Program Officer personal communication re. income increases of Mercy Corps Linkages Programme.

⁴ E.g. Slaughter houses, processing centres, factories.

houses and processing centres and improve access and linkages to markets⁵. They are also focussing on service provision and support the development of service providers, covering the provision and sale of inputs, machinery rings, AI, veterinary services and consultancy. Food safety initiatives, alongside market linkages, the consolidation of production and issues such as branding and packaging, are also becoming increasingly prioritised amongst INGO's.

Regional planning initiatives⁶ have increased the capacity of municipalities and regional administration to analyse and prioritise their needs against the background of INGO activities into regional and municipal strategies. The Sidebar 1 highlights the strategic goals for the agriculture sector of the Samtskhe-Javakheti region.

1.2 Government Strategy Pertaining to Agriculture and Farmers' Groups

In an interview conducted for this review with Konstantin Khutsaidze, Deputy Head of the Agriculture Development Department⁷, the Ministry confirmed that a market orientated agricultural strategy is being drafted; including issues of support to internal markets, the promotion of exports and agricultural extension. Food safety legislation has been enacted in law but have yet to be implemented with as yet no practical steps being taken to prepare farmers for the regulations on food processing they will face. Certification is another focus issue with a head start made in the organic sector with the internationally recognized 'Caucases Cert'⁸. The Ministry values the importance of farmers groups in the development of agriculture and stressed the importance of defining group priorities in group development, maintaining the sustainability of groups on project completion and closely linked with this, the importance of business development and the priority of profit generation.

Regarding the wider issues of government strategy a recent interview this January (2009) given by the Minister of Agriculture, Bakur Kvezereli to the GHN Agency⁹ highlighted; the previous year's rehabilitation of irrigation and the mechanization programme of distribution of tractors to

Sidebar 1: General Agricultural Development Strategy for Samtskhe Javakheti taken from *Samtskhe-Javakheti Agriculture Sector Development Planning* document December 2008

Strategic Goals

1. Support to increasing production quantity and quality in horticulture and livestock.
 - 1.1 Promotion of new high-productive varieties and improvement of existing breeds.
 - 1.2 Provision of agricultural machinery.
 - 1.3 Provision of qualitative and sufficient means of production and care of the farmers.
 - 1.4 Rehabilitation of the system of the irrigation
2. Improve coordination of the organisations involved in agriculture to promote more effective and efficient resource utilisation.
 - 2.1 Improvement of the cooperation and planning between local government and donors
3. Rehabilitation of roads (rural, pasture, hay meadows)
 - 3.1 Prioritisation of livestock and crop production directions
 - 3.2 Development of proposals for rehabilitation of the roads
4. Support for marketing of horticultural and livestock products
 - 4.1 Support the establishment and development of the processing plants
 - 4.2 Support investment in developing storehouses
 - 4.3 Support the marketing/exporting of produce to neighbouring countries
 - 4.4 Strengthen controls on infectious diseases
 - 4.5 Increased funding of agriculture in the region
 - 4.6 Support the effective utilisation of land

⁵ See CARE Farmer to Markets Programme as an example of this type of activity.

⁶ SLAR had a large regional planning component producing regional and municipal development plans, as well as sector strategies developed on a regional level, see Box 1.

⁷ See Appendix 4 for full text.

⁸ The name of the Georgian Organic Certification scheme.

⁹ <http://www.maf.ge/eng/> News

municipalities¹⁰, the impact of the war and the global financial crisis, the high standard of Georgian products for export including citrus and apple export to the Ukraine, Armenia and Azerbaijan, the intent to build up honey export once issues of composition and standards are settled, the at present small market but great potential for the export of Georgian wine, the substitution of the Russian export market with alternatives which is happening but still requires much effort and for 2009 a three to four year irrigation building programme about to commence and improvements to the mechanization programme.

1.3 CARE in Georgia

CARE work in Georgia began with emergency distributions in 1993 and in the eight years since CARE has shifted its focus from emergency relief to long term solutions for overcoming poverty and learning from the communities in which it works in partnership with local organizations. CARE is committed to an approach that recognises that solutions are multi-faceted, and require significant collaboration and coordination amongst all stakeholders from the community level to the national level. With extensive programming all over Georgia current projects operating in the Samtskhe-Javakheti region involving work with farmers are:

- Sustainable Livelihoods and Regional Planning (SLAR) Project: DFID, November 2005-February 2009
- Farmers to Markets: BP, March 2008- March 2011
- Community Investment Programme (CIP): BP, August 2006-July 2009
- Strengthening the Role of Rural Associations in Democratic Processes in Georgia (STAGE)¹¹: November 2006-April 2009

1.4 Mercy Corps in Georgia

Mercy Corps' goal in Georgia is to create stable and secure communities in regions impacted by poverty and conflict. Seeking to reduce rural poverty and help alleviate lingering social and ethnic tensions due to recent political and economic upheavals. The integrated approach includes collaborating with all levels of society and incorporates a strong focus on economic development. Current projects operating in the Samtskhe-Javakheti region involving work with farmers are:

- Akhalkalaki Market Linkages Programme: EU, January 2006 – February 2009
- Alliances Programme: SDC, October 2008-October 2011

¹⁰ An issue with this distribution was the lack of implements to go with the tractors and ownership, a partnership was formed in one municipality to solve this. David Malazonia, personal communication.

¹¹ The STAGE project aims to build the capacity of rural associations through improving management structures and staff skills, raising awareness, establishing relationships with national-level organizations and the private sector. Such National level agencies are able to advocate local development at the central government level. See details of associations under the project www.ruralassociation.ge

2. Groups: Issues to Consider

To ensure that the analysis of the three projects reviewed in Section 3 was fully informed and in order to formulate the recommendations in Section 4, it was essential to identify, define and understand the key issues to consider when evaluating farmers' groups. On commencing the review the lack of clarity and 'difficulties' surrounding legislative issues was the primary issue to be discussed, in particular the difficulty of knowing which type of group was the 'best', which type should be promulgated when working with groups and which would provide the greatest benefit to the members. On investigating the types of groups, legislation and in attempting to ascribe advantages to a particular choice, one main thing became clear, the importance of choosing the type of group which best fits the end aims of the members. This section details the factors informing that choice.

2.1 Why Groups?

Before beginning the survey work it was important to examine and qualify the rationale behind the promotion of groups as a project activity, in order to find out whether it was borne out in the findings of the survey phase. Each project document under review contained statements pertaining to the rationale behind group formation, some of the statements are paraphrased below:

The group is necessary because:

- farmers lack access to credit, inputs, advice, justice and markets (through degraded rural infrastructure) and also lack models of working together to effectively capture economies of scales for input supply, marketing and distribution and are thus atomized into family level enterprises.

The group is:

- critical for establishing effective linkages to high value markets and for providing farmers with more bargaining power.
- particularly important to fragmented farmers operating in remote areas due to the aggregation of production and sales to improve efficiency and develop effective market linkages.

The group plays:

- an important role in bulk produce collection and introduction of quality control and product grading for which buyers pay a premium.

The projects therefore promoted:

- the establishment of groups to pool resources (both financial and technical expertise) and to achieve common production and marketing goals.
- the organization of smallholders into economically viable models, and capacity building to improve market access and distribution.
- the creation (where feasible) and building of the capacity of producer and service groups to achieve economies of scale and increase profitability of enterprises.

2.2 Types of group

Defining terminology and the promotion of its consistent use amongst interested parties quickly became apparent as a necessity when dealing with work with farmers in groups. CARE and Mercy Corps had both produced material to lay out and explain, the characteristics, regulations, benefits and advantages of the types of groups with which they were working in an attempt to set down and simplify what currently exists as articles of legislation in the tax code, civil law or entrepreneurial law. The tax office also stated that they had at one time produced brochures, however rapidly changing legislation persistently rendered them obsolete¹². Following the key informant interviews the material produced by CARE and Mercy Corps has been edited to standardise the terminology relating to groups (which can often become interchangeable in translation) and to include more comprehensive sets of information. (This material may be found in Appendices 1&2)

Regular checks to ensure updates and changes in legislation will have to be made however until the legislative environment surrounding tax and groups becomes more stable. In addition this review was unable to pin down several legal definitions and specific tax regulations important, when wishing to make the legislation pertaining to groups absolutely transparent for rendition into practical project procedure. Recommendations pertaining to these points of law, terminology, updating and clarifying legal information, legal training and compilations of field guides can be found in Section 4. The following table summarises some of the key points relating to groups and are an aggregation of information from key informant interviews and represent the types of group commonly identified by INGO's for use with farmers.

Table 1: Types of group with definitions of status

Type of Group	Registration Process	Legal Status	Orientation ¹³	Comments
Non Commercial Legal Entity (NCLE)	Through tax office. Set of notarised documents taken to the tax office. See Appendix 1.	Legal Entity	Grants and level of service to community/benefits conferred through activities. Profit ploughed back into activities. Full management structure.	Used in the CIP2 project for 6 service groups and 2 in the MC project and for the RSC & RAS.
Cooperative	Through tax office. Set of notarised documents taken to the tax office. See Appendix 1.	Legal Entity	Profit through commercial activity. Share capital basis. Diverse management structure and high level of accountancy required.	18 registered in the MC Linkages project in conjunction with continuous training and support.
Non Commercial	Through the notary. Simple	Grouping of 'natural/ordi	Receipt of grants and non commercial	Used in the SLAR 12 producer and service

¹² In addition the tax office would not have details of all types of group i.e. non commercial partnerships.

¹³ See appendix 1 and 2 for information relating to tax and the recommendations section regarding the need for a full review of tax as it relates to the different types of groups.

Partnership (NCP)	charter prepared and notarised. The partnership agreement generally has an 'expiry' date which must then be renewed or the group transform into a commercial group. See Appendix 2	nary' Persons.	activity. Any profit ploughed back into activities. Simple management structure.	groups and CIP2, 11 producer groups. Less bureaucratic and simpler to register, management format simple.
Commercial Partnership (CP)	As above with tax declaration. Some aspects of this form of partnership need further verification. See Appendix 2	Grouping of individual entrepreneurs .	Profit through commercial activity. Simple management structure	The natural progression for NCP's commencing commercial activity, registration with the tax office i.e. filling in a tax declaration form within 10 days of commencing commercial activity.

2.3 Group Formation

Methods used to recruit groups varied between projects. SLAR used a mixture of existing group structures from SLAAR and created some new ones. Furthermore, at the beginning of the project, working in some small communities of around twenty households, SLAR tried to enlist the community as a whole into the groups, they found however that the groups in these communities naturally settled into small nuclei of committed individuals. CIP2 used demonstration farmers from CIP1 and 2 who were then responsible for recruiting two client farmers; these formed the nucleus of the groups. All the service groups were however new to CIP2, although some members of these groups had worked as demonstration farmers under CIP1. Mercy Corps created new groups in all but one case. All projects used the community meeting as the start point for raising awareness and informing the communities of their aims. What is interesting in the case of the CARE projects is the longevity of the history of some of the groups surveyed; the effect of this as opposed to the creation of 'new' groups could be the focus of further study.

The term 'new' groups is relative, as the importance of kinship, communal and strong interpersonal ties were of paramount importance in the formation of the groupings consulted, in tandem with allegiance to the common activities necessary to achieve the group aim.

2.4 Membership Composition

Some factors influencing composition are mentioned above. However INGO's often influence group composition for the attainment of inclusiveness whether of gender, ethnic composition or of the poorer members of society. In farmers' groups, due to the nature of farming itself and the recruitment process, more 'active'¹⁴ members tend to make up the membership and it is often these 'active' members who have some measure of resources and

¹⁴ The word was frequently chosen by key informants to denote the more motivated and enterprising individuals.

skill levels. In its selection of demo farmers CARE have formulated a criteria¹⁵ for selection which attempts a mix of factors influencing selection in an attempt to ‘widen the net’ from the middle to higher points of the spectrum. Mercy Corps stipulated a membership of no less than 20 percent of women and an ethnic composition that reflected the existing ethnic composition of the Sakrebulo or community in which the group was based. Again these factors and their effect on the group are worthy of further study.

2.5 Level of Activity

An interesting issue is what constitutes an ‘active group’. More formal activities can include payment of membership dues, regular accounting, meetings, and the development of business plans. Informal activities are however most common, i.e. seeing and talking to each other every day and working and carrying on with the activity to which they are committed. The survey found evidence of both formal and informal levels of activity. The level of activity can be used to form criteria for the measurement of group sustainability during the lifetime of the project and following project completion.

2.6 Preconceptions

Extensionists and project staff working with farmers’ groups questioned as to ‘difficulties’ in setting up the groups referred to two main areas of preconception which in the beginning hindered the process of group formation. The first were preconceptions relating to NGO’s themselves and included; a level of doubt on behalf of the communities encountering the INGO for the first time as to the ability of the INGO to produce tangible results rather than just ‘talk’, suspicion that the actions of the INGO’s wouldn’t help/touch poor people only those better connected in the community, and the feeling that the INGO would, if they waited long enough, just ‘give them something’, without them having to commit to action themselves. In tackling these preconceptions INGO’s with a working history in the communities had an advantage. The Mercy Corps group recruitment which had been going slowly gained considerable momentum following successful potato and AI trials, a previous infrastructure project also helped in overcoming the initial difficulties due to preconceptions. Local project staff with strong communal ties are also invaluable in this regard¹⁶.

The second main set of preconceptions more directly related to groups, were related to the *Kolkhoz*¹⁷ system. Through the interviews a picture of what these preconceptions entailed was built up:

- Difficulty understanding that in the project established groups everyone would have equal rights and everything would be open and known to all including the finances.

¹⁵ Criteria for Demo Farmers Selection, Annex 5, *How to design set up and run on farm demonstration plots*. CARE Georgia

¹⁶ In addition to the ongoing and tailored support which they often provide.

¹⁷ The *kolkhoz* system as it operated locally was a top down system with a director and deputy issuing orders to the ordinary workers. The workers were paid according to hourly or daily rates and were always paid the same regardless of whether it had been a good or bad year. The members would see their production levels they would not however be party to what happened afterwards and so had no knowledge of whether it has been stored, sold and what price it had fetched. Personal communication, Mkrtich Mosesian CIP2 Agricultural mobiliser.

- Difficulty in understanding the market chain as *Kolkhoz* members had no input into selling or marketing the production.
- Strong recollections of the top down approach and director leading to a lack of belief that they could choose who to work with and that once they had formed the group that they could make decisions themselves without the INGO in the role of ‘director’.

2.7 Give and Take: A Balance

The importance of a contribution towards larger inputs was validated by many key informants working closely with farmers’ groups to ensure a level of commitment to the activities and avoid the pitfall preconception of INGO’s ‘giving something for nothing’. However a number of key informants also stressed the need for an adequate level of investment to fulfil the aims of the groups and that even where the group work is strong and the group committed, material support is essential. As one informant noted, *‘Concrete examples of what the project can provide and what can be done are very important. This does not mean providing things for free and a sliding scale where the farmer contributes more and more should and has been employed successfully. However it should be recognised that in the beginning the farmers do not have the collateral to guarantee themselves for credit and do need larger inputs to really improve production, machinery, buildings etc’*.

2.8 Access to Credit

Access to credit was recognised in each project as essential to the farmer groups and individual farmers seeking to emulate their activities and all three projects worked with leading micro finance institutions to improve this access¹⁸. However the credit situation in Georgia reflects global financial trends and interest rates are prohibitively high with loans being given less often and for smaller amounts¹⁹.

2.9 The Importance of Aims

As noted in Table 1, the different types of group have different characteristics and orientation. Identification of the needs, level of development and aims of farmers’ groups within a project and the selection of the correct type of group to fulfil them is essential to the success of working with farmers’ groups.

The main criteria for selection between the different types of groups are as follows:

- Whether the group activity is to be commercial or non commercial i.e. orientated towards profit or not.
- Whether the members are to be grant recipients or not

Secondary issues to consider are:

- The complexity/simplicity of management/reporting/accounting structure.
- Whether the group is best suited to, or desires to be a legal entity or group of ‘natural’ persons/individual entrepreneurs
- The level of bureaucracy involved in registration.

¹⁸ See Section 3 Boxes 2 and 3

¹⁹ Key informant interview Constanta Akhaltsikhe Branch Manager.

The issue of registration as a legal entity or formalisation of the group under the civil code with notarised documents should again be dependent on the aims of the group. Increasing the formality of the group is often necessary however to facilitate group development and help fulfil aims in the form of receiving grants, obtaining credit, or marketing and selling produce.

2.10 The Different Stages of Group Support

A critical factor in group development and in the achievement of aims is the level of support given to groups. This support tends to differ according to the development of the group. The order in which this support is given may vary from that listed below. The most important factor arising from the survey was that of providing the right amount of support at the right points in the groups' development to enable them to achieve their aims. The different types of support may be described as follows:

- **Enabling:** Capacity building, team building, conflict resolution, gender, leadership, etc all these are enabling factors to ensure that the group is working properly.
- **Skill and Knowledge building:** Accounting, business planning, legislation, tax advice etc tools/skills to enable the group to manage themselves efficiently and operate to capacity.
- **Technical Input:** The most important input bar material input for actually realising the aim.
- **Material Input:** The machinery or equipment without which the aim of the group cannot be realised.

2.11 What Defines Success?

The overarching measure of success is the achievement of the aims for which the group was formed at project inception. When looking at these aims, longer term and shorter term or targeted and more general aims should be differentiated between. It is likely that shorter term or targeted aims may vary according to circumstance during the project lifetime e.g. the formation of a specific number of cooperatives, the giving of a specific grant, whereas longer term aims e.g. improved access to markets, improved livelihoods will not. There will be the specific aims of the groups themselves, achieving higher yields, obtaining machinery, obtaining credit or increasing selling opportunities within the longer term aim of improving their livelihoods. There is therefore some flexibility in assessing the achievement of aims particularly in relation to the choice of the 'right' type of group which will depend on level of development and needs of the group as outlined in 2.9 above.

Another measure of success is the sustainability of groups; their existence, level of activity, and growth or transformation on project completion. For the purposes of this review, one project is ongoing the other two in the final stages, it is therefore too early to assess their sustainability.

Another useful indicator of success and one which may be used in this review are the benefits accrued as a result of being in a group. These may be a direct achievement of stated aims or may be in addition to them. The following benefits were identified throughout the consultations.

- **Morale:** New enthusiasm, hope, clarification of purpose and level of activity.

- **Credibility:** Trust in each other and from others due to involvement with the INGO, group organisation and attaining legal status.
- **Resources:** Access to knowledge from other members of the group and the project, pooled machinery, equipment, land, skills, and labour, new technical information.
- **New Inputs:** New technologies, new skills, new machinery and equipment, new linkages and relationships, new information, new markets.
- **Income:** Access to credit, establishing credit histories, increased yield leading to increased income and profit, payment of debts.

Factors for success

The main factors contributing to success as defined above may be summarized as follows:

- The clarity of the aims of the project and of the group.
- The appropriate type of group chosen for achieving the stated aims.
- The timeliness, appropriate type and level of support.
- A level of farmer contribution to any grant.
- The provision of, a grant/machinery/equipment/inputs.
- The availability of credit both during and after the project.
- A diversity of group members, ensuring a broad mix of skills.
- Strong and motivated individuals contributing to the group as a whole.
- Group cohesion including unity of activity and purpose.
- The possession of the necessary skills to continue the group activities and to maintain the group structure.
- The existence of a market for the goods or services delivered by the group.

3. The Three Projects

The three projects under review are CARE Projects SLAR and CIP2 and the Mercy Corps Akhalkalaki Linkages Programme. In reviewing the outcomes of the group components of the projects it is important to note the weighting of the components within the projects as a whole to set the evaluation in context. The group component in SLAR represents one component of one of five outputs, farmers groups represent one component of one of the two objectives in CIP2 and in Mercy Corps Linkages, group formation was the dominant activity of the project. In all three projects the partner organisations profiled in the sidebars to follow play important roles in providing services to the components of the projects under review. The methodology employed in the survey phase following the literature review was to employ open ended prompts, open discussion and specific questions where required, for the key informant interviews (Appendix 4) and to employ a survey questionnaire with mainly qualitative and open-ended questions to the selected groups(Appendix 3). Groups were largely selected on availability and to reflect the different types of producer groups e.g. honey, livestock, potato, vegetable and service groups e.g. machinery ring, veterinary services. The interviews have been included in their entirety in the Appendices to serve as reference material for anyone seeking to further the study of work with farmers' groups.

The emphasis was less on reviewing the absolute fulfilment of criteria set out in the project log frame than:

- Identifying where outputs differed from those in the log frame/methodology/proposed activity and the reasons for the difference.
- Identifying strengths/successes in the process of group formation, development and outputs.
- Identifying difficulties/problems in the process of group formation, development and outputs.
- Developing from the interview process and a collation of the above, a clear set of issues to consider when working with groups as laid out in Section 2.
- Building a picture of the inputs/support the groups received and the outputs/benefits that were the result.
- Requesting, collating and refining from the respondents' answers and the issues collated the recommendations which make up Section 4.

In the following text the key component under review and methodology is taken from the project document whilst the activities and outputs to date are based on the key informant interviews.

3.1 SLAR

CARE's Sustainable Livelihoods & Regional Planning (SLAR) project began in November 2005, ending in February 2009. Building on its predecessor SLAAR (Sustainable Livelihoods in Adigeni and Adjacent Rayons) to strategically focus on 'sustainable improvements to the economic livelihoods of households'²⁰; the project addressed five main thematic areas; regional development planning which encompassed the establishment of a Regional Development Agency and work with municipalities to formulate municipal development plans and a regional strategy; rural infrastructure rehabilitation working with village initiative groups to formulate and prioritise projects, agricultural extension services including the establishment of a Rural Advisory Service (RAS) for the provision of these services in the project and for the area, legal support and advocacy work, including legal advice to rural families, dispute resolution the drafting of farmer friendly legislation, and support to rural business development through the establishment and support of farmers groups and the provision of business start-up grants and loans²¹. The establishment of the Rural Advisory Service was key to the achievement of the objective under

²⁰ SLAAR2 Implementation Proposal P11

²¹ SLAR Agriculture Extension December 2009 P27

Sidebar 2: Project Partners

ABCO Georgia: Association of Business Consulting Organisations in Georgia

Created and functioning since October 2001.

Partner to CARE SLAR, CIP2 & Mercy Corps Linkages

Objectives

- Coordinate activities of Georgian Business Support organizations,
- Provide Georgian Business Organizations with financial support,
- Facilitate increasing the efficiency of BSO's operations,
- Assist the development of private entrepreneurship in all Georgia.

Services: General business consulting and training to local enterprises covering all aspects of surveying, planning, legislation, business development, group registration and support

Specific Services to SLAR: Trainings and consultations with farmers, help with business plan preparation.

Trainings and legal advice on 'Non Commercial Legal Entities & How to Form Cooperatives'. Each group had about one to two trainings with some additional support, including documentation provided by ABCO of their own volition on relevant subjects to help the farmers.

Specific Services to CIP2: As above with specific consultation for the Business Plan competition.

Specific Services to Mercy Corps Linkages: Consultations and trainings business planning, how to plan the trainings, finances and accounting, taxes, help writing projects, writing business plans, how to get credit, legal advice, business coordination with government organisations. First year: Business planning, cooperative registration process, business formation. 2nd year: Group regulation, accounting, reporting, tax declaration.

review as was the involvement of the project partners, ABCO and to a lesser extent Constanta (Box 2).

3.1.1 Key Project Component Under Review

Output 2:

Improved provision and uptake of rural advisory and support services (production, marketing and income generation) on a cost-efficient and sustainable basis.

Activity 2.2: Development of market infrastructure in rural areas facilitated.

Activity 2.2.2 : Expand market infrastructure in the region based on principles of cooperation

- At least 12 informal producer groups cooperate in joint activities for production, input supply or other service provision by EOP
- By EOP 2 service cooperatives have been established within the pilot areas of the project and are providing input supply, equipment and marketing services
- By EOP 4 producer cooperatives have been formed within the pilot areas of the project with an increase in returns of 15% compared to the returns of individual members.

Activity 2.2.3:

- By EOP 12 Businesses/Producer Groups to have received bespoke business development training including market identification and marketing skills.

3.1.2 Methodology

- Creation of a minimum of 12 informal farmer groups that will cooperate in production, input supply or farm service activities.
- Out of this group, facilitate the creation of at least two service cooperatives and four producer cooperatives.
- Business and marketing support to these cooperatives
- Provision of credit.
- Participation of key people from these cooperatives, from the local administrations and from the project in a study tour to another NIS country and Eastern Europe to experience successful models of cooperative development there.
- Support to cooperative development activities organized with the assistance of consultants from Ukraine and Eastern Europe.
- Grants to be co financed with farmers' groups covering 20% of total costs.

Sidebar 2 Continued:

JSC Constanta Bank

Established 1997, received license from Bank of Georgia in July 2008 to conduct commercial banking operations. 400 clients in Akhaltsikhe, 1.1million outstanding, 1-2% portfolio at risk.

Mission: Easily accessible high quality financial products.

Relevant Products: Quick loans' to small entrepreneurs from \$50-\$100,000, collateral or non collateral depending on amount min 32% interest – 48%, with terms form 3 months to 3 years. Agro loans maximum 5 years property as collateral up to 26% minimum 26% - max 48%. Prefer groups registered as legal entities. Tax declaration from tax office needed. The loan given to one representative, the group activity checked. Informal groups could apply through one individual. Loans were once available to informal groups but stopped as interest rate became too high.
Partner to SLAR, CIP2

Specific Services to relevant component of SLAR: Management of £15,000 of SLAR micro finance money for start up new start micro businesses.

Specific Services to relevant component of CIP2: Agreement that equipment can be used as collateral.

Service Provider Created During the Project: Rural Advisory Service

The Regional Advisory Service (RAS) is an independently registered organization, providing business, legal, agricultural and credit advice & services to individuals and communities in the Districts. The everyday advice and technical extension provided by the RAS, is backed up during the project by specialist support and services from the project consortium members, who will act as referral agencies for more complex business trainings, actual provision of credit, or arbitration in the case of a business dispute. Thereby, presenting the identity of the project through a single body (the RAS). The RAS is registered as a NCLE.

3.1.3 Activities and Outputs to Date

Spring 2006: Community meetings, village meetings, demonstrations to farmers in AI/Maize improved seed/new varieties of apples/non irrigated alfalfa

December 2006: 12 groups selected

January/February 2007: Group consultant sets out specific objectives with action plans for groups. Attempts to import seed potato.

March/April/May 2007: 5t of seed potato purchased, demonstrations begin with potato, livestock (feed and parasites) and vegetables (fertilisers, pesticides, espalier methods)

June/July/August 2007: Demonstrations continue, record keeping

September/October 2007: Potato production, winter storage, farmer exchange from U.S. (ACDI/VOCA)

January/February/March 2008: Grants mentioned. Group consultant interviews producing analysis of all aspects of groups and action plans for each. ABCO 3 day trainings, business plan, administration, accountancy, group legislation. March 13th meeting to discuss future plans and development

March 2008: Consultant to look at service cooperatives

April/May/June 2008: Group members to the Ukraine. Identified 6 stronger groups, 4 producer groups and 2 service groups in **June** for a higher level of support.

July 2008: Determined machinery and equipment needs.

August 2008: Decision on the type of entity the group would become.

September/October 2008: Registration of eleven groups with notary as Non Commercial Partnerships.

November/December 2008: Business Plan development, review of business plans, giving of grants i.e. purchase of equipment. Work and granting process with one of the original twelve informal groups discontinued due to failure to comply with administrative requirements and deadlines.

3.1.4 Summary of Group Consultation

Name of Group	Activity	Type of Group	Members
Friendship of Potato Producer 'Kheoti'	Seed and table production	Non Commercial Partnership	4
Friendship of Cattle Breeders 'Pia'	Breeding and dairy	NCP	5
Friendship of Vegetable Growers 'Tmogvi'	Cucumbers for pickling	NCP	6
Friendship of Beekeepers 'Tsakhani'	Honey Production	NCP	4
Friendship of Machine Operators 'Ude-Techniki'	Machinery contractors	NCP	4

All the groups consulted had been informal groups or had worked together as a group on a common project prior to coming into contact with CARE. CARE through SLAAR then worked with or identified the members of these groups as 'active' members and groups when it came to the group selection phase of SLAR. Of the groups surveyed one had female members. All the groups surveyed had been granted equipment, for which they contributed around 20%, following the submission and approval of business plans developed under the project. All the groups were registered as Non Commercial Partnerships and had found the registration process very easy as it had been done for them. They had been given information about and advised on the type of group to become and chose the non commercial partnership, because: 'no tax and was easier than the cooperative', 'the taxes and administration', because they 'were advised' because in one case 'they weren't ready to become a cooperative with their old machinery', 'because they would be independent from the government' and 'to receive the machinery'. The groups had received the trainings as outlined in the methodology although often answers focussed on certain aspects of training e.g. accounting or technical training. The honey group had received their technical training in SLAAR and didn't attend the accountancy training as they are all former accountants. All the groups stated that the INGO was always accessible and easy to get in touch with for support. All groups stated that they were active mostly through relatively informal activities and that they had a business plan from the granting process and that they had no problems working together. Most of the groups had clear hopes and plans for the future including a cucumber pickling factory in need of finance, the potential for more members and increased production if the marketing issue was solved (honey group) as well as a proposal to the Polish embassy for more technical help, a wish to increase cattle breeding and plans to reseed and plant a perennial grass ley. There was no need for mediation with any of the groups.

The groups were asked whether there was anything they would change about the process, three groups would change nothing, one would have liked marketing training, another would have liked more seed potatoes and more training. When asked if there was any advice they would give to the INGO, two groups wanted to ensure a continuation of RAS activities stating that they were willing to contribute financially in one case for promotion of their product. Two groups wished for higher specifications of machinery.

When asked about the benefits of being in a group they listed; the training and grant aid received, new machinery received, increased profit, planting forage crops for cattle feed, the convenience of the group as opposed to being an individual e.g. Logistical help, hay cutting as a group (scythe), labour sharing where were unable to pay for hired labour, more enthusiasm (as a group) due to success and increasing their yield by 1.5 to 2 times with the hope for more, receiving as a group their first credit. They also noted enthusiasm from the village in presenting ideas for future collaboration and the legal status of the group conferring trust in the community and as such being more attractive to new members.

See Appendix 3 for the full script of the interviews.

3.1.5 Summary of Key Informant Interviews

The key prompts employed in the key informant interviews, were whether there were any problems or difficulties, what were the main strengths or successes whether there were any weaknesses or failures, and specific questions. A section was also added to include any additional information offered during the interview process. The two key SLAR project staff

who were interviewed were, Guram Jinchveladze RAS Director and Zura Sadatierashvili SLAR Agricultural Extensionist as well as two programme partners, Gocha Atoshvili, Director Akhaltsikhe ABCO Business Centre and Ivane Kochoradze Constanta Akhaltsikhe branch manager. In addition two representatives of the tax office, the SLAR legal specialist & CARE Country Director and Operations Manager were also interviewed whose comments have informed other sections of the report. The full script of the interviews can be found in Annex 4.

The key informants were asked whether there were any problems or difficulties encountered during the implementation of project activities. The main problem surrounded the sourcing of seed potato for the potato growing groups due to the falling through of plans for farmers to pay for improved varieties of seed potato in 2007 and of obtaining the requisite amount. The farmers refused to contribute as they had not seen a demonstration of increased yield.²² The inception phase was referred to as 'difficult' with a lack of money limiting the type of demonstrations carried out. The legal issues surrounding group management were mentioned as was the capacity building of self (RAS) and others concurrently. Coordination was initially difficult, a hangover from the *Kolkhoz* system where everyone wanted to be a 'director'. Some groups were only interested in receiving 'aid'. It was difficult to overcome the farmers' expectations of waiting to be 'given something' and to overcome the groups watching each other to see if someone was being given something the other wasn't.

When asked whether they could outline any weaknesses or failures in the project, interviewees commented that complementarity between the RAS input supply shop component of the SLAR project and the group development components could have been stronger: for example, if greater amounts of seed potato could have been purchased through the RAS shop then this could have assisted the potato producer groups. A confused inception period with limited funds in 2006 was also felt to have limited activities with farmers. One group of the twelve was eliminated during the review process, and the groups' training on legal issues and tax could have had more depth.

The strengths and successes noted by the key informants were the increases in yields, improved financial management (within groups), improved production techniques, good dissemination of technical information through the demonstrations, regular meetings between the groups and RAS, dissemination of agricultural news in the newspaper²³, the RAS shop and the growing capacity of the RAS staffs' administrative and organisational strengths. Very strong relationships had developed between the groups and the project extensionists and the farmers expressed their great satisfaction with RAS and the relationship with CARE. In addition, registration of the groups has brought them security, access to credit institutions, record keeping and accounting. There had been no complaints from the groups although they would have liked to see a quicker granting process.

Specific questions to the key informants surrounded the choice of the Non Commercial Partnership as the type of group used in the project when the log frame listed the formation of two service and four producer cooperatives. The answers emphasized that the groups had

²² Twenty five tonnes were required five tonnes were eventually bought by the project for demonstration purposes.

²³ 30 different articles have been published in the local newspaper concerning information and news about seeds, fertilizers and legislation etc.

received training on the different types of group available and that following an investigation by the SLAR legal specialist the NCP was advocated to the groups and preferred by many as the most appropriate entity given their stage of development and for receiving the grant due to the simplicity of the management and accountancy and registration through the notary rather than the tax office. In addition to the NCP suiting the groups' level of development attention was drawn to the option that the groups now have if they strengthen their organisation and activities, to transform into cooperatives. When the key informants were asked what they would have done differently, one commented on the high level of farmers needs surrounding machinery and the relatively small impact of buying machinery for only eleven groups in the context of the great needs in the area.

Additional information included key informant opinion on cooperatives not being the right form of entity for carrying out a single activity e.g. potato storage in winter, but being the right entity for a market driven initiative with all members playing an active role in the initiative²⁴.

3.1.6 Comments

The key difference between the pre project outputs/methodology listed in the log frame and consultants report and the outcomes of the project on completion, were the establishment of non commercial partnerships rather than cooperatives and the giving of grants to eleven of the twelve informal farmers' groups. Following assessment of the groups' level of development, the number of members and identifying the most pressing aim of the groups to be the granting and equipment distribution process, the SLAR legal specialist identified the Non Commercial Partnership as the type of group most suited to their needs and aims as they stood. The groups testified during the survey process to the simple level of management and bureaucracy suiting their needs and in addition noted that they could use the structure to develop towards a more commercial type of enterprise and group structure now that they had received their equipment. The groups could however given the (in some cases) transitional nature of the non commercial partnership as a vehicle for moving towards commercial activity benefit from follow up activities to ensure that this transition is successful.

The capacity building provided by visiting consultants concentrated on providing guidance and blueprints to project staff and RAS on the development of and business planning for the 12 farmers groups²⁵, Dragana Tar's reports in particular offer detailed and comprehensive methodology for working with farmers groups which could be and could have been usefully

²⁴ As part of the RAS-implemented extension activities under SLAR, 200 broiler chicks had been given to one farmer each in three districts, these did well and each farmer involved bought more chicks to rear and sold them for profit. However there was a resultant gap in the market following the rearing and selling of the batch. A chain system of staggered production by cooperative members would however provide a steady supply to the local market and the cooperative would be the ideal vehicle.

²⁵ A SLAR-commissioned consultant, Dragana Tar's first report explored possible modes of co-operation for the groups (joint purchase of inputs & equipment, establishment of machinery rings, market research & marketing study, processing of agricultural products, and visioning & planning) and listed key needs of each of the 12 groups. This report guided the work of the Rural Advisory Service (RAS) on the capacity building and consolidation of the groups. In May 2008 Dragana Tar produced a follow-up report on co-operative capital mobilisations focusing on ways to funding co-operative activities and mobilisation of member funds. In addition to Dragana Tar's input, in April 2008 a second SLAR-commissioned consultant, Nikola Gritsenko, prepared the plans for the development of the service co-operatives.

distilled into a practical manual for working with farmers groups along the lines of the CARE demo farmer manual. More continuous business training and consultancy support to groups at an earlier stage in the project and the registration of groups and distribution of the equipment earlier in project could have led to more profit orientated groups having a choice of whether to register as cooperatives or become commercial partnerships within the project lifetime. However they still have that choice and now have equipment and an easy to manage structure in which to develop their activities.

The RAS has developed to become an important feature for farmers and farmers' groups in the area, and the farmers can utilise the capacity that they have developed, through RAS, for the supply of inputs, access to advice and consultancy and (through the growing image of RAS) as a channel of advocacy or somewhere to 'expound views' and propose action with some hope of a result.

3.2 CIP2

CIP2 began in August 2006- and runs until July 2009, building on CIP1 which was carried out from 2003-2006. The goal of CIP-2 is to enhance relations between BP and communities along the pipeline through improved livelihood security and employment and strengthened civil society. Activities related to farmers include, on-farm demonstrations, training in crop production, use of inputs, livestock and beekeeping. The project aims to establish 100 demonstration plots, work with 300 farmers and strengthen 15 producer groups to achieve group production and marketing goals and trains, consults and subsidizes 10 farmer service groups.

The project is implemented with five partner organizations: Constanta Foundation, Georgian Organization of Scouts Movement, the Association of Business Consulting Organizations (ABCO), the Centre for Training and Consultancy and Partners Georgia.

3.2.1 Key Project Component Under Review

Output 1: Strengthening Livelihoods and employment

Activities:

- 15 producer groups to achieve group production and marketing goals
- 10 farmer service groups trains, consults and subsidized

3.2.2 Methodology

Producer groups established to pool resources (both financial and technical expertise) and to achieve common production and marketing goals. Service provider groups²⁶ targeting a different membership, promoted to offer farm services, reflecting lack of production-oriented groups offering agricultural services from CIP1 due to the need for acquired years of successful production experience.

²⁶ Service provider groups tend to be formed from a different type of membership than of producer groups who tend to develop to service provision rarely and only after years of acquired experience.

Producer groups

- Elaborate producer cooperation approaches
- Raise awareness of producer groups
- Facilitate creation of formal producer groups
- Develop and implement capacity building for establishment and management of producer cooperation
- Provide start-up grants (Year 2)
- Cross-visits to promote learning
- Facilitate linkages to support services and credit

Service groups

- Elaborate service cooperation approaches
- Raise awareness of service groups
- Facilitate creation of service groups
- Capacity building for establishment and management of service groups or coops
- Follow-on technical support.

3.2.3 Activities and Outputs to Date

CIP 1 focusing on communities along the BP pipeline finished in 2006. CIP2 started in September 2006 and is due to finish September 2009, having been extended to Akhaltsikhe, Borjomi and two villages in Adigeni. The main focuses are infrastructure and agriculture. In CIP1 &2 demonstration farmers were selected, supplied with inputs and training and each demo farmer has two client farmers. These formed the nuclei of the groups. CIP2 worked with some existing and some new groups ending with 11 producer groups and 6 service groups. All the service groups are new to CIP2.

In addition to technical trainings and business training from ABCO at the end of 2007, a grant competition with all groups presenting their business plan was held, with 3 service and 4 producer groups getting a grant of \$5000 to which they contributed a minimum of \$1000 towards equipment and machinery. The three service groups who received the grant are NCLE's and the other groups are all 'Non Commercial Partnerships' registered with the notary. From CARE providing 100% of the cost of inputs in CIP1, CIP2 operated on a sliding scale leading to farmers paying 100% of inputs.

3.2.4 Summary of Group Consultation

Name of Group	Activity	Type of Group	Members
Akhaltsikhe Shkvilisi Potato Producers	Seed and table potato production	Non commercial Partnership	5
Akhaltsikhe Tsinisi Vegetable Producers	Vegetables production	NCP	12
Akhaltsikhe Tsinisi Livestock Producers	Cattle breeding and milk production	NCP	5
Adigeni Varkhari Association Zekari	Veterinary services and machinery contracting	NCLE	11

All the groups had some history of contact with CARE prior to CIP2 under previous projects or as demo farmers in CIP1. All the groups consulted had female members. All the groups

surveyed had been granted money for equipment under the business plan competition to which they had contributed 20%. All the groups were registered as Non Commercial Partnerships, found the registration process very easy as it had been done for them, had been advised on the type of group to become (bar Zekari who had chosen the NCLE) and were pleased with the structure particularly with regard to tax where they wouldn't pay on profit from production under 100,000 Gel. Many members noted a 'fear' of tax regulations in particular but that had now been removed. The groups had received the trainings as outlined in the methodology and had found them useful, particularly marketing, taxation and technical training. The groups stated that the INGO was always accessible and easy to get in touch with for support. All groups stated that they were active mostly through relatively informal activities and that they had a business plan from the granting process and that they had in all cases but one had no problems working together. In the case of the Zekari Service group, 8 members had disagreed about the machinery service business plan and left, they were replaced with another eight members.

The groups were asked whether there was anything they would change about the process two groups stated that they would change nothing, one referred to more training and one, more funding and learning about new technologies. When asked if there was any advice that they would give to the INGO, one group wished for more support to grow stronger and for the project activities to continue, another more technical support and more support for the purchase of machinery for which they would pay half the cost, as well as wanting help finding other donors and learning how to coordinate with other NGO's. Another mentioned extending support to other people interested people in the village who also want to form group and to whom the project represents the main source of hope.

When asked about the benefits of being in a group they listed greater understanding of their business and plans for the future, an increase in profit, material inputs, more income, more inputs and ease of working, increased level of activity and the ability to pay back their creditors. See Appendix 3 for the full script of the interviews.

3.2.5 Summary of Key Informant Interviews

For the CIP2 project two key informants were interviewed. Lia Dididze, Project Manager CIP2 West and Mrktich Movsesian, Agricultural Mobiliser CIP2. ABCO and Constanta representatives were interviewed under SLAR interviews. The full text of the interviews can be found in Annex 4.

The key informants were asked whether there were any problems or difficulties encountered during the implementation of project activities. The two main problems noted were the weak cohesion of a group in Borjormi, where weak members were mingled with strong members and preconceptions of groups surrounding NGO's and *Kolkhoz*. One key informant identified no weaknesses or failures in the project another budgetary constraints on material input to groups and funding guarantees for the first loans before increased production.

The strengths and success noted by the key informants were using demo farmers to form the groups, as this had provided the most effective method for the dissemination of the new technologies introduced, with successful examples serving as an example to others in the communities and exciting their interest to do the same. Increases in yields and profits were noted. The division of the groups into service groups and producer groups was seen as a strength, with service groups as a newer entity not based on demo farmers but on more

business orientated people. The key informant noted that programs should work in two directions to cater for this, emphasising technology and agricultural ideas with producer groups and focussing more on capacity building the service groups to help fulfil the great need for them in the region.

Specific questions to the key informants included asking what the benefits were of working with groups. The stated benefits included easier communication with markets, improvements in quantity and quality of production, improved marketing profile and labour sharing. Other benefits were lower rates given to a group when purchasing pesticides and fertilisers. 20% lower production costs /ha when acting as a group and the ability to practice crop rotation can (avoiding mono cropping) due to the larger landholding. Explanation, information, support and training were given as the methods to ensure support to the 'weaker' members of the community given the methodology of working with 'stronger' more 'active' individuals in forming the groups. It was noted however that the success of a group depends on the members of a group and their individual strengths as members.

Two more questions concerned access to credit and the status of marketing in the project. Constanta provided credit to some of the groups and CARE provided the guarantee. However farmers found the interests rates very high and were at first reluctant to take loans and often did not have the collateral to guarantee the loans themselves. One key informant noted that cattle breeders require longer term credit. Marketing was considered the biggest problem in the area with investment needed, due to factors such as the limitations of the local market and the need for better quality products to satisfy a broader customer base.

The key aspects of the additional information provided included, the timing of trainings to satisfy requirements when they arose e.g. training for pesticides when pesticide application was needed, providing accountancy after the machinery was bought, training in business plan development and book keeping shortly before the development of the business plans for the grant competition. The importance of a spread of expertise within the group, the provision of enough material support and the importance of grants in strengthening and cementing groups were also noted.

3.2.6 Comments

A key methodological and practical strength of the CIP2 project has been the utilisation of the demo farmer/client

Sidebar 3: Mercy Corps Project Partners

IAAD: International Association for Agricultural Development

Established: 1994

Partner to: Mercy Corps Linkages

Services: Group of agricultural specialists, in livestock production, crop production, AI, veterinary services offering training, implementation, advisory services to government.

Services to Mercy Corps: Trainings in the technical aspects of potato growing, livestock breeding and honey production. Including ;25 new varieties of potato, new techniques, fertilizer and pesticides application and type, new machinery, veterinary services and AI, hives, Queens, feeding and the protection of queens. As well as checking the agricultural activity component of the business plans in conjunction with ABCO.

ICCN: International Centre on Conflict and Negotiation

Established 1994

Partner to: Mercy Corps Linkages

Objectives : ICCN is a not-for-profit and non-partisan peace-making, research and training institution, has professional experience in research and analysis, including regional security studies, sociological surveys and public opinion polling, human rights focusing on gender equity, religious freedom, ethnic minority rights, IDP/refugee studies, peace education including training in a number of fields, public diplomacy (track-two) efforts across conflict zones, cross-border activities and peace campaigning, media and publishing activities, international expertise, cross-the community development process

Services to Mercy Corps: Trainings in Human rights, gender, conflict resolution, leadership and team building. Empowerment through teambuilding and working in group, leadership, management, basics of communication, conflict prevention and resolution, raising awareness on gender and the importance of women's participation

farmer model in group building which has enabled a clear progression of input allocation and activities to the producer groups. The ties between the project staff and the groups with whom they are working are very strong. There is also a determined effort to leverage the different forms of support now available, particularly in the case of the potato farmers using RAS for inputs and utilising the Tuberi Association as a dissemination network for information and marketing e.g. on sources of seed potato for sale locally. The desire for more machinery and more training was mentioned by the groups, as well as an extension of the work to other members of the communities, as were budgetary constraints. This will continue to be an issue when working with farmer's groups who lack expensive machinery until machinery services are more developed. The methodology of considering service groups as separate entities to producer groups also seems to be a successful one, lending greater clarity to the aims to be achieved and the activities undertaken, when working with both.

3.3 Mercy Corps Linkages

The European Commission funded *Social and Market Akhalkalaki Linkages* programme began implementation in December 2005 and is due to end in March 2009. The programme is being implemented by Mercy Corps under the EC Integrated Poverty Reduction Scheme in rural communities of Samtskhe-Javakheti region. Mercy Corps partners include: the Association of Business Consulting Organisations of Georgia (ABCO), International Centre on Conflict and Negotiation (ICCN), and the International Association of Agricultural Development (IAAD) See Box 3 below.

The overall objective of the *Akhalkalaki Linkages* programme is to reduce rural poverty and social/ ethnic tensions through an integrated approach that addresses multiple aspects of rural development through sustainable economic and social solutions in the Akhalkalaki district (Samtskhe-Javakheti region). The specific objectives of the programme are to:

- Foster social and economic development in rural areas.
- Establish a sustainable mechanism for co-operation among central government, regional authorities, municipalities and communities in the planning and implementation of economic and social activities directed to create growth and improve living conditions in rural areas.
- Strengthen the local authorities' capacity to plan, implement and administer programmes directed to enhance economic development in full cooperation with the rural communities.
- Reduce/ prevent social and ethnic tension in the Akhalkalaki district.

Sidebar 3 Continued: Mercy Corps Project Partners

ABCO Georgia See Sidebar 1

VFCredo

Established 1997

World Vision, Georgian Entrepreneurs Fund.

Biggest MFI in Georgia, 5,000 clients Samtskhe-Javakheti \$5,000,000 outstanding.

Partner to Mercy Corps Linkages

Credo's mission is providing sustainable financial services to the entrepreneurial poor and Georgian micro- and small businesses, with a preference for rural activities and those businesses that create income and employment opportunities for the poor.

Credo's vision is to enable the poor to increase household incomes and reduce their vulnerability, enabling them to build a meaningful, sustainable and self-determined livelihood.

Relevant Products: Collateral Less Agriculture Loans \$5-4,000, 2-18 months, up to 6 months per year for principal payment Agriculture Loans with Registered Collateral \$50-30,000, 4-36 months, up to 6 months per year for principal payment.

Specific Services to Mercy Corps Linkages: MC deposited 38,000 euro and ABCO 3,500 euro as loan guarantee fund. Loans to individual farmers, five were members of newly established cooperatives.

3.3.1 Key Project Component Under Review

Objective 1: Foster social and economic development in rural areas:

Activities:

1. Facilitate formation of farmer groups including registration as cooperatives.
2. Training and one-on-one consultancies for business plans.
3. Facilitating Marketing and Networking:
4. Financing Groups' Business Plans and Examples of Financial Packages

3.3.2 Methodology

Through mobilisation and training of the communities at *Sakrebulo* level, the consortium of project partners is the catalyst for self formation of ethnically mixed Farmer Groups²⁷, which become the focal points for enhanced marketing, agricultural production and income. A Farm House (now Rural Service Centre), providing agricultural training on modern techniques and products, services, farming inputs and farm machinery for rent, is created by the consortium, with IAAD as the main responsible partner. In the third year, through a tendering process among the Farmer Groups and the private sector, the RSC is privatised or registered as a union. After the necessary training by the consortium, the Farmer Groups and individual households will set production priorities and will create business plans according to market demand.

Representatives of the Farmer Groups will be empowered to network for market information and for reinforcing synergies between the Groups. A newsletter will be created to disseminate relevant technical, market-related and legal information among all the stakeholders in the district.

Service Provider Created During the Project: Rural Service Centre

Referred to as the Farmers House in the methodology above and now known as the Rural Service Centre, it was formed as a NCLE from a grouping of members of the newly formed cooperatives and also has a commercial wing, Agroservice Ltd.

3.3.3 Activities and Outputs to Date

Mercy Corps first visited all the villages of the district to advertise the project, and then community mobilisers went to every village and informed the communities about farmers groups and gave out brochures and guides about MC's plans. Community meetings were held with the municipalities (studying regional development plans and municipality

²⁷ Initial group criteria:

1. An ethnic composition that reflects the *Sakrebulo*s or community's existing composition
2. A membership with no less than 20percent women
3. A start up capital contribution of no less than 50 GEL per member for setting up cooperatives and no less than 25 GEL for setting up associations/unions.
4. A common interest that unifies the creation of a Farmer Group around a certain business; in other words farmers with a common interest create a group and become members. Individual members may also obtain loans, but preferably directly in line with the group business

development plans) and with the villagers. Interested people from the meetings were then developed into groups and were given the support and trainings that led to registration, the development of business plans and material support.

The support to the groups was offered by IAAD, for agriculture, ABCO for business plans, taxation, accounting etc and ICCN for leadership, teamwork, the process of forming groups, gender etc. Group formation began in January 2006 with the first funding for the first cooperative taking place in early 2007 catching the planting season. Business plans were prepared in October/November 2006. Demonstrations were started in January catching the planting season in 2006, AI and vet demonstrations were also held plus trials with buckwheat and new hives. The Rural Service Centre formed as an association in 2006/7 and a Ltd branch formed in December 2007, to import seed potato (2008 50t) and sell veterinary drugs, fertilisers/pesticides, fish food as well as providing advice and consultancy and land cultivation services. In all, three associations (including the RSC) and eighteen cooperatives were formed.

3.3.4 Summary of Group Consultation

Name of Group	Activity	Type of Group	Members
Association Kotelia	Seed potato and table potato production	NCLE	9
Nektari Cooperative	Honey Production	Cooperative	18
Garanti Cooperative	Fattening enterprise	Cooperative	12

*Note on the day of the interview 'Five Stars', a Potato Producing Cooperative, were unable to attend.

Two of the groups were newly formed through the advertisements and community meetings, one (the association) had initially been formed under two successive projects but had become defunct. All the groups consulted had female and ethnic composition as stipulated in the criteria. All the groups consulted had been granted money for inputs (store cattle, potato inputs, honey equipment) under the granting process and after completing their business plans. Two of the groups like the majority of the project groups were cooperatives, one an association. All the groups had found the registration process very easy, the cooperatives had received continuous support. One group had chosen a cooperative on the advice of MC, one through choosing for themselves following training, as it is a 'serious' entity. The association had chosen this as it was the one form of grouping as yet untried. The groups had received the trainings as outlined in the methodology and had found them all very useful with the support provided continuous. The groups stated that the INGO was always accessible and easy to get in touch with for support. All groups stated that they were active mostly through relatively informal activities although one group held formal meetings working on rules, business plans and accounting. They all had a business plan from the group development process and in all cases had no problems working together. All the groups had plans and aspirations for the future, including purchasing more land for increased production and grading produce locally, diversifying into dairy production and larger numbers of hives and higher production.

The groups were asked whether there was anything they would change about the process, two groups would change nothing and one would have liked a tractor. When asked whether they had any advice for the INGO, all groups stated that they wanted the INGO to continue their work and broaden it, as well as one wanting more machinery and one the promotion of honey production in the area. The benefits of being in a group were listed as greatly increased

assets and resources, profit and an increase in their standard of living. See Appendix 3 for the full script of the interviews.

3.3.5 Summary of Key Informant Interviews

For the MC Linkages Programme two key programme informants Sergei Shakhbekyan Programme Manager and George Sadunishvili Programme Officer, were interviewed, two programme partners Makhare Matsukatov, Director Akhalkalaki ABCO Business Centre and Malkhazi Tchinehilakshvili, Director International Association for Agricultural Development (IAAD) and Romaz Gogoladze, Director of Agroservice Ltd the Commercial wing of the Rural Service Centre. The full text of the interviews can be found in Annex 4.

The key informants were asked whether there were any problems or difficulties encountered during the implementation of project activities. They included; preconceptions concerning NGO's and 'getting something for nothing' without action on their part and *Kolkhoz*, initial conflicts between differing group visions and ideas which were resolved through training. Some interested groups failed as they were just 'waiting for aid'. Only four groups were established in the first year but after practical demonstrations of what could be achieved interest grew rapidly. In two cases where the grant was given a little too early, some of the groups were a little hurried. With regard to technical input, the farmers initially didn't believe that IAAD could tell them anything about potatoes ('our grandmother grandmothers were growing potatoes, what can you tell us') or cattle breeding, in particular. However once the benefits were demonstrated of the new varieties and AI they had no further problems and a lot of enthusiasm.

The strengths and successes of the programme included; that the participants people now had the knowledge of how to achieve success understanding competition and the market having developed a commercial mentality. There had been improved potato quality, increased yield, new techniques, an improvement in the economic situation of those involved leading to local people with their own resources emulating the actions of the project e.g. purchasing improved seed potatoes²⁸. There was constant and timely support to the groups and new machinery for hire from the RSC. The RSC and Ltd Company are becoming increasingly necessary for the coops and the farmers. The main weakness the programme had encountered was the lack of a market for potatoes in 2008 due to cheaper imports.

Specific questions to the key informants included asking about the benefits of working with groups. The benefits included easier management over a large geographical area, ease of working greater profit making potential due to the pooling of assets and resources. When asked why the project had registered the groups from the beginning rather than developing informal groups, the answers centred around the increased marketing credibility of the cooperative and wishing to be in line with Georgian legislation from the beginning particularly in relation to the tax department. The belief was stated that the establishment of a legal entity from the beginning is better for profit distribution/market accessibility. The key informants were asked why the cooperative had been chosen as the group of choice and whether that was the right choice. The answers stated that they believed it was the right choice and listed the right of the cooperative to distribute profit, obtain an income, the

²⁸ 23 new varieties brought from Holland in the first year. Used previous studies in Georgia to target the varieties suitable for local conditions.

immediate taking and utilisation of profit. Furthermore having been informed of these factors in the training it had been the choice of the groups. MC had also, importantly, found a way around the restrictions of giving grants to groups by giving equal portions of the grant to each individual member of the cooperative.

Access to credit included loans to 40 customers of whom 5 were members of the cooperatives. (For purchases such as extra land to increase their share capital). The total amount of credit given was 80,000 USD, there were no defaults. MC provided the guarantee and checked their loan applications. The customers should now have improved credit histories. Access to credit from the end of the project will be minimal or none given current market conditions. There has been one case requiring mediation but following training the issue had been resolved. The policy of insisting on 20% of women was noted as having been artificial in the beginning, with many farmers just bringing their wives, however after the trainings many women became very confident and competent becoming some of the stronger members of the groups, this was true for about 50%. When asked what the project would have done differently, processing was mentioned as being something now required and limiting the number of members in a group to a maximum of 8 for efficiency of management and cohesion enabling them to make better decisions.

The key aspects of additional information provided, included a description of some of the services provided by the Rural Service Centre²⁹, a discussion surrounding interest rates and loans³⁰ and that although some demonstration farmers were used in the project they were not necessarily used to form groups although some demo farmers had formed their own groups.

3.3.6 Comments

Having decided to register the groups as cooperatives, the programme succeeded in achieving its stated aims due to the level of commitment to achieving them, carrying out the necessary activities with a high degree of competence and providing appropriate support. It also managed to find a legal way of distributing grants to the cooperatives through splitting the grant into individual equal shares to each member which was the key to providing the inputs that the groups required whilst still maintaining their commercial orientation. The training and support aspects of this programme were very successful. The local ABCO representatives were contracted for 100% of their time, to be dedicated to the project. Support and training was given in full and continuously. It can be argued however that this was necessary due to the groups being so 'new' i.e. formed in the most cases for the project, with no history of working with MC previously and was also necessary due to the level of skills necessary to carry out the administrative requirements of the cooperatives. Providentially the RSC is in a position to offer consultation and support to those groups needing further support including good machinery resources for contract cultivation. The methodology of trying to ensure

²⁹ Farmers' House AKA Rural Service Centre: Association which formed a Ltd company. Grant from Japanese Government to buy machinery. The founders are members from 8-10 of the cooperatives. They gave 'grants' to the association e.g. potato growers gave potatoes, cattle breeders gave cows. 15-20% discount to cooperatives. 2008 going rate of 130/lari/ha for ploughing, RSC offering new German more efficient machinery in place of older Russian machinery.

³⁰ Current interest rates (Jan 2009) are CREDO 36% and Bank of Georgia 40-42%. Individuals are seen as a lower risk than groups, because of opportunities for default. Share capital is considered OK for collateral, a house as good and a tractor bad.

diversity in the skills sets of members should also be advantageous in maintaining the sustainability of the groups.

4. Conclusion & Recommendations

On commencing this review the concerns were very much the identification of the ‘optimum’ type of group to recommend to farmers, or the development of an optimum model to implement when working with farmers’ groups. As the three case studies have shown, despite different methodologies, utilising different types of group, success in achieving the aims of the project has been largely attained in each case, the groups have expressed satisfaction with their training and with the grants that they have been given and all the groups are extremely satisfied with their relationship with the INGO. Production levels have increased due to improved technology and inputs and although marketing is not always easy for the groups there is an awareness of it and a sense within the groups that there are actions that they can take to improve the situation.

As stated in Section 2 the overarching measure of success is the achievement of the aims set out for the project and the groups at project inception. Success has been found to be dependent on the legal format of group chosen, only to the extent of choosing the right type of format to meet the stated aims. It also became apparent that the issue of to register or not to register was something of a misnomer and has required an unravelling of legislation in order clearly define the different types of group available, and the definition being largely complete, has led to the conclusion stated throughout the report that the aim of the project and the aims envisioned for the group will determine the choice of group. It is also important that the group remains the vehicle to achieving an aim, group formation or registration should not become an end in itself. The CIP project has followed the methodology of differentiating between service groups and producer groups, a strategy which was echoed by some participants at the roundtable³¹. It will be interesting to monitor the outputs of the CIP groups perhaps in relation to the SLAR service groups to verify this methodology.

The other main factor determining success³² is the level of appropriate support given to groups be it material or through training and advice. All three projects have sought to recruit a diverse membership to the groups with individual strengths and skills. They have also sought to provide them with the skills they need through training, to be more self sufficient in their own administration, Mercy Corps has worked particularly hard on this given the requirements of cooperative management. In addition all three projects have fostered good relationships with the groups, and the people working with them most closely, the agricultural extensionists and community mobilisers, have been and are unstinting in their help and support to the communities and it is to them that a large degree of success achieved is owed. At present it is too early to say whether the skills appropriated by the groups and the support in all forms given to date will ensure the continuance of the groups once the support of these mobilisers and the project is withdrawn. In the case of the CARE and Mercy Corps

³¹ CARE Roundtable on Agricultural Extension and Work with Farmers’ Groups. Tbilisi February 6th 2009

³² See Section 2.11 for factors defining success.

projects the existence of the RAS and RSC do however provide an alternative source of support that the farmers are aware of and do use, however this support is dependent on the continued sustainability of the service centres themselves.

CIP and SLAR have long histories of technical inputs and social support provided by the agricultural mobilisers. The long histories of the projects too have led to an aggregation of knowledge; technical, enabling and social, helping the groups to flourish. MC in Akhalkalaki has not had the same level of social and technical capital to build on and the groups were in general new groups formed under the auspices of the project without the same history of working together. The groups also had larger memberships and a stated aim of forming cooperatives, immediately commencing commercial activity. Skill building and technical support were therefore provided by continuous inputs and training from the project partners and of course the constant approachability of project staff; in lieu of this history.

Of the other factors considered necessary for success, including the level of farmer contribution to any grant, the provision of a grant/machinery/equipment/inputs, strong and motivated individuals contributing to the group as a whole, group cohesion including unity of activity and purpose, availability of credit both during and after the project the existence of a market for the goods or services delivered by the group; each project has largely delivered on all of them. Two of them however are more problematic, being largely outside of the control of the auspices of the projects on project completion; the existence of a market and access to credit. Marketing, limited markets and finding a market for produce was mentioned in several instances as a problem for producers and access to credit in the current financial climate is becoming extremely problematic. What the impact of this will be on the sustainability of the groups is as yet unknown however it is certain that they are two of the main factors enabling group survival and development.

Concerning the inputs or support put in by the projects and the outputs or benefits realised as a result, the diagram below provides an overview of the inputs provided by each project and the outputs recorded in the consultations.

The recommendations following the diagram largely focus on clarifying and making the process of working with groups more efficient as well as ensuring relevancy in the present agricultural climate in the region and in Georgia. They are directed towards project implementers and policy makers.

Outputs/Benefits

Inputs/Support

Consulted Groups: 5
4 Producer, 1 Service

Enabling: History of interaction, community ties and trust through SLAAR. Continued through extensionists in SLAR.

Skill Building: Record keeping. ABCO 3 day trainings, business plan, administration, accountancy, group legislation. Business plan development.

Technical: Technical inputs from SLAAR built upon and added to with demonstrations and RAS consultancy and advice.

Material: Rotivator, vet services, 18 hp tractor, 25 hp tractor with disc harrow and potato planter, 2 tractors 1 x potato planter and disc harrow (service group), electric honey extractor. Groups contributed 20-25%.

Consulted Groups: 4
3 Producer, 1 Service

Enabling: History of interaction, community ties and trust through CIP1. Continued and built upon by mobilisers in CIP2

Skill Building: Record keeping. ABCO 3 day trainings, business plan, administration, accountancy, group legislation. Business plan development and marketing.

Technical: Technical inputs from CIP1 built upon and added to with demonstrations, consultancy and advice.

Material: 40hp tractor, 18hp tractor +equipment pesticides, fertilisers. Seeds, 2 x milkers, 25hp tractor, equipment. Group contributed \$1000/\$5000.

Consulted Groups: 3
3 Producer Groups

Enabling: ICCN: Human rights, gender, leadership, team building and conflict resolution. MC officers support.

Skill Building: ABCO: Business planning, cooperative registration, business formation, how to get credit, business coordination with government, group regulation, accounting, reporting, taxation. MC officers support.

Technical: IAAD: Trainings, demo's and inputs in potato growing, cattle breeding and honey production. RSC for consultation and machinery contracting.

Material: 90 hives, medicines, equipment, hand extractors. 40 cattle and feed. Pesticides, fertilizers and seed potato plus access to machinery. Group contributed 33%

SLAR: Established 11 Non Commercial Partnerships
9 Producer Groups, 2 Service Groups

Morale: Enthusiasm due to success and hope for more.

Credibility: Legal status conferring credibility group more attractive to new members interested and new ideas for collaboration from the village.

Resources: Shared transport, labour sharing e.g. cutting hay as a group, moving collected hives together, skill and knowledge sharing, pooled customer bases, self help e.g. writing a proposal to Polish Embassy for technical assistance, proposing paying for product promotion to RAS. Access to RAS.

New Inputs: Technical information e.g. forage crops for cattle, machinery, equipment, new links i.e. RAS New skills e.g. accounting and record keeping

Income: Increased yields X 1.5-2, increased profit, first access to credit.

CIP2: Established 11 NCP's, 5 NCLE's.
11 Producer Groups, 6 Service Groups

Morale: Hope for the future, greater understanding of their business and plans, confidence in purchasing inputs

Credibility: An understanding of self promotion and undertaking government contract work

Resources: Labour sharing, land sharing allowing crop rotation, development of a commercial mentality, more inputs, increased level of activity, more inputs, access to RAS

New Inputs: New linkages e.g. Tuberi Association, RAS Technology e.g. for vegetable production and potato production, access to markets, better quality and quantity of product, improved marketing profile

Income: Ability to pay back their creditors, lower group rate on pesticides and fertilisers. 20% lower production costs /ha when acting as a group, increase in profit.

Mercy Corps Linkages: 18 Cooperatives, 3 NCLE's
20 Producer groups, 1 Service Centre

Morale: Plans for the future expansion of enterprises e.g. more honey production, grading of potatoes, and expansion into dairy. Improved ethnic and gender cooperation. Confidence in selling, marketing and buying inputs.

Credibility: Selling at established large scale markets

Resources: Pooled cattle, hives, land for potatoes and labour. Access to RSC. Skill sharing; large group membership with diverse skill bases.

New Inputs: Skills e.g. accountancy, record keeping and cooperative management. Access to markets and linkages e.g. Tbilisi supermarkets for honey, Batumi for potatoes. Equipment e.g. modern hives, swarms. Access to machinery ring at RSC. Technologies e.g. improved seed potato. Linkages

Income: Profit, gaining credit histories, increase in their standard of living.

4.1. Project Management

1. **Terminology and Definitions.** The terminology used by INGO's in the Samtskhe-Javakheti region and Georgia to describe groups and different types of groups should be standardised. A definition should be made between the 'general' terminology often used in projects working with farmers worldwide (i.e. where the words group/association/cooperative are often used interchangeably) and the legal definitions of these words when used in a specific context. This is particularly relevant in the construction of project documents and log frames where inaccurate wording can lead to confusion and inappropriate outcomes. Section 2 and the Appendices 1 and 2 provide the legal definitions of the different types of groups encountered within this review. Once these specific legal definitions and terminology for groups according to Georgian legislation have been agreed upon in English, a standardised translation of these names into Russian, Armenian and any other project language used in Georgia should be agreed upon by all those involved in the formation of farmers' groups.
2. **Group Establishment.** The aims to be achieved by group formation should be carefully analysed in the project inception phase and likely type of group and likely type of support identified and an adequate budget allocated to ensure fulfilment of these aims.

Attention should be paid to the roles of potential project partners and service providers in the planning stage in relation to the aims of the project with regard to groups. The more ambitious the aims the more time and support should be allowed within the project cycle. Failure to provide adequate support may result in failure to achieve the aim.

The log frame should ensure that activities are directed towards results but not at the expense of the confusing group formation with the aims to be achieved by the group. I.e. Group formation, capacity building and training enable the group to achieve an objective. With farmers' groups this objective usually surrounds increased and improved production for improved income generation. A service cooperative will also have the end objective of improved income generation.

With reference to the above, the project log frame and proposal should make a clear distinction between group formation and group registration. The latter is in general a requirement for receiving credit, grants or equipment and will be a major contributor to a change in the activities, outputs and potentially profitability of the group.

3. **Work planning.** Planting, growing, breeding, harvesting and production seasons should be clearly marked in the project cycle and work plan to allow for the planning of project activities. Missing a planting season through for example lack of improved seed is very deleterious in a project working with farmers and will seriously hamper interest, motivation and momentum.
4. **Filing and record-keeping.** Detailed and clear records should be kept for each group in the project office. With one file allocated to each group. This file should contain a one page profile of the group, their history, membership composition, activities and aims, detailed lists of the trainings they have had with copies of any certificates

awarded, a log recording each instance of contact with the group whether a telephone call or a demonstration, photocopies of ID, grant agreements, documents of group registration. The file should be translated in to the main project language to enable direct reference by managers, visiting consultants and auditors.

5. **Monitoring and Evaluation.** Where group formation and work with groups is an activity and an indicator recorded in the log frame it is essential that adequate time following the formation of the group is allowed within the life time of the project to measure any change in output, profitability or activities as a result of group activity and the effect of any inputs to the group made by the project³³. Where possible, monitoring and follow up support services should be offered to groups formed/registered in projects, particularly where groups structure may be liable to transition such as in the case of non commercial partnership agreements coming to an end and the group becoming a commercial group of some kind. These services and para/legal consultation could potentially be offered by entities such as RAS/RSC.
6. **Project Partners.** Ensure regular correspondence between project management and sub-contractors. Activities undertaken by the project partners should be planned and scheduled to allow for overseeing and monitoring the financed activities of project beneficiaries at least 6 months before the project ends. The budget allowance for project partners implementing or undertaking part of the activities involved in group formation and/or registration or training should be carefully planned to ensure the correct level of support to be given to the groups. I.e. budgetary restraints should not be the cause of inadequate levels of services provided in group related activities. Levels of support may be ascertained through the needs analysis and surveys carried out prior to or as part of project inception³⁴.

4.2 Legislation and registration

1. Pre project and inception surveys should identify those areas of project activity which will involve legislation. Following this identification, relevant project staff should have simple training on the relevant legal issues prior to the commencement of activities.
2. As part of the above identification key contacts in local and national government offices should be identified and a relationship developed. This relationship should be maintained e.g. with key contacts at the tax office through regular contact and visits.
3. Open days and consultations at the tax office should be exploited or trainings requested from a representative of the tax office to ensure that legislative knowledge is kept up to date.
4. Until an amendment is made to the existing law, advise and enable cooperatives to keep detailed records of membership fees and share capital and give a copy where appropriate on registration to aid in the making of possible amendments at a later date.

³³ See the *Review of the Establishment and Sustainability of the Rural Advisory Service*. Ian Houseman. December 2008.

³⁴ Paraphrased from the ABCO end of SLAR Project, report.

5. Clarify points of law for use by project staff i.e. definition of what constitutes commercial activity, what differentiates a legal entity and a ‘natural/ordinary’ individual.
6. Carry out a full study of the legal and tax implications’ inherent in each type of group to be formulated into a comprehensive user friendly format of the tax laws.

4.3 Data Management and Information sharing

1. Existing groups should be identified and included in a directory for use by INGO’s and government projects to avoid replication and to ensure identification of target beneficiaries and utilise resources as efficiently as possible. A sample directory of Farmers’ Groups in Adigeni, Aspindza and Akhaltsikhe as registered in the tax department is included in Appendix 5.
2. The compilation of surveys, inception reports, case studies and project statistics for each INGO, NGO and government project working in the region should be collated and made available as an online resource/library and catalogued according to subject e.g. Farmers’ Groups, to facilitate and enhance the work of new or existing projects in the region see recommendation 1 above.
3. A standardized interagency field guide/manual consisting of best practice recommendations up to date clear definitions of the types of group, their legal status and tax requirements as well as a manual for group development³⁵ should be compiled for use in the field and regularly updated in line with legislation.

4.4 Coverage and Dissemination

1. A way must be found to leverage and exploit all the existing work done with farmers’ groups, individual farmers and rural communities in the area. The development of an umbrella organisation offering membership, dissemination of information and the provision of a voice to smaller farmers in a blend of policy making, advocacy and service support³⁶.
2. INGO’s, NGO’s and Government should investigate ways to pool experiences of work with farmers’ groups, perhaps in the form of a website resource with downloadable publications and debate forum to help enhance existing or new projects starting in the region.

4.5 Technical Input

1. On farm demonstrations have been very popular in all the projects reviewed and have been carried out with a high degree of professionalism and success. It should be ensured however that the technical information and techniques disseminated should reflect the full range of issues and techniques³⁷ surrounding sustainability that have become part of the mainstream of modern farming in the ‘West’³⁸.
2. The present system of agriculture as practised in the region provides some level of protection against the shocks and threats present in this new era of climate change, global financial instability and problems surrounding the supply of traditional fossil

³⁵ As outlined in 3.1.6

³⁶ Connection to the two rural service providers and the existing farmers associations formed as part of the STAGE project could be explored in this regard.

³⁷ E.g. Crop rotation, use of legumes and green manuring.

³⁸ Whether or not there is market potential either internally or for export of organic produce the principles of organic farming i.e. low input sustainable agriculture could be integrated in this regard.

fuels. These include a level of food security, diversified livelihood systems with relatively closed nutrient cycles, low reliance on fertilisers and pesticides and the use of animal traction³⁹. Where possible these should be augmented and integrated into future agricultural strategies and activities.

3. Increased production has been the successful aim of the demonstrations and technical inputs, in several cases reviewed groups have been unable to sell or realise their potential levels of production⁴⁰ due to difficulty in finding a market. Successfully selling and where necessary marketing the increased production should be the end aim of any technical intervention where the goal is to improve livelihoods through increased income generation⁴¹.
4. The need for services and technologies related to increased levels of production will continue, however the success of the work carried out in this area with farmers should be built upon to enable a furthering of focus on activities surrounding food safety standards, branding, packaging, marketing and policy.

4.6 Policy

1. The different forms of commercial entities available to farmers' groups (i.e. the commercial partnership or cooperative) need clarification, along with a consideration of simplifying procedures for farmers' cooperatives.
2. Changes to legislation surrounding groups should be reduced.
3. Upcoming legislation that will affect farmers/ farmers groups should be disseminated with practical recommendations regarding courses of action (e.g. food safety standards for processors), with a clear timetable regarding implementation.
4. Guidance should be provided to INGO's, NGO's and farmers with regards to upcoming requirements in the areas of grading, sorting, packaging and marketing for internal consumption and export.
5. Vibrant agricultural extension services should be invested in and developed to meet the future needs of farmers through collaboration between INGO's, NGO's, the government and relevant institutions. This collaboration could include secondment between INGO's, NGO's and relevant institutions and the government and a coordination link specifically for extension within the ministry to ensure the interchange of experiences and expertise.

³⁹ Animal traction is an example of traditional sustainable good practice in the region. The need for increased mechanisation is well known and grants often centre around the purchase of tractors. However no mention has been made of the potential of animal traction in the area. Oxen are used for heavier jobs including forest extraction and ploughing and horses for transport and lighter timelier operations such as harrowing and weeding as well as ploughing. Animal traction can be used to cultivate small and awkward plots of land inaccessible to tractors. The skills still exist in the region however equipment is a problem. In one example a farmer an exponent of animal traction (Tmogvi village) lends his horse drawn plough to twelve other farmers in the village and was unaware modern efficient horse drawn equipment is available. Horse drawn equipment is significantly less expensive than tractors and used in conjunction with tractors could in many circumstances in Samstkhe-Javakheti help provide a partial solution to the problem of mechanisation.

⁴⁰ This was the case of a honey partnership.

⁴¹ Projects such as 'Farmers to Markets', an extension of the CIP2 project, have just this kind of focus. The main primary objectives for this project: increased access of farmers to the agricultural product buyers by the end of the project; increased skills of farmers, knowledge and tools for improved marketing of their products, agricultural consolidation centres established in pipeline communities.

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Annex 1: Rural Cooperatives and Non Commercial Legal Entities (NCLE's) An edited version of *Mercy Corps Georgia Rural Cooperatives and Associations* document 2007

1. INTRODUCTION

The integrated program for poverty reduction in vulnerable communities of Samtskhe-Javakheti (Social and Market Akhalkalaki Linkages program) is being implemented in Akhalkalaki district from December 2005 to December 2008 with financial assistance from European Union.

The program is implemented by the international non-governmental organization Mercy Corps and its local NGO partners: Association of Business Consulting Organizations (ABCO), International Centre for Conflicts and Negotiation (ICCN), International Association for Agriculture Development (IAAD).

The program will assist interested farmers from various villages to get involved in farmers NCLEs, will provide community representatives and local entrepreneurs with necessary agricultural and economic information, will organize trainings, link them with suppliers of raw materials and customers. Successful farmers NCLEs will be given grants based on the competition, where NCLEs will need to present sustainable business plans.

In order to become the beneficiary of the program, representative of the community should meet the following eligibility criteria:

- Be a citizen of Akhalkalaki district
- Receive more than 50% of his income from agriculture
- Own or lease land parcel of no less than 1 hectares and no more than 25 hectares
- Own no less than 2 and no more than 20 dairy cows
- Have a wish to be united under a group of farmers (NCLE or cooperative)
- Be actively involved in the activities of the group of farmers (NCLE or cooperative)
- Participate in demonstrations held within the framework of the project
- Present a sustainable business plan together with other members of the group.

The program funds the following activities to be implemented by the groups of farmers:

- Small processing plants for agricultural products
- Sorting and packaging agricultural products
- Producing seed and food potatoes
- Producing crops
- Cattle breeding
- Poultry and fish farming
- Storages for agricultural products
- Veterinary services
- Food production and preparation for animals
- Demonstration of modern methods of potato and crops production
- Artificial insemination of cows and improving breeds

- Purchasing product transportation means.

Farmer groups created through the assistance of the program may have 10-80 members. Their legal status could be either cooperative or Non Commercial Legal Entity according to the legislation of Georgia. Cooperative and NCLE's are legal entities of private law.

2. COOPERATIVE

What is Cooperative

Cooperative is a legal entity that is created according to the Chapter 5 (articles 60-68) of the Law on Entrepreneurship of Georgia.

Cooperative is a society based on the work relationships of the members or for the development of the production of the members and increasing their incomes and the objective is to meet the interests of the members. Cooperative is mainly directed towards generating profit. Unlike other legal entities that are aimed at receiving profit, the objective of the cooperative is to support activities of the members, improve their financial situation and meeting the interests of the members. Cooperative is responsible for its liabilities towards the creditors with its own assets only. Number of founders/members of the cooperative is not limited by the law.

Cooperatives are:

- a. Cooperatives aimed at finding raw materials that one way or another try to find raw materials for its members
- b. Cooperatives to jointly sell agricultural or other products
- c. Cooperatives producing agricultural products and other items that also sell these products with joint funds (agricultural and production cooperatives)
- d. Cooperatives purchasing items of wide use through wholesale and selling them through retail trade
- e. Cooperatives for agricultural production or purchase/production of necessary material-technical resources and their use
- f. Rural-credit cooperatives
- g. Consumer (multi-sector) cooperatives, legal, economic and social basis of which is regulated through the law of Georgia on Consumer Cooperation
- h. Non-bank depositary entities – credit unions.

Agricultural Cooperative

Agricultural cooperative is an entity based on the free membership and that has common interests and problems and is aimed at reaching more success in commercial activities through joint efforts.

- The union is a will-based – a farmer may leave the union if he does not need to be in the cooperative any more
- The union could only be formed by the farmers
- The goal of the union is to solve the problem of the farmers and bring profit.

Existence of the cooperative is considered as successful if its members receive more profit than they would in case of acting independently.

Main principles of functioning of the cooperative

- Farmers should put membership payment proportional to their participation share. The payment defines the share of the member into the cooperative. Minimal payment for the member is defined by the founder. The amount of payment should be divided into 50 without any remainder. One member of the cooperative can make several payments (shares)
- The share in the cooperative can be made both financially as well as in the form of other assets
- Highest management body of the cooperative is a meeting of members that elects the Board. In case of need, the Board appoints executive director and employees that are given salaries. Executive director and employees are accountable towards the Board
- At the end of the year, financial profit or damage is distributed between the members of the cooperative, proportional to their activities. The profit, fully or partially could be transferred into reserves.

The cooperative is different from commercial enterprise that is usually founded by the members. They bring in certain capital and the goal is making profit only, while the cooperative is the union of people that think alike and have common interests and problems and are going to solve them together (for example, purchase plant protection means together, process goods together, etc) and receive certain income. Physical entities, founders of the cooperative should have a valid ID or passport.

Financial needs of the cooperative

Cooperative needs its own capital for work that depends on fixed costs and turnover capital of the cooperative. The cooperative needs funds for fixed costs: office rent, communal and communication costs, salaries, permanent household costs. The cooperative uses turnover capital for purchasing production means and products from the members of the cooperative. It can also take a credit, but self-funding should represent a big part of its actives.

Volume of the foundation capital

Foundation capital can be presented as a collateral for the third party. For example, towards the suppliers of equipment and technical means, while paying mortgage, or while taking a loan from the bank.

Cooperative should be open for new members. While creating a cooperative as well as afterwards, the payments of the members should be:

- Affordable, so that the members are able to pay in time
- High enough, so that the cooperative can provide support to its financial activities and members feel responsibility towards the cooperative.

What services can be offered by agricultural cooperative

Agricultural cooperative can provide four main services

- Provision of production means and equipment
- Selling and processing products
- Joint use of the equipment
- Organizing and holding consulting sessions.

Three main foregrounds for ensuring successful work of the cooperative:

1. Strictly defined system of relationships between the cooperative and its members (and non-

- members)
2. Defining foundation capital of the cooperative
 3. Introducing a transparent system for price formulation.

Effective management of the cooperative is defined by:

1. Making a decision based on democratic principles, following by-laws and standards
2. Constant participation of the members in management process and strict definition of management functions
3. Relevant consultancy service.

Registration of Cooperatives

- Cooperative is a legal entity
- Registration of the cooperative is compulsory. Enterprise, as a subject of the rights and responsibilities listed in the law on Entrepreneurs, only arises from the moment of registering it into the public registry. Only after the registration the enterprise is considered as founded, as a legal entity and gains rights and responsibilities
- Registration of the cooperative is implemented by the tax inspection by making appropriate records in the enterprise registry
- Registration in the registry can be requested by one of the partners
- Entities that should represent cooperative are responsible for leaving examples of the signature in the court that will be used for business activities
- Application about registration should be presented to the tax inspection of the relevant district
- Application on registration, examples of signatures as well as additional documents or their copies should be presented with notary approval.
- Application should include:
 - ✓ Company name of the cooperative
 - ✓ Organizational-legal status
 - ✓ Location (legal address)
 - ✓ Field of activity
 - ✓ Information about start and end of the fiscal year
 - ✓ Names, places and dates of birth, professions and addresses of each of the founders (at least two)
 - ✓ Authority of the representative
 - ✓ Amount of the foundation capital and a document on the payments to be made
 - ✓ Amount of the share to be made by each of the foundation partners and their share in the cooperative
 - ✓ Name, date and place of birth of each of the directors as well as their professions and addresses
 - ✓ Documents about appointing directors and members of the Board

- Application of the society could be complemented with the following documents:
 - ✓ Charter of the society (5 copies)
 - ✓ Document certifying non-cash payment in case of non-cash foundation
 - ✓ Document certifying payment of the registration fee
 - ✓ Police checks of all authorized representatives, certifying that no sanctions were used against them for material violations for the past 5 years
- Documents presented for registration should be certified by the notary.
- Registration fee:
 - ✓ Approval of the foundation documents – 18 GEL + VAT (if the Notary is a VAT-payer)
 - ✓ Notary approval of the signatures of all founders – 2 GEL + VAT if the Notary is a VAT-payer)
 - ✓ Registration in tax inspection – 120 GEL.

Tax agency is responsible to register cooperative within 3 business days from presenting the application. If the registration does not take place in 3 days or if the requesting party is not notified in a written form on the problems with registration documents or motivated rejection of registration, the enterprise will be considered as registered. Taxation body is responsible to immediately issue registration certificate as well as tax payer certification upon request.

Registration of the enterprise takes place upon the decision of the authorized person and relevant information on the organization is included in the registry.

Decision on the registration of the enterprise, according to the regulations of the tax legislation, serves as the basis of registering the enterprise as a tax payer and the enterprise is given relevant identification number and a tax-payer certificate.

Refusal to registration

If the registration application does not comply with the requirements of the law and is not complemented with documentation defined by the law, taxation agency is responsible for notifying the applicant in a written form and gives 15 days to make necessary action to fill in necessary documents. If the problem is eliminated within this given period, taxation agency registers the enterprise within the next 2 days. It is prohibited to give additional time for eliminating the problem. In this case, the time of the application procedure is calculated from the very beginning.

Refusal of the tax agency to issue registration certificate or registering the enterprise itself could be appealed into the court. In this case, the regulations used while appealing process are those used for administrative acts, described in the Code of Administrative Procedures. In case of refusal to registration, the applicant received back all of the documents presented for registration purposes.

After registering cooperatives into the entrepreneur registry, new members of the cooperative are only accepted after presenting the application on joining the cooperative, signed by the applicant and approved by the notary.

3. NCLE

What is NCLE (union)

According to the legislation of Georgia, NCLE could be created using a legal form of the union. NCLE (union) is a non-commercial legal entity and is created according to chapter 2 (articles 31-44) of the Civic Code of Georgia.

Non-commercial legal entity is an organization that is not aimed at entrepreneurial activities. Its main objective is to implement charity or other educational, development, capacity building and other programs.

Union (NCLE) may implement entrepreneurial activities as well. These activities that are mainly supplementary activities and do not change the nature of a non-commercial legal entity. If the union (NCLE) starts implementing entrepreneurial activities as its main direction, its registration is annulled. Union (NCLE) may receive grants according to the law of Georgia on Grants.

The following documentation is needed to register union (NCLE):

1. Protocol of the meeting of founders
2. Charter
3. Application about the registration.

Presented documents need to be signed by the founders and members of the Board. Physical entities, founders of union (NCLE) should have a valid ID or passport.

Charter and protocol of foundation meeting together with the list of the Board members is approved by the notary. After this procedure is finished, the charter, annex with the list of Board members, meeting protocol and registration application is presented to the territorial unit of the tax agency for registration.

It is recommended to present foundation documents – charter in five copies, all of them certified by the notary (for personal use, for tax department, bank purposes, etc).

Organization and structure of union (NCLE)

Organization and structure of the union (NCLE) is regulated through the charter.

The charter should contain:

- a. Goals of the activities
- b. Name
- c. Location (legal address)
- d. Guidelines for liquidation of assets and its distribution
- e. Names, birthdates and places of all founders and board members as well as their professions, regulations for appointing board meetings and making decisions
- f. Authorities of the members of the union.

Charter of the union (NCLE) may contain other data as well:

1. Functions of the management and other bodies of control
2. Authority of the member's meeting.

Union, as a non-commercial entity is legitimized after it is founded according to the requirements of the law. Registration has critical legal and factual importance for the legal entities of private law. Foundation of the union and its recognition as a legal entity happens from the moment of registration.

After this, state and taxation registration of the union (NCLE) is taken forward by the taxation agency of the relevant area. Application and charter that need to be signed by every founder and board member are presented to the territorial agency of state registry according to the location of the union.

State and tax registration of the union is implemented by making appropriate records into the state registry, allocation of identification number and issuing a state and tax registration certificate (administrative act).

Tax inspection should annul registration if the union has moved to entrepreneurial activities or if activities listed in the charter cannot be implemented.

Liability of the union is limited to the assets of the union. The union is responsible for the liabilities that is made on behalf of the union and for the goals of the union. The union is not responsible for any material liabilities of its members. At the same time, members of the union are not responsible for the liabilities of the union.

Distribution of profit of the NCLE and its liquidation

It is prohibited to divide the profit of the union (NCLE), gained through its economic activities between its members and it is only used for the goals and objectives described in the charter.

In case of liquidation of the union (NCLE), the descendant of the assets can be defined in the charter. In case of liquidation, the Ministry of Justice will transfer assets to one or several unions that implement the same or similar activities. If such organizations do not exist, a decision will be made on issuing the assets to another charitable organization or the state.

Legal procedures and guidelines for registering the union

- The union should have no less than 5 members
- The union should be registered in tax inspection
- The union should have a charter
- Every copy of the charter should be signed by all founders and should be approved by the notary (this also includes ID details)
- Documents necessary for the registration will be presented to the territorial structural unit of the tax inspection
- Territorial unit of the tax inspection should be presented with the following documents:
 - Application signed by all members of the board
 - Charter
 - Approved list of board members
- Registration fee:
 - Approving foundation documents – 18 GEL + VAT (if the notary is a payer of VAT)
 - Approving signature of each of the founders – 2 GEL + VAT (if the notary is a payer of VAT)
 - Registration in tax inspection – 60 GEL.
- Tax unit in charge of state registry should make a decision on registering the union within 3 business days from presenting the documents. If the state registration is not completed within this period of time or if the applicant is not sent a written motivated refusal, the union (NCLE) is considered as registered. The tax unit is responsible to immediately issue identification number and state and tax registration certification to the union upon request
- In case of refusing registration, the application should be provided with motivated explanation.
- Refusal to registration could be appealed in the court

- Registration document of the union contains the following data:
 - Name and location of the union
 - Purpose of the activities
 - Date of accepting the charter
 - Names of the founders
 - Names of the Board members and possible limitations of their representation rights
- Changes that need registration should immediately be presented by the Board to the territorial unit of the tax inspection with notary approval.

Sample charter of the union (NCLE) is given in Annex 2.

4. SWAT ANALYSES OF NCLES AND COOPERATIVES

NCLE

Strengths

- Opportunity to receive grants
- Better tax conditions
- Ability to implement profitable activities as a supplementary activity
- Simple structure of organization management
- Members are not responsible for organization liabilities
- Low registration fee.

Weaknesses

- Income of the organization is not distributed among members
- Members are not properly motivated for profit
- No orientation for profit
- In case of liquidation, the state makes decision of transferring assets to similar organization or to the state
- Profit should be used for organization purposes
- Main activities are humanitarian activities
- Does not require pre-defined foundation capital.

Opportunities

- Implementing charitable activities within the community
- Can gain profit
- Unlimited number of members
- Can create foundation capital
- Meeting personal business needs of the members through indirect ways (marketing, supply with production materials) to increase their income.

Threats

- The assets are lost for the members in case of liquidation

- Assets are not transferred through heritage
- In case of making entrepreneurship as a primary activity instead of the secondary, the court may issue a resolution to annul registration.

Cooperative

Strengths

- Unlimited number of members
- Profit-oriented
- Responsibility for the liabilities for own assets only
- Members are not responsible for the liabilities of the organization
- Profit could be distributed between members
- It is aimed at meeting the need of the members
- Ability to take one's share in case of leaving the cooperative
- Assets could be transferred to heirs
- In case of liquidation, assets are distributed between members
- Has foundation capital.

Weaknesses

- Is not a grant recipient
- Comparatively high level of taxes (no tax relief applicable)
- Membership payments are defined by the law
- High registration cost
- Comparatively complex structure of management.

Opportunities

- Possibility to implement credit activities
- Possibility to receive credit
- Increase number of members
- Gaining and distributing profit
- Ensuring increase of incomes of members through direct activities

Threats

- Higher risk for bankruptcy
- May become one-man organization instead of the organization of all members
- Negative influence of the old Kolkhoz experience.

Appendix 2: Partnerships

Adapted and expanded from the CARE Georgia *Comparison between the commercial (Ltd and cooperatives), non-commercial (NGOs) legal entities and Associations* document where associations are here referred to as partnerships

Non commercial partnerships: Are founded under the civil code, they are founded as groups for whom profit is not the main undertaking/aim of the group. They are not legal entities but an amalgamation of individuals working to achieve a common goal as defined in a partnership agreement. Where revenue arises from their activities it may however be put back into the partnership in the form of salaries and costs and may not be allocated between members. When as a group, commercial activities are fully undertaken the group must inform the tax office within ten day of the commencement of this activity*. Each individual will then fill in a tax declaration form, whence they will become a commercial partnership. NCP's may be grant recipients. The partnership agreement is usually for year or two years and states the non commercial aims of the group. At the expiry of the agreement a group may then choose to register as commercial, either as a commercial partnership or a Cooperative. NCP's do not pay profit tax on grants. They do pay property tax and income tax on salaries. NCP's do not pay tax on monetary and non monetary grants. If revenue/profit exceeds 100,000 GEL they will pay VAT at 18%.

*Note: This review has been able as yet to establish an exact definition of what construes 'a commencement of commercial activity' when compared with the previous non commercial activities of the group. It is recommended that this be clarified.

Note: Individual farmers do not have to pay profit tax on the production of 'raw' or 'first' production e.g. potatoes, milk, wheat etc under 100,000 GEL. Cooperatives as a legal entity have to pay profit tax over 100,000. What is presently unclear is whether a partnership i.e. a unification of individual entrepreneurs falls under the 100,000 exemption as individuals or as a group. If they are treated as individuals in this respect it could form a serious disincentive to the formation of cooperatives. It is recommended that a full review of the exact tax status of partnerships is published for use in projects.

Commercial Partnership: Where a group becomes a commercial partnership it falls under entrepreneurial law. Each individual will pay income tax, property tax, profit tax and VAT. Commercial partnerships are not eligible to receive grants, anything going 'in' to the partnership will be seen as revenue and will be subject to income tax.

Features of the Non Commercial and Commercial Partnerships with some reference to Cooperatives and NCLE's.

The following refers to Non Commercial and Commercial Partnerships alike. Where features differ it between the two it will be made clear in the text.

Foundation

- Due to the nature of the organizational/legal formalities, it is easier to establish a partnership, which is established under the civil code;
- A simple written agreement certified by the Notary Office is enough to establish a partnership;
- A Statute certified by the Notary Office and registration at the Tax Department (entailing costs and legal procedures) are necessary to establish either a cooperative or the non-commercial legal entity.

Flexibility

- An partnership is more flexible than both a cooperative and a non-commercial legal entity;
- There is specific legislation pertaining to all activities and management of the cooperative, which are bound in law. The activities and management of a partnership are regulated according to the agreement agreed to at the foundation of the partnership.
- Any changes be made to the statute of the cooperative or to the registration data of the NCLE, should be registered at the tax Department; there are no similar procedures in case of the partnerships.

Liability

- Liability in the cooperative and NCLE is limited, members are not held accountable for the debts of the cooperative.
- Where a partnership has debts, members are held accountable for joint property that has served as a guarantee to a creditor.
- The statute and any other important documentation of the cooperative and NCLE's are registered at the Tax Department; this information is considered public and is accessible to any interested party/stakeholder. As a result information relating to the cooperative is more transparent and reliable.
- Information concerning partnership is more difficult to access.
- In the case of a member breaching the partnership agreement or causing damage to the partnership will result in a civil liability providing some recourse.

Management, supervision

- In case of the cooperative and NCLE, management and supervision structures are determined by the legislation.
- There must be at least 2 members on the board of a cooperative one member will suffice for a partnership.
- A cooperative must have the Supervisory Body/Council, irrespective of the fact whether they need it or not;
- The board structure of the partnership and NCLE is not defined by the legislation. The members of the partnership and NCLE have the right to set up a management system in any form they choose.

Tax

- Cooperatives and commercial partnerships have the same tax status and terms/conditions. In terms of taxation, there is no difference between them.
- For tax payment and other purposes, legislation states that the cooperative has to keep an accounting system which complies with national standards; partnerships may use a simpler accounting format. Members of the CP will declare their taxes according to the normal rules for individuals.

Legal Status

- Cooperatives and NCLE's have a legal status as a specific legal entity, partnerships do not the individuals forming the partnership are considered 'ordinary' persons. Therefore, the cooperatives and non-commercial entities act as individual legal entities while entering into agreements, etc., with the third parties;
- Partnerships assume the status of the union in dealing with third parties.

Credit opportunities

- In the partnership, every member is held accountable for the debts of the Partnership.
- If the partnership fails to pay its debts, a creditor has the right to demand that a member of the partnership should pay it. At the same time, the member who has to pay the debts has the right to demand that the other members should contribute to pay the debts. This mechanism ensures that the debts will be paid.
- Credit institutions do not always require that the partnerships and other unions (with joint responsibility) should present additional guarantee for loans.

Partnership as a Grant recipient

- Georgian legislation does not specifically refer to the partnership as a grant recipient, but that itself does not exclude the conferral of grants to partnerships, as the partnership is a unification of two or more persons (in this case, citizens of Georgia) who carry out joint activities according to the partnership agreement in order to achieve certain goals/objectives as defined by the agreement. A NCP can receive a grant. A grant to a CP will be considered revenue and subject to profit tax.

Appendix 3: Group Survey Questionnaires

Survey Questionnaire for Group Members	
1. Group Summary and Informant Details and Group Details (i.e. no of members, type of activity)	Anton Gikoshvili. Comradeship of Machine Operators 'Ude Techniki'. 4 members.
2. How did you become a member of this group?	They formed as an informal group of 2 members a further 2 joined to pool their existing machinery. SLAAR helped them get credit to buy a (used) combine harvester.
3. How did you hear about the project? Did you approach the NGO/project/service provider or did they approach you?	SLAAR knew they had formed this group from village meetings and helped them obtain credit originally approaching Constanta who refused and then through Credo, they and continued to work with them in SLAR.
4. Why did you choose to become an association/cooperative/friendship society or stay as an informal group? Was it decided for you/did you receive advice?	They were not ready to become a cooperative with their old equipment although their original idea had been to become a cooperative. The structure of the 'Friendship Society' was considered the most practical for them and they were advised in this by the CARE lawyer. Now they are legal they will have the trust of the village and can recruit more people.
5. How was the registration process?	No problems
6. What trainings were you given?	In SLAR ABCO business plan/accounting/cash flow/legal training for one week.
7. How useful were the trainings?	Good and necessary they knew before but learnt anew.
8. What material assistance (i.e. equipment/grants/inputs etc) were you given and did it meet your needs?	2 x tractors (40 hp and 25 hp). Grant 1 seed potato planter and 1 disc harrow. Credit
9. Was it/is it easy to get in touch with the NGO/project when you need them?	Yes, telephone
10. If you could change anything about the process (you have been through) what would it be?	No the trainings were 'not bad'
11. If you had any advice for the NGO/project/partner organisation if they were going to do it again what would it be.	More modern, bigger and stronger tractors.
12. What benefits have you had from being in this group? Have you made a profit from your activities? How do you expect to benefit from it in the future?	Good ideas from the village to join with other machinery. Better to work with new machines, the legal group can be trusted and can gain more members.
13. Is your group active now ⁴² ? If so, what are you doing and what are your plans for the future? Do you have a business plan?	Yes always, have a business plan from the grant submission process until 2010.
14. Have you had any problems in working as a group or between group members?	No

⁴² Definitions of active could include, paying membership fees, attending meetings, undertaking activities

Survey Questionnaire for Group Members

1. Group Summary and Informant Details and Group Details (i.e. no of members, type of activity)	Avto Parunashvili, Comradeship of beekeepers 'Tsakhani'. 4 members producing honey from 160 hives which is sold locally. They produced 1t in 2008. Production is strong and could be doubled by the group but the market for their honey is weak and they are continually searching for new markets. They have recently approached the RAS of which they are members with the idea of creating a brand mark for Akhaltsikhe and the region to help promote the brand to supermarkets etc within Georgia.
2. How did you become a member of this group?	They formed as an informal group in 2002 helping each other with the logistics of keeping and moving the bees and putting their hives together as their bees went to the highlands together. They also pooled their customers and could help each other with supply.
3. How did you hear about the project? Did you approach the NGO/project/service provider or did they approach you?	SLAAR had connections with each individual member from village meetings. IN 2003/4/5 they attended CARE seminars on technical aspects of beekeeping. They attended assiduously and put what they learnt into practice. E.g. different systems for hives.
4. Why did you choose to become an association/cooperative/friendship society or stay as an informal group? Was it decided for you/did you receive advice?	The structure of the 'Friendship Society' was the most practical for them and they were advised in this by the CARE lawyer.
5. How was the registration process?	Very easy with the support of the CARE lawyer. The lawyer prepared their paperwork and they signed it. CARE paid the registration fee.
6. What trainings were you given?	In SLAR ABCO provided accountancy and business/group management training but they didn't attend as they are all former accountants. They received their technical training in SLAAR.
7. How useful were the trainings?	Good success with the methods demonstrated in the seminars.
8. What material assistance (i.e. equipment/grants/inputs etc) were you were given and did it meet your needs?	An electric honey extractor. 2200 euro the group contributed 1400 GEL.
9. Was it/is it easy to get in touch with the NGO/project when you need them?	Yes
10. If you could change anything about the process (you have been through) what would it be?	Very close relationship is very good. Market training would have been useful.
11. If you had any advice for the NGO/project/partner organisation if they were going to do it again what would it be.	Keep RAS. The group members are prepared to pay to keep RAS going in return for help with the promotion of their product.
12. What benefits have you had from being in this group? Have you made a profit from your activities? How do you expect to benefit from it in the future?	Logistical help between each other and the training and grant aid received as a group.
13. Is your group active now ⁴³ ? If so, what are you doing and what are your plans for the future? Do you have a business plan?	They have with the help of CARE put a proposal to the polish embassy for further technical trainings. They have a business plan until 2010, made in conjunction with receiving the grant. If the marketing issue was solved they could also have more members.
14. Have you had any problems as a group or between group members?	No

⁴³ Definitions of active could include, paying membership fees, attending meetings, undertaking activities

Survey Questionnaire for Group Members	
1. Group Summary and Informant Details and Group Details (i.e. no of members, type of activity)	Ushangi Zazadze. Friendship of Vegetable Growers 'Tmogvi'. 6 members. Cucumber growing for pickles with an exclusive market supplying Akhalkalaki.
2. How did you become a member of this group?	The members of the group built a hydro electric power station together in 1999 and became a group and started growing cucumbers together from that time. There is a tradition of cucumber growing in this village 'the best in Georgia' due to the water, micro climate minerals.
3. How did you hear about the project? Did you approach the NGO/project/service provider or did they approach you?	CARE worked with the development of small farmer businesses in 1998 with potato growing and wheat and had worked with them as individuals. He had ideas after this and helped the others in the village and then they built the hydro station together. They came to this group again in 2007 and through the RAS he was a demo farmer for cucumbers, demonstrating an espalier system (using horsehair) mulching and drip irrigation.
4. Why did you choose to become an association/cooperative/friendship society or stay as an informal group? Was it decided for you/did you receive advice?	They chose the Friendship Society as it was more convenient in law with no tax and was easier than the cooperative because of the taxes and administration.
5. How was the registration process?	Easy with the help of the CARE lawyer.
6. What trainings were you given?	How to establish a group how to work in a group, how to pay taxes, accounting and how to use the land. Access to markets.
7. How useful were the trainings?	Very useful 10t yield before now 100t
8. What material assistance (i.e. equipment/grants/inputs etc) were you were given and did it meet your needs?	1 x tractor (18 hp). Grant
9. Was it/is it easy to get in touch with the NGO/project when you need them?	Yes
10. If you could change anything about the process (you have been through) what would it be?	-
11. If you had any advice for the NGO/project/partner organisation if they were going to do it again what would it be.	All the farmers are ready to pay to keep RAS going as a technical advisory service.
12. What benefits have you had from being in this group? Have you made a profit from your activities? How do you expect to benefit from it in the future?	More profit, alone very difficult, can't afford to pay people to help as a group they received their first credit from IOCC (although they couldn't use it very well.
13. Is your group active now ⁴⁴ ? If so, what are you doing and what are your plans for the future? Do you have a business plan?	Yes. They have a plan and new ideas for a cucumber bottling and pickling factory but are in need of financing.
14. Have you had any problems in working as a group or between group members?	No

Survey Questionnaire for Group Members	
1. Group Summary and Informant Details and Group Details (i.e. no of members, type of activity)	Gela Tivadze. Friendship of Potato Pickers 'Kheoti'. 4 members. Potato growing.
2. How did you become a member of this group?	When the Soviet Union was disbanded they took land from the government. Their relationship as a group began with CARE they were advised to make a group in trainings and seminars. However they had worked together before.
3. How did you hear about the project? Did you approach the NGO/project/service provider or did they approach you?	SLAR formed the group and they took part in demonstrations of improved seed and saw the comparison of yields.

⁴⁴ Definitions of active could include, paying membership fees, attending meetings, undertaking activities

4. Why did you choose to become an association/cooperative/friendship society or stay as an informal group? Was it decided for you/did you receive advice?	They received training from ABCO and CARE who explained how they all worked, they choose the Friendship Society as it was not registered for tax and there was no connection with the government so they are independent.
5. How was the registration process?	Easy to make and register.
6. What trainings were you given?	How to establish cooperatives. How to grow and plant potatoes and accounting.
7. How useful were the trainings?	Technical information very useful helped them to focus.
8. What material assistance (i.e. equipment/grants/inputs etc) were you were given and did it meet your needs?	1 x tractors (25 hp). Grant 1 seed potato planter and 1 disc harrow. They contributed 25% towards the tractor.
9. Was it/is it easy to get in touch with the NGO/project when you need them?	Yes, very good relationship.
10. If you could change anything about the process (you have been through) what would it be?	They would have liked more seed potato and more training.
11. If you had any advice for the NGO/project/partner organisation if they were going to do it again what would it be.	They advise villages to pay attention to the NGO's and be more active with them. They wish to continue their relationship with CARE and for them to keep working.
12. What benefits have you had from being in this group? Have you made a profit from your activities? How do you expect to benefit from it in the future?	More enthusiasm now in this group they are more successful because of it they have increased their yield by 1.5 to 2 times and hope for more.
13. Is your group active now ⁴⁵ ? If so, what are you doing and what are your plans for the future? Do you have a business plan?	Yes every day. They also wish to increase their cattle breeding activities due to lack of land for potatoes. They have a business plan from the grant submission process until 2010.
14. Have you had any problems in working as a group or between group members?	No

Survey Questionnaire for Group Members

1. Group Summary and Informant Details and Group Details (i.e. no of members, type of activity)	Makvala Magradze. Friendship of Cattle Breeders 'Pia'. 5 members. Cattle breeding for meat and dairy, selling cattle and producing milk and cheese in summer. 87 animals.
2. How did you become a member of this group?	The group established itself informally some years before meeting CARE to help each other with milking and selling.
3. How did you hear about the project? Did you approach the NGO/project/service provider or did they approach you?	In 2007 SLAR had demonstrations in the village for non irrigated alfalfa on this farm which was unsuccessful and endo and ecto parasite treatment and some other key veterinary services as in addition to the four basic vaccinations provided by the government. The group approached them to ask for a tractor and machinery to cut hay etc.
4. Why did you choose to become an association/cooperative/friendship society or stay as an informal group? Was it decided for you/did you receive advice?	To receive the machinery they needed to be a Friendship Society and choose it with the advice of CARE.
5. How was the registration process?	Easy with the help of the CARE lawyer.
6. What trainings were you given?	2 trainings cattle breeding some demonstration of AI / feeding/pasture improvement and a three day training how to be a friendship society/business/accounting.
7. How useful were the trainings?	Yes she was an accountant (and liked the accounting)
8. What material assistance (i.e. equipment/grants/inputs etc) were you	Vet services, al village, open door day. Rotivator

⁴⁵ Definitions of active could include, paying membership fees, attending meetings, undertaking activities

were given and did it meet your needs?	
9. Was it/is it easy to get in touch with the NGO/project when you need them?	Yes
10. If you could change anything about the process (you have been through) what would it be?	Nothing always ready to help.
11. If you had any advice for the NGO/project/partner organisation if they were going to do it again what would it be.	Bigger rotivator.
12. What benefits have you had from being in this group? Have you made a profit from your activities? How do you expect to benefit from it in the future?	Profit, planting for cattle feed. Convenience as a group as opposed to individual. Hay cutting as a group (scythe).
13. Is your group active now ⁴⁶ ? If so, what are you doing and what are your plans for the future? Do you have a business plan?	Not at the moment but have plans to plant perennial grasses/crops for feeding.
14. Have you had any problems in working as a group or between group members?	No

Survey Questionnaire for Group Members	
1. Informant Details and Group Details (i.e. no of members, type of activity)	Gagi Kalandadze, Merab Velidjanashvili Merab. Adigeni-Varkhani Zekani Veterinary Group. 11 members. AI, vaccinations for the government, internal and external parasites, castration, testing, on farm surgery. Machinery services hay cutting etc. Paid once in the spring by the local government to carry out vaccinations on their behalf. Did 12,300 vaccinations without charging for labour as a promotion of their services. Are presently not charging for AI services, as another form of promotion.
2. How did you become a member of this group?	Knew each other as demo farmers under the CARE ELF project in 2004,5,6 following this they had the idea to become a group and registered under ELF as a NCLE. In September 2006.
3. How did you hear about the project? Did you approach the NGO/project/service provider or did they approach you?	See above. CIP2 knew about the group and approached them.
4. Why did you choose to become an association/cooperative/friendship society or stay as an informal group? Was it decided for you/did you receive advice?	Advised by ELF.
5. How was the registration process?	Fine.
6. What trainings were you given?	Business plan, how to use pesticides, accounting, now doing 2 month accountancy training course. AI, how to use pesticides. Vet sent to Tbilisi with groups own money for higher training.
7. How useful were the trainings?	Good
8. What material assistance (i.e. equipment/grants/inputs etc) were you were given and did it meet your needs?	1 40 hp tractor (from the business plan competition)
9. Was it/is it easy to get in touch with the NGO/project when you need them?	Yes
10. If you could change anything about the process (you have been through) what would	N/A

⁴⁶ Definitions of active could include, paying membership fees, attending meetings, undertaking activities

it be?	
11. If you had any advice for the NGO/project/partner organisation if they were going to do it again what would it be.	The group doesn't want to stop wants to be stronger.
12. What benefits have you had from being in this group? Have you made a profit from your activities? How do you expect to benefit from it in the future?	No so much profit to this point many activities being carried out as an advertisement. Now though they understand their business and if they found a good donor they would build their own centre for AI.
13. Is your group active now ⁴⁷ ? If so, what are you doing and what are your plans for the future? Do you have a business plan?	Yes. Big plans for a clinic and a form of 'Farmer's House' from where to sell medicines and keep a microscope.
14. Have you had any problems in working as a group or between group members?	Of the original 11 members 8 didn't want to contribute towards buying a tractor and left the group but another 8 have taken their place.

Survey Questionnaire for Group Members

1. Informant Details and Group Details (i.e. no of members, type of activity)	Iskuli Pozoian, Mkritch Nikogosian, Simon Pozoian: Akhaltsikhe Skhivilisi Potato Producers. 5 members. Rent 5ha own 3ha. Increased yield from 15t/ha to an average of 40t/ha with 60t/ha achieved. Technical advice includes consultations on varieties ⁴⁸ , including profit margins and market requirements for each variety. The group has become a supplier of seed potato to locals in competition with RAS and presently orders seed from RAS to be delivered from Holland. They are moving towards a position of being able to order direct. An association ⁴⁹ established by CARE between villages helps link farmers and named 'Tuberi' organises meetings and trade exhibitions. The group had just bought 5t of improved seed potato from a remote village farmer demonstrating at the exhibition. They are in the second year of ordering from RAS on a system of pre-order and deposit ⁵⁰ .
2. How did you become a member of this group?	Iskuli became a demo farmer for CIP1 in 2004 he choose two client farmers (see above) and received technical advice and 100kg of seed potato.
3. How did you hear about the project? Did you approach the NGO/project/service provider or did they approach you?	Community meeting in CIP 1 'Who wants to be a demo farmer?'
4. Why did you choose to become an association/cooperative/friendship society or stay as an informal group? Was it decided for you/did you receive advice?	They registered as a Friendship Society with the notary before the grant competition in 2007. It suits them as below 5ha (per person) they needn't register and don't need to pay tax below a profit of 100,000 lari per annum. They wouldn't have registered of their own accord due to caution and fear regarding taxation laws and legislation.
5. How was the registration?	Easy
6. What trainings were you given?	Technical training, tax regulations, accounting, record keeping from ABCO.
7. How useful were the trainings?	Very, before the trainings they were frightened about tax implications but they are not anymore.
8. What material assistance (i.e.	100kg seed potato. Subsidized seed for two years and free fertiliser and

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⁴⁸ They presently use Malanka, Picasso, Virgo, Avenda and Zapera. A combination of earlies and lates. Improved varieties which are highland grown command double the price.

⁴⁹ The association unities only those farmers who have lands on 1500 meter above sea level and higher as alpine zone is one of the preconditions for high-quality. Potato seeds produced in high mountainous zones keep their productivity for 4-5 years, while food potato is distinguished by its taste and high-calories. The association aims to support farmers in raise of potato productivity and its realization. The organization helps its members to perform qualified work and purchase high-quality elite type German or Dutch (not gene modified), already tested productive seed materials.

⁵⁰ The potatoes have a four week delivery time. Orders are placed in November and December planting takes place through April.

equipment/grants/inputs etc) were you were given and did it meet your needs?	pesticide and free delivery for the following two years. Implements for use with a tractor. Potato harvester, planter, plough, sprayer (through grant competition). Access to credit through Constanta for the first year of buying seed potato.
9. Was it/is it easy to get in touch with the NGO/project when you need them?	Yes always.
10. If you could change anything about the process (you have been through) what would it be?	Nothing
11. If you had any advice for the NGO/project/partner organisation if they were going to do it again what would it be.	More technical support. More support for the purchase of machinery for which they would pay half the cost. Help to find other donors. How to coordinate with other NGO's.
12. What benefits have you had from being in this group? Have you made a profit from your activities?	More income, more input, ease.
13. Is your group active now ⁵¹ ? If so, what are you doing and what are your plans for the future? Do you have a business plan?	Yes, want to increase production, meet every day. 'While we are alive we will have a business plan.' Want to increase land holdings.
14. Have you had any problems in working as a group ?	No

Survey Questionnaire for Group Members

1. Informant Details and Group Details (i.e. no of members, type of activity)	Zurab Kipshidze, Teodore Gogoladze. Akhaltsikhe Cattle Group. 5 members. 104 cattle. Go together to the high pastures for 5 months of the year, 40km from Tsinisi. The families offer support to each other where some are in the high pastures others tend crops in the village. Make and sell cheese from the milk offers the best value added profit.
2. How did you become a member of this group?	Already friends and attended the community meeting. CARE CIP knew who the 'active' members of the community were and so the group formed as the project started.
3. How did you hear about the project? Did you approach the NGO/project/service provider or did they approach you?	Community meeting. One of the members is the demo farmer and two the clients.
4. Why did you choose to become an association/cooperative/friendship society or stay as an informal group? Was it decided for you/did you receive advice?	Not yet registered but in the process of (still gathering land entitlement documents etc) but the trust between CIP and the group very strong, group has received its equipment from the business plan competition already. They are forming with the advice of CARE.
5. How was the registration process?	Seems OK
6. What trainings were you given?	AI ⁵² , improved feeding , vaccinations, internal and external parasites treatment. Help with the business plan from the Business Centre in Akhaltsikhe where ABCO is based.
7. How useful were the trainings?	Very.
8. What material assistance (i.e. equipment/grants/inputs etc) were you were given and did it meet your needs?	2 milking machines. Free vaccinations Medicines (the group paid for the vet)
9. Was it/is it easy to get in touch with the NGO/project when you need them?	Yes

⁵¹ Definitions of active could include, paying membership fees, attending meetings, undertaking activities

⁵² Brown Swiss and Jersey (milk breeds) semen is used.

10. If you could change anything about the process (you have been through) what would it be?	More funding
11. If you had any advice for the NGO/project/partner organisation if they were going to do it again what would it be.	Support to other people who want to form a group like them.
12. What benefits have you had from being in this group? Have you made a profit from your activities? How do you expect to benefit from it in the future?	Stronger with increased level of activity and profit.
13. Is your group active now ⁵³ ? If so, what are you doing and what are your plans for the future? Do you have a business plan?	Yes, make more profit. Business plan with grant competition.
14. Have you had any problems in working as a group or between group members?	No

Survey Questionnaire for Group Members

1. Informant Details and Group Details (i.e. no of members, type of activity)	Nino Gvritishvilli, Lia Kvimsadze. Akhaltsikhe Tsinisi Vegetable Producers. 12 members. Potatoes, peppers, broccoli, cucumbers for pickling, tomatoes, apple tree saplings for sale.
2. How did you become a member of this group?	They formed as a group under and IFAD project to restock orchards destroyed following the collapse of the Soviet Union, using imported varieties from Italy ⁵⁴ and grow apples for export in conjunction with a vegetable growing component in Aspindza. The project was intended to run for 20 years and the marketing was to be taken care of 'by the project'. The project however failed at the highest level and closed.
3. How did you hear about the project? Did you approach the NGO/project/service provider or did they approach you?	In 2006 under CIP2 CARE came to Tsinisi had a community meeting identified the group and proposed vegetable growing for immediate income.
4. Why did you choose to become an association/cooperative/friendship society or stay as an informal group? Was it decided for you/did you receive advice?	CARE advised.
5. How was the registration process?	Easy CARE did everything.
6. What trainings were you given?	Business planning, legal training, technical training.(pesticide and fertilizer application, vegetable production etc)
7. How useful were the trainings?	Good. Marketing very useful (wished her son could participate as younger with more ideas).
8. What material assistance (i.e. equipment/grants/inputs etc) were you were given and did it meet your needs?	Access to credit (Constanta), subsidized potatoes 18hp tractor from the business plan competition plus implements Pesticides/fertilizers/seeds
9. Was it/is it easy to get in touch with the NGO/project when you need them?	Yes
10. If you could change anything about the process (you have been through) what would it be?	More training, more learning more information about new technologies.
11. If you had any advice for the NGO/project/partner organisation if they	Work with more people in the village, more people are interested and this project represents something tangible to them where many don't

⁵³ Definitions of active could include, paying membership fees, attending meetings, undertaking activities

⁵⁴ Golden Delicious, Fuji, Gala, Granny Smith, Jon a Gold.

were going to do it again what would it be.	have jobs.
12. What benefits have you had from being in this group? Have you made a profit from your activities? How do you expect to benefit from it in the future?	Paying back their credit debts and material inputs.
13. Is your group active now ⁵⁵ ? If so, what are you doing and what are your plans for the future? Do you have a business plan?	Yes. Carrying on.
14. Have you had any problems in working as a group or between group members?	No.

Survey Questionnaire for Group Members

1. Informant Details and Group Details (i.e. no of members, type of activity)	Mikeladze Kakha. Director of 'Garanti' Cooperative. 12 members. Fattening enterprise, buying of stores, feeding and selling on to the meat market. Use of hay, fodder beet and oats and high pasture. Selling in Akhalkalaki ,Akhaltsikhe and near Tbilisi.
2. How did you become a member of this group?	Same the advertising for the Mercy Corps project. Attended the village community meeting and expressed interest in becoming a group. Formed a group of 'optimists' who knew each other very well. Didn't take the 'pessimists'.
3. How did you hear about the project? Did you approach the NGO/project/service provider or did they approach you?	See above
4. Why did you choose to become an association/cooperative/friendship society or stay as an informal group? Was it decided for you/did you receive advice?	MC advised them that the cooperative would be the best for them.
5. How was the registration process?	Easy. MC did everything including bring the notary tot eh MC office to stamp the requisite documents.
6. What trainings were you given?	'All' the training. Gender equality, cattle breeding and feeding, teamwork, leadership, 12 trainings in total will certificates from each one.
7. How useful were the trainings?	Very
8. What material assistance (i.e. equipment/grants/inputs etc) were you were given and did it meet your needs?	Gave them forty calves. A number which would have been impossible for the group to buy. Supplementary feed.
9. Was it/is it easy to get in touch with the NGO/project when you need them?	Yes by telephone anytime and they would come to the farm.
10. If you could change anything about the process (you have been through) what would it be?	N. Always competent and complete support.
11. If you had any advice for the NGO/project/partner organisation if they were going to do it again what would it be.	Continue your work.
12. What benefits have you had from being in this group? Have you made a profit from your activities?	In their family they would have 2 cattle with this group they have massively increased the number and made a good profit.
13. Is your group active now ⁵⁶ ? If so, what are you doing and what are your plans for the future? Do you have a business plan?	Yes. Planning to get into dairy production.

⁵⁵ Definitions of active could include, paying membership fees, attending meetings, undertaking activities

⁵⁶ Definitions of active could include, paying membership fees, attending meetings, undertaking activities

14. Have you had any problems in working as a group or between group members?	N
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Survey Questionnaire for Group Members	
1. Informant Details and Group Details (i.e. no of members, type of activity)	Kavrelishvili Aniko, Kaverelishvili Otari. Kotelia Association. 12 members. Potato growers.
2. How did you become a member of this group?	8 years ago they were established as a Ltd under a German initiative with the Ministry of Agriculture (but the process and setup was unsatisfactory and the group became defunct). Then under IFAD they were set up as a cooperative for producers but there was a lack of technical support. Finally with MC they choose to become an association.
3. How did you hear about the project? Did you approach the NGO/project/service provider or did they approach you?	Community meeting when MC visited villages to explain the program and aims.
4. Why did you choose to become an association/cooperative/friendship society or stay as an informal group? Was it decided for you/did you receive advice?	They chose an association because the other forms of group had not worked for them. They understood everything about it through the trainings.
5. How was the registration process?	Easy they had lots of experience and didn't need any help.
6. What trainings were you given?	Potato cultivation, leadership, gender equality, accountancy, teamwork, 4/5 trainings for accountancy.
7. How useful were the trainings?	Very useful
8. What material assistance (i.e. equipment/grants/inputs etc) were you were given and did it meet your needs?	Seed potato. Pesticide/fertilizers.
9. Was it/is it easy to get in touch with the NGO/project when you need them?	Yes very easy relationship.
10. If you could change anything about the process (you have been through) what would it be?	Would have liked a tractor.
11. If you had any advice for the NGO/project/partner organisation if they were going to do it again what would it be.	Continue the activities and broaden them and more machinery.
12. What benefits have you had from being in this group? Have you made a profit from your activities?	Yes, profit. Living standard has improved.
13. Is your group active now ⁵⁷ ? If so, what are you doing and what are your plans for the future? Do you have a business plan?	Yes, see each other all the time. Would like to be better and better and to acquire more land. Would like to grade produce locally. Need to reduce the costs of local production.
14. Have you had any problems in working as a group or between group members?	No

Survey Questionnaire for Group Members	
1. Informant Details and Group Details (i.e. no of members, type of activity)	Akopian Arutun. Director of 'Nektari' Cooperative. 17 members. Production of Alpine honey.
2. How did you become a member of this group?	Saw the advert for MC came to the meeting with the other bee keepers in the area.
3. How did you hear about the project? Did you approach the NGO/project/service provider or did they approach you?	See above.

⁵⁷ Definitions of active could include, paying membership fees, attending meetings, undertaking activities

4. Why did you choose to become an association/cooperative/friendship society or stay as an informal group? Was it decided for you/did you receive advice?	Cooperative is a more serious organisation with its functions and rights, read the booklet provided and choose for themselves. The cooperative activities are stronger.
5. How was the registration process?	Easy. MC helped a lot.
6. What trainings were you given?	Many. In 3 years they had trainings every year. Accounting, business, how to organise themselves, teamwork, visiting hives. Demonstration with 10 new European hives.
7. How useful were the trainings?	Very
8. What material assistance (i.e. equipment/grants/inputs etc) were you were given and did it meet your needs?	90 hives, medicines, equipment.
9. Was it/is it easy to get in touch with the NGO/project when you need them?	Y
10. If you could change anything about the process (you have been through) what would it be?	Nothing
11. If you had any advice for the NGO/project/partner organisation if they were going to do it again what would it be.	Promote bee keeping. Our district could have a very big beekeeping factory. Bees in for an agricultural area are very beneficial. With 500 hives they could have an income in a year of 100,000.
12. What benefits have you had from being in this group? Have you made a profit from your activities?	None yet, are hoping with good weather for this to be a very big year.
13. Is your group active now ⁵⁸ ? If so, what are you doing and what are your plans for the future? Do you have a business plan?	Yes, meeting every month. Rules, accounting. Business Plan.
14. Have you had any problems in working as a group or between group members?	No problem with relationship but with finances. However they have found a market in Tbilisi supermarkets.

⁵⁸ Definitions of active could include, paying membership fees, attending meetings, undertaking activities

Appendix 4: Key Informant Interviews

Key Informant Interview for Representative of Ministry of Agriculture	
Informant Details	Konstantin Khutsaidze, Deputy Head of Development Department. January 28 th 2009. Interview conducted in Georgian through translator.
Key Points of Discussion	
Selection and Identification of Groups	Depends very much on the purpose of the project e.g. training vs. income generation. Sustainability following the end of projects seems very hard to achieve, groups should therefore be targeted towards the development of business. The priority should be to generate profit.
Many key informants have stated that the cooperative system although best suited to the purpose stated above is too cumbersome and complicated can it be simplified for farmers?	Yes it can changes do need to be made, but in legislation. The government is also waiting for the recommendations of NGO's on the subject.
What issues are connected to the 'market'?	The legislation for food safety and plant protection as well as for veterinary services and controls exists but needs implementing. There are also issues with adulterated products and low quality cheap products.
What involvement can INGO's have in this?	These standards must be national standards and must be unified across the country; the legislation must be unified at the official level. However NGO's can continue with new technologies and improved production orientated towards business development and access to markets including packaging and branding in the context of HACCP standards.
What about food safety and HACCP in particular?	It is in evidence now. Even though the law hasn't been enforced yet it has been enacted. Certification is another issue and a start has been made in the organic sector with the internationally recognized Caucasus Cert.
What is the 'way out' of the cheaper local imports competing at present very successfully with Georgian produce of potatoes?	Increasing productivity in the shortest period of time. Problems within Georgia re alienation within the market and low competitiveness.
What is the Georgian Governments status as regards to a national agricultural strategy?	The strategy is being drafted now; including issues such as how to protect internal markets in Georgia, there should be three main aspects to the market, a selling chain, a producer's chain and the distribution and linkages between them.
What is the status of agricultural extension in Georgia? What sort of synergy can be developed between NGO's and the government in this respect? What would you think of a system of something like secondment of extensionists to INGO's and vice versa?	Extension is of utmost importance and a chapter is being drafted now. Secondment is necessary. We are thinking of a coordination link within the Ministry to avoid overlapping.
Comments regarding:	
The export of honey	Honey in Georgia is of a very high quality but export to the EU is problematic in needing to meet a variety of regulations ⁵⁹ .

⁵⁹ Honey is considered a livestock product and subject to strict import regulations countries such as Turkey are moving in the direction of the EU in this regard. In the U.S however honey is considered a plant product and the import regulations are less onerous.

SIDA	A project they had was entitled 'cow to table' which encapsulates the sort of connectivity and emphasis on markets we are trying to promote.
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Key Informant Interview for Country Directors	
Informant Details	Irakli Kasrashvili, Country Director Mercy Corps Georgia. January 14 th 2009, Interview conducted in English
Open Discussion Concerning Group Formation in INGO projects	
<p>Regarding cooperatives: The biggest problem they have is the amount of documentation and accounting, leading to the situation where the Cooperative actually really needs to have an accountant as a member or to hire one. MC in Akhalkalaki provided a lot of training and ongoing support to its cooperatives so that some of them are in the situation that they can do some of it themselves but it remains a problem.</p> <p>Regarding changes to legislation: A very large number of clauses relating to group formation have been undergoing extensive and rapid change. MC prepared for publication a document which detailed an extensive comparison between Associations (NCLE's) and Cooperatives including a SWAT analysis. As an example of the rapidity in which the legislation has changed, they had to delay imminent publication twice to include new changes in legislation and it was only on the third attempt that they managed to publish the booklet in line with 'current' legislation.</p> <p>Regarding legal status: It is important to have the legal status i.e. be registered with the tax office and preferably commercial legal status for those groups who activities will result in a profit to avoid any misunderstanding and possible penalties or fines from the tax office. Those groups registering as a NCLE but subsequently making significant profit (the law is unclear on this point simply saying that the 'main objective' of the society should not be the making of profit) could have their registration cancelled. In addition legally registered commercial status provides the group with advantages within and is sometimes a requirement of entry in more formal marketing channels where a stamp proving this status is required for documentation.</p> <p>Additional Comments: In the past the informant had experienced difficulties with finding and creating an appropriate structure for groups within a project. In a past project they had created groups under the auspices of the Sakrebulo which were then disbanded leaving them without legal status.</p> <p>Recommendations</p> <p>That a good relationship is fostered with key contacts in the tax office with regular coordination in order to keep pace with changes in legislation.</p> <p>That the cooperative structure is on balance the best one for farmers but that it would be preferable if the law could be amended to lessen the documentation requirement for <i>agricultural</i> cooperatives.</p>	

Key Informant Interview for Country Directors /Operations Managers	
Informant Details	Jonathon Puddifoot, Country Director, CARE Georgia. Gia Glonti, Operations Manager, CARE Georgia. January 28 th 2009, Interview conducted in English

Open Discussion Concerning Issues related to Groups and Agriculture in INGO projects

Regarding Groups: Diversity in the group is a desirable characteristic to cover the different facets of activity e.g. someone skilled in AI, marketing, accounting.

Regarding Associations: The word is often used incorrectly to refer to a broad range of groups in fact there are very few associations in operation in the true sense of the word. E.g. Association of Hairdressers offering vocational trainings and a quality standard, united by a common profession or the Association of Water Users defined specifically by water source. The Association of farmers groups established under the STAGE project as an umbrella organisation for farmers is closer to playing the role as explained above.

Regarding Policy Support: There is a need for policy support in areas such as food safety, standards, grading and in advocacy for farmers. A fully fledged association of farmers could help fulfil this role. Discussed the need for a new push in the areas of advocacy and policy support as the agricultural needs of the small farmer have moved on from the needs five years ago and how the approach should reflect this.

Regarding Brand Loyalty: Discussion concerning the brand loyalty Georgians show to Georgian produce.

Regarding Extension: A question to government regarding where new extensionists are to come from and their importance in agricultural systems.

Regarding Coordination: A need for more coordination between INGO's and donor committee meetings on agriculture. Information could be made more accessible.

Regarding Group Membership: The need to look carefully at who are becoming group members and ensuring that the poorer members of the community are reached and included. Often members selected for groups are those showing the most enthusiasm and dynamism and who often have resources to contribute. The criteria for demo farmers as outlined by CARE attempt to mix criteria to ameliorate this. 10 years ago only worked with those who could accept some risk. The poorer members of society more difficult to categorise as the reasons for their being in the poorer segment of society are heterogeneous and numerous and from a wide range of sources. Those from the middle range of the community tend to be more homogeneous.

Regarding Group Development: Preferable to find interventions which allow groups to grow without specific support e.g. Honey factory

Key Informant Interview for Project Managers/Officers

Informant Details	Nino Romishvilli, CARE SLAR Legal Specialist. January 28 th 2009. Interview conducted in Georgian through a translator.
Open interview concerning specific conditions relating to SLAR and CIP2 groups	
Regarding tax for partnerships	Pays property tax, profit tax with every member contributing their share, if the members do not contribute the representative must pay the tax.
Re. Commercial partnerships	Not eligible to receive a grant, it must be given as revenue which would be liable to income tax.
Re. Partnerships	Can carry out commercial activities and generate a profit but it is to be used for furthering the activities of the partnership not distributed among members, but salaries, fuel, costs etc may be paid.
Re. Property tax	Partnerships don't pay property tax on land used for agriculture for 5 years. Similarly if they own land that has been damaged and used for agriculture. If revenue exceeds 100,000 they pay VAT.

Why choose Non Commercial Partnerships?	To enable groups to receive grants, simple structure with less bureaucracy, when the partnership agreement expires they may transform into a commercial structure. However partnerships are not a legal entity but a union of 'natural' persons. If they commence commercial activity they must register at the tax office within 10 days .
What is a 'natural' person?	Individual tax payer, personally responsible.
Do you have any recommendations?	It would be good to have a simplified form of agricultural cooperative. The partnerships would benefit from follow up activities and monitoring to ensure that any transitions at the end of partnership agreements go smoothly. There is a potential role for RAS to offer this kind of consultation/para legal advice. Organise an inter agency working group meeting to discuss these issues and find ways of disseminating advice to farmers.
Do members of a partnership producing 'raw' produce fall under the 100,000 tax law as individuals or as a group?	This would be a considerable disincentive to being a cooperative if paid by individuals. This fact needs checking.

Key Informant Interview for Partner Organizations/Service Providers	
Informant Details	Gocha Atoshvilli. Director Akhaltsikhe ABCO Business Centre. Partner Organization for the CARE SLAR & CIP2 Program. January 21 st 2009. Interview conducted in Georgian through a translator.
Key Prompts	
What did they deliver	Trainings and consultations with farmers, help with business plan preparation. Trainings and legal advice on Friendship Associations, How to form Cooperatives. Each group had about one to two trainings with some additional support, including documentation provided by ABCO of their own volition on relevant subjects to help the farmers.
When did they deliver	Through about 5-6 contracts, they delivered the above at different times during the project.
Problems	Some groups only interested in getting the 'money'.
Strengths/Successes	Providing additional material unbidden.
Key approaches	Providing training when requested to by CARE.
Complaints	N/A
Things to work on	Recommends more training and stronger financing so that farmers, are provided with the equipment that they request.
Specific Questions	
What was the nature of your partnership with the SLAR project?	Trainings provided by ABCO were provided on an as and when basis as requested by the SLAR & CIP2 team.

Key Informant Interview for Partner Organizations/Service Providers	
Informant Details	Makhare Matsukatov. Director Akhalkalaki ABCO Business Centre. Partner Organization for the Mercy Corps Linkages Program. January 20 th 2009. Interview conducted in Russian through a translator.
Key Prompts	
What did they deliver	Consultations, business planning, how to plan the trainings, finances and accounting, taxes, help writing projects, writing business plans, how to get credit, legal advice, business coordination with government organisations.
When did they deliver	ICCN trainings came first: Human rights, gender, conflict, leadership, team

	building. ABCO First year: Business planning. Cooperative registration process, preparation of charter, notary, bank account set up, share capital setup, coordination with tax inspection/registration business plan formation 2 nd year: Group regulation, accounting, reporting, tax declaration.
Problems	Two cases where the grant was given a little too early, some of the groups were a little hurried. Some conflicts over opposing business ideas/aims. Some groups wanted 'the money' first without understanding the need for a properly prepared idea and plan.
Strengths/Successes	Lots of constant and timely support to the groups
Key approaches	Plenty of preparation support before registration and working at the enterprise otherwise more 'patch up' work will have to be done later on.
Complaints	N/A
Things to work on	More trainings when forming cooperatives particularly to those groups not as able as the others.
Specific Questions	
Why were you successful in registering and creating the cooperatives?	ABCO (and my) time was dedicated 100% to the MC project. So there was unlimited support to the groups with many trainings and consultations through the project. Training was given according to need. Found a loophole with MC lawyer allowing us to get around the subject of grants to cooperatives. The grants for each group were divided equally and given to each individual.

Key Informant Interview for Partner Organizations/Service Providers	
Informant Details	Ivane Kochoradze Constanta (previously Micro Finance Institution now Bank) Akhaltsikhe Branch Manager January 29 th 2009. Service Provider for SLAR and CIP2. Interview conducted in Georgian through a translator.
Key Prompts	
What do they deliver	400 clients in area, 1.1million outstanding, 1-2% portfolio at risk. 'Quick loans' to small entrepreneurs from \$50-\$100,000 collateral or non collateral depending on amount min 32% interest – 48%, with terms form 3 months to 3 years. Business loans from \$17,000 - \$70,000 26%-30% , collateral. Agro loans maximum 5 years property as collateral up to 26% minimum 26% - max 48%.
How do loans to groups work?	Prefer groups registered as legal entities. Tax declaration from tax office needed. The loan given to one representative, the group activity checked. Informal groups could apply through one individual. Loans were once available to informal groups but stopped as interest rate too high .
Problems	Global financial crisis, very high interest rates, lack of investment. Agriculture seen as very risky.
Strengths/Successes	Haven't stopped allocating loans completely but lending in smaller amounts with some stoppages.
Additional Information	Support industries to agriculture needed. Small farmers have a problem marketing their produce particularly those from isolated villages as does the length of time it takes to come into town.

Key Informant Interview for Partner Organizations/Service Providers	
Informant Details	Malkhazi Tchinehilakschvili Director International Association for Agricultural Development (IAAD) Partner Organization for the Mercy Corps Linkages Program. January 6 th 2009. Interview conducted in Georgian through a translator.
Key Prompts	
What did they deliver	Trainings in the technical aspects of potato growing, livestock breeding and honey

	production. Including 25 new varieties of potato, new techniques, fertilizer and pesticides, application and type, new machinery, veterinary services and AI, hives, Queens, feeding and the protection of queens. Checking the agricultural activities components of the business plans in conjunction with ABCO.
When did they deliver	Throughout the project from the beginning in March 2006 – December 2008
Problems	No problems. Although in the beginning the farmers didn't believe that IAAD could tell them anything 'our grandmother grandmothers were growing potatoes what can you tell us' about potatoes or cattle breeding in particular. However once they showed the benefits of the new varieties and AI they had no further problems and a lot of enthusiasm.
Strengths/Successes	New seed potato varieties with farmers purchasing independently, new pesticides and fertilizers, new machinery for hire from the RSC, increased yields 8-10 t/ha increased to 40-55 t/ha in the best instance. Gamgiavelli of Ninotsminda have written requesting the same program to be implemented there. Fertilization rate increased from 50% to 81% and the birth weight increased now farmers will pay 15 lari for the service
Key approaches	Flexibility and asking the farmers first and identifying their needs. These will be different for every location. Linking the farmers to markets in Batumi for their potatoes. Identifying the group members/ farmers with initiative. 1st month nobody interested in AI trained and worked with one interested farmer. Embedding the cost of advice into the products sold in the RSC e.g. drugs.
Complaints	No complaints
Things to work on	None but looking at needs for HASSOP and possibly organic certification.
Specific Questions	
Why were you successful in mobilising the farmers?	Persuaded the EU consultant that instead of just concentrating on trainings in the first year needed to demonstrate to gain the farmers trust and interest. So caught the first growing season in the first year for the improved varieties of potatoes and started AI.

Key Informant Interview for Partner Organizations/Service Providers	
Informant Details	Romaz Gogoladze. Director of Agroservice Ltd. Commercial wing of the Rural Service Centre (a NCLE) a rural services provider developed as part of the Mercy Corps Linkages Program. January 20 th 2009. Interview conducted in Georgian through a translator.
Key Prompts	
What did they deliver	2006: The Rural Service Centre was formed by members from each cooperative becoming members to form the association. They formed a committee, with managers, directors including a purchasing specialist and accountant. The RSC was formed to provide the services that the groups and other farmers would need for support. The aim was to help the community hence the formation of a NCLE. 2007: Added members. Received grant of two German tractors and implements. Cooperative members paid costs only. Services include training consultancy and advice and purchasing of pesticides/fertilisers, veterinary services and drugs as well as machinery services. 2008: Charging for services to cover costs of the association, begins plus some contributions from cooperatives towards costs. Embassy of Japan grant enables purchase of 1 large Belarusian tractor and implements. Ltd: Formed in December 2007 to import seed potato (2008 50 t 2 containers) and sell veterinary drugs, fertilisers/pesticides, fish food as well as providing advice and consultancy and charge for land cultivation .
When did they deliver	See above
Problems	No market for potato in 2008 due to cheap imports.
Strengths/Successes	The RSC and Ltd are becoming essential for the coops and the farmers.

Key approaches	See above
Complaints	No
Things to work on	Continuing strive to become a profitable quality service.
Specific Questions	
What would you have done differently?	Provided bee keeping advice and equipment from the start.

Key Informant Interview for Local Government Representative	
Informant Details	Tea Totadze, Main Inspector for Registration of Legal Entities and the Tax Office Akhaltsikhe. *(Pertaining to tax see below) Zhuzhuna Lekishvili, Chief Instructor of Service. January 8 th 2009, Interviews conducted in Georgian through translator.
Key Prompts	
Procedure	Representative applicants present themselves and the complete set of documents at the tax office for registration. Where all documents are in order registration will take 3 days for a Non Commercial Legal Entity and 1 day for a cooperative. See Annex 1 and 2 description of commercial and non commercial entities described during the interview including recent legislative changes, tax regulations and definitions.
Recent History of Legislation and Practice	Legislation continues to change rapidly concerning the regulations with group/entity formation types and classification of entities etc. The tax office used to provide brochures to explain the different types but currently they these are out of date due to the changes. However the tax office does provide consultations to anyone who requests it on visiting the tax office, has an open day once a month where anyone may come in for consultations and advice and there is a helpline in Tbilisi which may be rung for advice.
Relationship with/attitude towards NGO's	Applicants are treated as any other but the tax office has noticed at times large numbers of cooperatives for example registering from one place as a result of NGO project activity. The informant also felt that NGO's would benefit from simple trainings in legal procedures and regular communications to ensure that they are appraised of the latest changes in legislation and should take advantage of the open days and the consultation service. She also advised that it was better to come first pre registration for a consultation prior to any project to do with groups. See Section 4. For recommendations.
Contact Points	See details above.
Weaknesses	Re: the system, the NCLE's have a more difficult registration procedure than that for commercial entities i.e. cooperatives. At present they don't have to register a record/breakdown of their share capital. The informant recommended that cooperatives keep a record of their membership fees and share capital and present this at registration even if only the minutes of the relevant meeting as this will aid the coop later in the case of needing an amendment. The tax office is awaiting amendments to rectify this anomaly.
Additional Information	
Which structure is appropriate for farmers?	She deemed a cooperative to be the appropriate structure for farmers groups orientated towards profit and yet targeted towards the development of members. Cooperatives have no restriction on members there is more regulation of members that in a Ltd or NCLE.
Tax Information*	See Annex 1 and 2. Explanation of the current status of differences between tax regulations of cooperatives and NCLE' s explained.

Key Informant Interview for Country Directors /Project Managers/Officers	
Informant Details	David Malazonia Agricultural Program Coordinator/Livelihoods Program Manager CHF International Georgia. January 28 th 2009, Interview conducted in English
Open Discussion Concerning Issues related to Groups in CHF projects	

Regarding Cooperatives: The theory of cooperatives is very good. The democratic principle. Share capital, the equal status of members the business managers and owners as part of the same group and equal. For underdeveloped agriculture the cooperative is the best group model.

Regarding Disincentives to the Cooperatives: The negative associations with Kolkhoz system still prevail where no equity was defined plus the cooperative pays tax as an entity on profit over 100,000 GEL where an individual farmer has the some threshold.

Regarding Benefits to Cooperatives as the Law stands: None save being a Legal Entity

Regarding Partnerships: Revenue and costs divided amongst members, each member responsible for taxes, notifying the tax office when commercial activity is initiated. However the 3 guiding principles of the cooperative built into the partnership, ‘user owners, user benefit, user member’. Where the goal is to serve the community a NCLE or non commercial partnership is the correct form, where the goal is profit a commercial partnership is more suitable. Transactions are no problem, a ‘stamp’ may be obtained and financial transactions present no problem to this type of group.

Regarding CHF’s work with groups over the last 2 years: Work with formal, informal, previously established and newly created groups. E.g. 3 groups already established as NCLE’s previously by SIDA, with the goal of disseminating knowledge, new technology to which it is easy to give grants. 2 partnerships (milk collection centres) being established by CHF in Aspindza and Adigeni.

Regarding Type of Support given to Groups: E.g. Milk collection centres, milk freezing equipment milk analyser, linkage with processing company, improving of capacity to reach market.

Note: Discussion held concerning taxes payable by non commercial and commercial entities and the giving of grants vs. revenue and the tax implications thereof see recommendations.

Key Informant Interview for Project Managers/Officers	
Informant Details	George Sadunishvili Program Officer Mercy Corps Linkages Program Akhalkalaki: January 6 th 2009, Interview conducted in English
Key Prompts	
Methodology	Community mobilisers went to every village and asked/informed about farmers groups and gave out brochures and guides about MC’s plans. Trainings for 4-5 months (including presentations of differences between cooperative ad association) and registration procedure began from service partners IAAD and ABCO when they met the criteria. (Including the completion of a business plan).
Problems	Initial Mobilization. The farmers didn’t believe that NGO’s (and by extension) MC would give them anything and would only talk or that they could establish themselves in groups. They also felt that the actions of NGO’s wouldn’t help/touch poor people only those better connected in the community. Only four groups were established in the first year but after practical demonstrations of what could be achieved (yield increases etc) many people came.
Strengths/Successes	Improved economic situation for some local farmers. Improved potato quality,

	local people with own resources also copied the actions of the project e.g. purchasing improved seed potatoes ⁶⁰ . Local capacity building, linking the local government with that in Tbilisi trainings given in the parliament. Better planning and better use of money and help understanding legislation to farmers concerning land privatisation and other matters.
Weaknesses/Failures	N/A
Specific Questions	
Why work with groups?	Easier to manage and work with than individuals. The management is easier for groups when working in 20 villages. Easier to make profit as a group and the pooling of assets and resources.
Why not begin with informal groups? Why register from the beginning?	The project wished to be in line with Georgian legislation from the beginning of the project. Always the possibility that grants to informal groups may become problematic in some way e.g. the tax department. Establishing as a legal entity from the beginning is better for profit distribution/accessibility.
Why did the groups choose to become Cooperatives?	They learnt in the trainings that in a cooperative they could immediately take and use the profit. MC got around the restrictions on giving grants to cooperatives by giving equal portions of the grant to each individual member of the cooperative. There was no problem with the above i.e. members giving their grant to the cooperatives share capital as it was legally protected.
Was there any need for mediation?	Once (involving Mercy Corps). Mediated gave training and the problem was resolved.
Did the policy of insisting on at least a 20% membership of women work?	It was artificial in the beginning, many farmers just brought their wives and they were often very quiet, however after the trainings many women became very confident and competent becoming some the stronger members of the groups, this was true for about 50%.
What was the access to credit?	CREDO gave loans to about 40 customers of whom 5 were members of the cooperatives. (For purchases such as extra land to increase their share capital. The total amount of credit given was 80,000 USD, there were no defaults. MC provided the guarantee and checked their loan applications. The customers should now have improved credit histories. Access to credit from the end of the project will be minimal or none given current market conditions. See footnote.
What would you differently?	Limit the group members to a maximum of 8 for efficiency of management and cohesion enabling them to make better decisions.
Additional Information	
Farmers' House AKA Rural Service Centre: Association which formed a Ltd company. Grant from Japanese Government to buy machinery. The founders are members from 8-10 of the cooperatives. They gave 'grants' to the association e.g. potato growers gave potatoes, cattle breeders gave cows. 15-20% discount to cooperatives. 2008 going rate of 130/lari/ha for ploughing, RSC offering new German more efficient machinery in place of older Russian machinery.	
Current interest rates (Jan 2009) are CREDO 36% and Bank of Georgia 40-42%. Individuals are seen as a lower risk than groups, because of opportunities for default. Share capital is considered OK for collateral, a house as good and a tractor bad.	

Key Informant Interview for Project Managers/Officers⁶¹

Informant Details	Guram Jinchveladze, RAS Manager Akhaltsikhe. January 7 th 2009. Interview conducted in English.
Key Prompts	

⁶⁰ 23 new varieties brought from Holland in the first year. Used previous studies in Georgia to target the varieties suitable for local conditions.

⁶¹ In this instance Guram Jinchveladze is also a service provider.

Methodology	RAS staff hired in and by December, decision as to legal status. Registered as February 2007. Group selection was completed in December 2007 through community mobilization meetings, sometimes used existing group structures from SLAAR and sometimes created new groups. In three smaller villages tried to build groups out of the whole community but filtered down to core groups of interested members. The twelve groups underwent capacity building and technical training and six stronger groups four producer and two service selected to progress to business planning, registration and reception of grants. See additional information below for the time line of group related activities over the project lifetime.
Problems/Difficulties	Getting the farmers to pay for seed potato in 2007 and buying the requisite amount. Fundraising, implementing SLAR, legalities, group management, demonstrations and capacity building of self and others as a new organisation at the same time.
Strengths/Successes	Increases in yields and improved production techniques, good dissemination of technical information through the demonstrations, regular meetings between the groups and RAS, dissemination of agricultural news in newspaper ⁶² , the shop, RAS staff and administrative and organisational strengths.
Weaknesses/Failures	Failure to buy the requisite amount of seed potato delayed potato related activities with the potato producer groups for a year. Confused inception period with limited funds in 2006, limiting activities with farmers.
Specific Questions	
Why did you advise and arrange for the groups to become 'Friendship Societies' rather than another type of entity?	The groups received trainings where they were informed about the different types of groups in existence. The Friendship Society was investigated by the CARE legal team and advocated to the groups and preferred by many as the most appropriate entity given their stage of development and for receiving the grant. The management and accounting is simple and they do not have to register with the tax office. Registration has brought them security, access to credit institutions, record keeping and accounting.
Why begin with informal groups? Why not register from the beginning?	Because the groups we were dealing with were not strong enough and needed time and experience to develop into a strong group.
The consultant advising on group development advocates in the report a progression from informal group through to a more formalised structure ending in the cooperative do you think any of these groups will become cooperatives?	The FS structure suits them now but if they grow stronger in organisation and activities then they can transform into cooperatives. The 2 service groups are stronger in this regard.
Were there any complaints?	No, the groups were happy although they would have liked to see a quicker granting process.
Was there any need for mediation?	No

⁶² 30 different items have been published in the local newspaper concerning information and news about seeds, fertilizers and legislation etc.

What would you differently?	Machinery and equipment was only purchased for six groups and so there was a change only for these groups, a small impact. The farmers' needs are very high and where they received a tractor or rotivator they also require a harvester or seeder.
Additional Information	
<p>Project Timeline for Group Activities</p> <p>Spring 2006: Community meetings, village meetings, demonstrations to farmers in AI/Maize improved seed/new varieties of apples/non irrigated alfalfa December 2006: 12 groups selected</p> <p>January/February 2007: Group consultant sets out specific objectives with action plans for groups. Attempts to import seed potato.</p> <p>March/April/May: 5t of seed potato purchased, demonstrations begin with potato, livestock (feed and parasites) and vegetables (fertilisers, pesticides, espalier methods)</p> <p>June/July/August: Demonstrations continue, record keeping</p> <p>September/October: Potato production, winter storage, farmer exchange from U.S. (ACDI/VOCA)</p> <p>January/February /March 2008: Grants mentioned. Group consultant interviews producing analysis of all aspects of groups and action plans for each. ABCO 3 day trainings, business plan, administration, accountancy, group legislation. March 13th meeting to discuss future plans and development March 25th consultant to set up farmer contribution to grant.</p> <p>April/May/June: Group members to the Ukraine. Identified 6 stronger groups, 4 producer and 2 service in June.</p> <p>July: Determined machinery and equipment needs.</p> <p>August: Decision on the type of entity the group would become.</p> <p>September/October: Registration of groups.</p> <p>November/December: Business Plan development, review of business plans and purchase of equipment.</p> <p>Regarding further group needs: Marketing is very important and something the groups and farmers need help with including branding, packaging and being made ready for the implementation of food standards.</p>	

Key Informant Interview for Project Managers/Officers	
Informant Details	Lia Dididze, CIP 2 Project Manager West. CARE CIP2 Program Akhalkalaki: January 9 th 2009. Interview conducted in English
Key Prompts	
Methodology	<p>CIP 1 focusing on communities along the BP pipeline finished in 2006. CIP2 started in September 2006 due to finish September 2009, extended to Akhaltsikhe, Borjormi and two village sin Adigeni. Main focus infrastructure/agriculture and youth in CIP2 emphasis on youth moved to CIP east. In CIP1 &2 demonstration farmers supplied with inputs and training are selected and each demo farmer has two client farmers. These formed the nucleus of the groups. In CIP2 worked with some existing and some new groups ending with 11 producer groups and 6 service groups. All the service groups new to CIP2.</p> <p>In addition to technical trainings and business training from ABCO at the end of 2007 a grant competition with all groups presenting their business plan was held with 3 service and 4 producer groups getting a grant of \$5000 to which they contributed a minimum of \$1000 towards equipment and machinery.</p> <p>The three service groups are NCLE's and the other groups are all 'friendship societies' registered with the tax office.</p> <p>From CARE providing 100% of the cost of inputs in CIP1, CIP2 operated on a sliding scale leading to farmers paying 100% of inputs.</p>
Problems/Difficulties	In Borjormi some members were string some weak and not really cohesive as a group.
Strengths/Successes	Using demo farmers to form the groups as they are the most effective method for the dissemination of these new technologies. And following this other farmers wanting to join in the activities.
Weaknesses/Failures	N/A

Specific Questions

Why work with groups?	Easier to communicate with markets, better for quality and quantity of production and shared effort.
Why lessons have you learnt during the project.	That the success of a group depends on the members of a group and their individual strengths as members. Service groups are a newer entity not based on demo farmers but on more business orientated people. Programs should work in two directions to cater for this, with producer groups on more technologies and agricultural ideas and with the service groups on building them up considering the great need for them in the region.
What was the access to credit?	Constanta provided credit to some of the groups and CARE provided the guarantee.

Additional Information

Trainings were provided when needed, both technically and for business and administration and were followed up with consultation and monitoring. E.g. training for pesticides when pesticide application was needed. Training in business plan development and book keeping shortly before the development of the business plans for the grant competition. Accounting was provided after the machinery.

Demo farmers were chosen using criteria in the CARE Manual for conducting on farm demonstrations. (See bibliography)

Key Informant Interview for Project Managers/Officers

Informant Details	Mkrtich Movsesian. Agricultural Mobiliser: CIP2 Project Akhalsikhe: January 20 th 2009, Interview conducted in Georgian with a translator.
Key Prompts	
Methodology	The aim of successful group formation. (See below) More land, higher yield = more profit. Choosing strong and motivated members to begin with. Using the demo farmer and client farmer system to serve as the nucleus of group formation and also working with existing groups. Providing string and concrete examples of success.
Problems/Difficulties	Preconceptions. When groups were first mentioned the farmers, they immediately related it to their experience of the <i>Kolkhoz</i> system. This was initially difficult to overcome. It was explained that in the project established groups everyone would have equal rights and everything would be open and known to all including the finances. Now after much work and string examples they understand the differences. See additional information below for further details.
Strengths/Successes	Successful examples serving as an example to others in the communities and exciting their interest to do the same. Yield and profit increases.
Weaknesses/Failures	Budgetary constraints. Informant guaranteed the first loans of two of the groups. See additional information below.
Specific Questions	
Why work with groups?	Better position in the market, better profile and visibility. Lower rates given to a group when purchasing pesticides and fertilisers. 20% lower production costs /ha when acting as a group. Crop rotation can be practiced a group (avoiding mono cropping) due to the larger landholding.
Was it very hard to get the farmer's to understand the market chain?	Very difficult (see <i>kolkhoz</i> below) which is why the project tended to work with existing string or medium groups in the beginning so as to lead by example and ensure that these groups got the capacity building and help that they needed.
What was the access to credit?	Credit is essential. Constanta was a project partner but farmers find

	the interests rates very high and at the beginning projects are at first reluctant to take loans and also do not often have the collateral to guarantee the loans themselves. Cattle breeders needs long term credit.
What about marketing?	The biggest problem here is marketing. The local market is limited. Products should be better quality and produced to satisfy a broader customer base. Local consolidation centres for milk for example would help local farmers. Investment is needed.
Given that you start group formation with 'stronger' motivated individuals how do you help the 'weaker' members of the community?	Explanation, information, support and training.
Additional Information	
<p>The <i>kolkhoz</i> system was a top down system with a director and deputy issuing orders to the ordinary workers. The workers were paid according to hourly or daily rates and were always paid the same regardless of whether it had been a good or bad year. The members would see their production levels they would not however be party to what happened afterwards and so had no knowledge of whether it has been stored, sold and what price it had fetched.</p> <p>Factors for group success:</p> <p>Identifying strong, motivated people and ensuring an even spread within the group of different expertise e.g. an agronomist, a mechanic, some one knowledgeable about marketing, it is up to the community mobilise to identify and enable such individuals within a community that can strengthen groups.</p> <p>Providing enough material support: 'Talking' is not enough. Even where the group work is good and strong, material support is essential. Farmers must see from the beginning the concrete examples of what the project can provide and what can be done. This does not mean providing things for free and a sliding scale where the farmer contributes more and more should and has been employed successfully. However it should be recognised that in the beginning the farmers do not have the collateral to guarantee themselves for credit and do need larger inputs to really improve production, machinery, buildings etc.</p> <p>Grants help strengthen and cement groups.</p>	

Key Informant Interview for Project Managers/Officers	
Informant Details	Zura Sadatierashvili: Agricultural Extensionist SLAR Program, Akhaltsikhe: January 9 th 2009, Interview conducted in Georgian with translator.
Key Prompts	
Methodology	Activities based on the log frame, one of three agricultural extensionists/mobilisers. The demonstration activities with individual farmers were begun before RAS was established. Groups were identified from community meetings with in some cases an initial idea of working with whole communities (where the communities involved were very small e.g. 20 households) but motivated individuals forming a core groups, some previously known from SLAAR naturally emerged and were identified.
Problems/Difficulties	Problem with the sourcing of seed potato for the potato growing groups. Initial proposal for farmers to buy but refused as they hadn't seen a demonstration of increased yield. 25t wanted 5t eventually bought by the project for demonstration

	<p>purposes.</p> <p>Coordination was initially difficult a hangover from the Kolkhoz system where everyone wanted to be a 'director'.</p> <p>It was difficult to overcome the farmers' expectations of being 'given something' and to overcome the groups watching each other to see if someone was being given something the other wasn't.</p> <p>Lack of money in the inception period limited the type of demonstrations carried out in the first year.</p>
Strengths/Successes	<p>Very good relationships with the groups and the groups have improved financial management following trainings and input from the extensionists.</p> <p>Good technical improvements.</p> <p>Farmers very happy with RAS and the relationship with CARE.</p>
Weaknesses/Failures (of the project or within the groups themselves)	<p>One group presented a weaker business plan and didn't attend the review process prior to the grants being given and were eliminated from the granting process.</p> <p>The groups didn't finish their training on legal issues and tax and it should have been clearer.</p>
Additional Information/Comments	
<p>Regarding Cooperatives: Many cooperatives for farmers have been established over the last ten years, but a problem of many of them is that they don't operate as a 'true' cooperative but as a private enterprise for one or two people, often because of the membership. It is not the right group entity for carrying out a single activity e.g. potato storage in winter, but is right for a market driven initiative with all members playing an active role in the initiative.</p> <p>Example : Broiler Production 200 broiler chicks had been given to one farmer each in three districts, these did well and each farmer involved bought more chicks to rear and sold them for profit. However there was a resultant gap in the market following the rearing and selling of the batch. A chain system of staggered production by cooperative members would however provide a steady supply to the local market and the cooperative would be the ideal vehicle.</p>	

Key Informant Interview for Project Managers/Officers	
Informant Details	Sergei Shakhbekyan. Programme Manager Mercy Corps Akhalkalaki Linkages Programme. January 21 st 2009. Interview conducted in Russian with translator.
Key Prompts	
Methodology	First visited all the villages of the district advertising. Then held community meetings with the municipalities (studying regional development plans and municipality development plans) and with the villagers. Interested people from the meetings were then developed into groups and given the support and trainings that led to registration, the development of business plans and material support. The support to the groups was offered by IAAD, for agriculture, ABCO for business plans, taxation, accounting etc and ICCN for leadership, teamwork, the process of forming groups, gender etc. Group formation began in January 2006 with the first funding for the first cooperative taking place in early 2007 catching the planting season. Business plans were prepared in October/November 2006. Demonstrations were started in January catching the planting season in 2006 AI and vet demonstrations were also held plus trials with buckwheat and new hives.
Problems	People coming to MC and thinking they would get something at once without understanding that they would have to demonstrate what they themselves could

	<p>do.</p> <p>Conflicts were initially seen between group members with different visions and ideas, however after trainings this was resolved.</p> <p>The people at first had strong recollections of the Kolkhoz system with its top down approach and director so they didn't believe in the beginning that they would all be equal that they could choose with to work with and that is they formed the group that they could do it themselves without MC as the 'director'. Luckily MC was known from a previous project (infrastructure and community development) in the area which helped resolve this difficulty.</p> <p>Some interested groups failed as they were just 'waiting for aid'.</p>
Strengths/Successes	The people now have the knowledge of how to achieve success. They understand that they must be competitive in the market. They have developed a commercial mentality.
Weaknesses/Failures	NA However cheap imports from Armenia and Turkey are making it more difficult for Georgian farmers to sell their potatoes as the costs are higher.
Specific Questions	
Why not begin with informal groups? Why register from the beginning?	Big supermarkets and more formal markets trust the bigger groups with a registered bank account. There is more trust.
Why did the groups choose to become Cooperatives?	Cooperatives can distribute their profit and get an income, associations are more restricted in this regard, the groups were instructed in the different types of group and ultimately chose the type of group themselves.
Were cooperatives the right kind of group to choose?	On balance yes. There was trouble at the beginning as cooperatives do not have the right to take grants, however a way was found by giving the grants to the members as individuals. Also they have to have the same sort of documentation as for a large organisation which is a problem.
What would you differently?	Everyone thinks they are doing brilliantly at the time. We will see later. The project didn't do anything with processing that is needed now.
Additional Information	
Demonstration farmers were used in the project but they were not necessarily used to form the group. However some of the demo farmers have formed their own groups.	

Appendix 5: Farmers' Group Directory Akhaltsikhe, Adigeni and Aspindza

#	fermeruli gaerTianebris saxeli	fermeruli gaerTianebris tipi	saindetifikaci o kodi	Seqmnis TariRi	wevrTa raodenoba		moqmedi wevrebi		saqmianobis mimarTuleba	municipliteti	sofeli
					qali	kaci	qali	kaci			
1	"minimilrZe"	kooperativi	224092247							axalcixe	minaZe
2	"valerZe"	kooperativi	224092256							axalcixe	q. vale WavWavaZis q
3	"wyrutirZe"	kooperativi	224092265							axalcixe	sof. wyruti
4	"nikora"	kooperativi	222729322							adigeni	sof.Aarali
5	"ika-2008"	kooperativi	224091140							axalcixe	sof. sayuneTi
6	"luar-2008"	kooperativi	224091159							axalcixe	sof. Nnaoxrebi
7	"smadarZe"	kooperativi	222729475							adigeni	sof.smada
8	"varxani-2008"	kooperativi	222729484							adigeni	sof.varxani
9	"Zveli- rZe"	kooperativi	223105477							aspinZa	sof.Zveli
10	"awyuri-rZe"	kooperativi	224092238							axalcixe	sof.awyuri
11	"sairmis mTebi"	fermerTa sainiciativo jgufi								adigeni	sof.benara
12	"zekari"	fermerTa sainiciativo jgufi								adigeni	sof.varxani
13	"erkoteli"	fermerTa gaerTianeba								aspinZa	sargis Tmogvelis q.8
14	"lebisi"	fermerTa gaerTianeba								aspinZa	sof. miraSxani
15	"axali rusTavi"	fermerTa gaerTianeba								aspinZa	sof.rusTavi
16	"axali damala"	fermerTa gaerTianeba								aspinZa	sof.damala
17	"laSxevi"	fermerTa gaerTianeba								aspinZa	sof. idumala

18	"axali iveria"	fermerTa gaerTianeba								aspinZa	sof.iveria
19	"axali Tmogvi"	fermerTa gaerTianeba								aspinZa	Tmogvi
20	"RobieTi"	fermerTa gaerTianeba								aspinZa	sof. Zveli
21	"CixoriSi"	fermerTa gaerTianeba								aspinZa	sof.xizabavra
22	"sayudabeli"	fermerTa gaerTianeba								aspinZa	sof. sayudabeli
23	sasoflo-sakonsultacio samsaxuri	njo								axalcixe	naTenaZis q.45
24	samcxe-javaxeTis fermerTa kavSiri	kavSiri								axalcixe	9 aprilis q.2
25	soflis meurneobis mdgradi ganviTarebis xelSemwyobi organizacia	njo								vale	manveliSvilis q8
26	bostneulis Teslis mwarmoebel fermerTa asociacia "rusTavi"	asociacia								aspinZa	sof.rusTavi
27	fermer mefutkreTa kavSiri	kavSiri								aspinZa	Tamaris q.4
28	samcxe-javaxeTis mxaris mefutkreTa kavSiri	kavSiri								axalcixe	kostavas q.18
29	"ziareTi-2008"	iuriduli piri							mecxoveleoba da sakvebwarmoe ba	aspinZa	Tamaris q.4