



Contracting Authority: Delegation of the European Commission to Georgia

**European Neighbourhood Programme for Agriculture and Rural Development
In Georgia (ENPARD Georgia): Small Farmers Co-operation component**

**Programme: Strengthening Farmers Cooperatives
In Rural Municipalities of Georgia**

Duration of Grant: 01 January 2014 – 31 December 2017

Year 2 Interim Report (January - December 2015)



Implementing Agencies

Lead agency: Mercy Corps

Partners:

- 1) Association of Business Consulting Organizations of Georgia (ABCO)
- 2) Union Agro-Service
- 3) Georgian Institute of Public Affairs (GIPA)

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List of Acronyms used in the Report

ACDA	Agriculture Cooperatives Development Agency
ABCO	Association of Business Consulting Organizations of Georgia
ASP	Agricultural Service Providers
DGRV	German Cooperative and Raiffeisen Confederation
ECU	ENPARD Communication Unit
EOI	Expression of Interest Form
FAQ	Frequently Asked Questions
FG	Farmers' Group
GAARD	Georgian Alliance of Agriculture and Rural Development
GIPA	Georgian Institute of Public Affairs
ICC	Information Consultation Centre
ISSET	International School of Economics at Tbilisi State University
M&E	Monitoring and Evaluation
MOA	Ministry of Agriculture
PSC	Programme Selection Committee
TOT	Training of Trainers

1 Description

1.1. Name of Coordinator of the grant contract:

Mercy Corps

1.2. Name and title of Contact person:

Zoe Hopkins

Senior Programme Officer

1.3. Name of Beneficiary(ies) and affiliated entity(ies) in the Action:

Lead Agency: Mercy Corps

Partners:

- 1) Association of Business Consulting Organizations of Georgia (ABCO)
- 2) Union Agro-Service
- 3) Georgian Institute of Public Affairs (GIPA)

1.4. Title of the Action:

Strengthening Farmers Cooperatives in Rural Municipalities of Georgia

1.5. Contract number:

2013/331-355

1.6. Start date and end date of the reporting period:

1st January 2015 – 31st December 2015

1.7. Target country(ies) or region(s):

Country: Georgia

Regions: Samtskhe-Javakheti, Imereti, Kvemo Kartli, Shida Kartli & Kakheti

Municipalities: Sachkhere, Chiatura, Vani, Samtredia, Gori, Kareli, Khashuri, Kaspi, Gardabani, Marneuli, Tetritskaro, Sagarejo, Gurjaani, Kvareli, Signaghi, Dedoplistskaro, Akhalkalaki, Ninotsminda, Aspindza, Akhaltsikhe & Adigeni

1.8. Final beneficiaries &/or target groups¹ (if different) (including numbers of women and men):

70 Cooperatives

60 Agricultural Service Providers

140 staff of government sector

16 Municipalities

100,000 farming households

1.9. Country(ies) in which the activities take place (if different from 1.7):

N/A

¹ “Target groups” are the groups/entities who will be directly positively affected by the project at the Project Purpose level, and “final beneficiaries” are those who will benefit from the project in the long term at the level of the society or sector at large.

2 Assessment of implementation of Action activities

2.1 Executive Summary of the Action

Over the past 24 months the programme has witnessed a huge response from farmers groups and cooperatives wishing to further develop their businesses and increase their technical capacity. By the end of the 4th Cycle of applications over 500 farmers groups and cooperatives had applied to participate in the programme. Given this large number of applicants from the 16 target municipalities it was felt that it was now time to offer support to other cooperatives in those municipalities not covered by the ENPARD programme. In October 2015 the European Commission approved Mercy Corps' request to expand the geographical scope of the programme to include five 'new' municipalities: Dedoplistskaro and Signaghi in Kakheti region and Aspindza, Akhaltsikhe and Adigeni in Samtskhe-Javakheti region. On approval, an information campaign in the 5 'new' municipalities was launched with meetings with local authority representatives, ICC staff, cooperatives and ASPs. The 5th Cycle call for applications was open only to those registered cooperatives from these five 'new' municipalities and a further 90 cooperatives have now applied to the programme bringing the total of applicants to 605.

Based upon the Expression of Interest (EOI) which provided the basic information on the cooperative's business idea and expected budget, the Programme Screening Committee (PSC) has selected the strongest applicants to advance to Business Planning training. To date a total of 204 cooperatives from four cycles have attended these trainings and based upon the final full business plan submitted 38 cooperatives have been selected for co-investment support, with a further 30 awaiting the results of PSC screening. It is anticipated that when the business plans of the 5th Cycle applicants have been screened, the target number of 70 cooperatives will have been selected. Immediately following the signing of the sub-grant agreement with the selected cooperatives, and on receipt of their co-financing, Mercy Corps has begun procurement of all assets agreed upon within the cooperative's business plan.

As the selection process is drawing to its conclusion, the focus of the programme is moving towards providing the cooperatives with operational and technical support that they require, to ensure they operate according to standard business practice principals and their businesses are sustainable. Through a needs assessment a key requirement for further support is on Financial Management and Accountancy. Basic finance trainings are now being planned for cooperative members, but it is also envisaged to provide trainings to identified accountants that will support the cooperatives on a part-time basis. In addition, trainings are being planned on food safety, marketing, negotiation skills, advocacy and new agricultural techniques and technologies.

The programme also aims to improve and increase linkages between cooperatives and ASPs and has a specific component to provide co-investment support for ASPs to support this process. In meetings with ASP applicants, the emerging opportunities of working with cooperatives has been discussed and one aspect of the business plan should focus on how the ASP would work more closely with, or offer incentives to, the agricultural cooperatives. In total 123 ASPs have applied into the programme and, following the selection processes, 43 submitted business plans and budgets for review and evaluation and 26 have been selected for co-investment support. In December 2015 a new call was launched for ASPs from all 21 target municipalities (including the 5 'new' municipalities).

A key element of the programme is to support cooperatives develop stronger relations with government agencies and gain a stronger voice in determining policy decisions. In late 2015 a series of coordination meetings between agricultural cooperatives, ICCs and ASPs were organised in each of the 21 programme target municipalities. These meetings were platforms for discussions on a number of issues and problems faced by the majority of cooperatives. Chief among these were access to finance, land registration, access to farm machinery and irrigation. These municipal meetings are intended to establish the foundation for larger regional-level fora that will be organised in each of the five target regions which will allow cooperatives, ASPs and government agencies to network, forge business relations and learn more on each other's activities. At the same time the programme is working closely with the MoA discussing potential support from the ENPARD programme to develop the ICCs extension work. Six priority topics of trainings were identified and the programme has started working on the development of the curriculum which will be presented and finalized with the MoA. Finally the programme continues its close relations with the Agricultural Cooperative Development Agency (ACDA), providing recommendations and advice for the drafting of its strategy, providing input on the proposed changes to the Law on Cooperatives and assisting the development of its agricultural support projects for cooperatives.

2.2 Activities and Results

Assessment of Results of Action to Date

Since the adoption of the Law on Cooperatives in July 2013 more than 1,000 farmers groups in Georgia have registered as cooperatives with the ACDA. Whilst this demonstrates a huge interest in the cooperative model it is not yet certain how many of these cooperatives will develop into strong, viable business entities and how many will struggle to meet their operational and financial requirements and the demands of cooperation. It is for this reason that the Mercy Corps ENPARD programme has pursued a rigorous application and selection process. The aim has been to try and determine which applicant cooperatives have the strongest business potential and are following the cooperative model of operation. This process, coupled with the large volume of applications received, has meant that the programme has engaged in multiple application cycles that are not yet completed. It is now anticipated that the programme will have selected and financed all 70 cooperatives by the middle of 2016. While this is longer than initially anticipated it is believed that this process will result in the selection and financial support of more sustainable entities with stronger business ideas.

To assess the impact of the support that is provided to these cooperatives, Mercy Corps has developed two M&E tools: these are the Annual Cooperative Evaluation Tool and the Monthly Monitoring Tool. These tools will be able to provide the data that will assess whether the programme meets the goals of increasing agricultural output of the target beneficiaries (**Specific Objective 1**) and also whether the operational capacity and business transactions of the cooperatives have been increased (**Specific Objective 2**). At this time Mercy Corps has made the first annual assessment with the selected cooperatives from the 1st and 2nd Cycle in May and October 2015 respectively and only after the follow-up assessment in 2016 will it be possible to discern the progress made by the cooperatives in relation to these indicators. By the end of 2016, prior to submission of the 3rd Interim Report, Mercy Corps will have information from the annual and monthly monitoring tools for the first four cycles (approximately 55 cooperatives) which will provide a stronger data-set to assess the programme impact in relation to the cooperative's business development.

The second component of the programme, to support the development of ASPs and their interaction with cooperatives, only began in the latter half of 2014 and to date two cycles of applications have been completed. In the 1st Interim Report it was noted that the number of ASP applicants was lower than Mercy Corps had expected and that the principal reasons behind this were that many of the ASPs did not meet the programme criteria in that they were operating for less than 1 year and that they had less than 4 full or part time employees. It was subsequently agreed with the EU that applicant ASPs merely needed to be registered and that the requirement that they should employ a minimum of four staff be removed. In the 2nd Cycle applications 83 ASPs submitted business ideas for review, which far exceeded the number of applications from the 1st Cycle.

In total 26 ASPs have been selected by the programme and with the recently launched 3rd Cycle application process covering 21 municipalities (including the 5 'new' municipalities) it is anticipated that all 60 ASPs will have been selected by early 2016. As with the cooperatives, Mercy Corps has developed an assessment tool that will look at how the supported ASPs have improved mechanisms by which to ensure effective service provision, particularly to small farmers and cooperatives (**Specific Objective 3**). This tool provides information on the sector (input supply, mechanization, collection, veterinary etc.) in which the ASP is engaged, finances and sales, client base and relations with cooperatives. The first assessment has already been conducted for the selected ASPs from the 1st and 2nd Cycles, however, like the cooperative evaluation tool, it will require follow-up assessments before conclusions can be made.

The data collected in the Cooperative and ASP Assessment tools provides all the information that Mercy Corps requires to determine whether the programme is achieving the specified results and meeting the indicators. As these tools are used on a monthly and annual basis and provide in-depth information, Mercy Corps proposes to use these tools in place of the mid-term survey which would only provide general information. The end-line survey will still be performed to provide results on the Overall Objective.

As Mercy Corps and its partners have developed stronger relations with cooperatives in the regions in which they are working, significant steps have been taken to ensure that cooperatives' voices are heard at the local, regional and national level. The municipal meetings that were held in each of the 21 target municipalities at the end of 2015 will provide the foundation for the 5 regional fora that will address information sharing, coordination and small farmers' interests and constraints (**Specific Objective 4**). Furthermore the work that has been initiated to support the MoA in improving ICC services, the support to the ACDA and the two advocacy actions that have been accomplished is supporting a more enabling environment in which all cooperatives – not only those supported directly by the programme – can develop and thrive.

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

Indicator 1.1 70 business-oriented farmers groups (agricultural cooperatives) with at least 1400 members

By the end of the reporting period, 38 cooperatives have been selected into the programme and 35 have signed sub-grant agreements. Total membership of these cooperatives is 402 members which is an average of 10 members per cooperative.

Indicator 1.2 800 members of 70 business-oriented FGs (agricultural cooperatives) trained in business related skills and agricultural technologies.

To date 478 FGs and cooperative members have been trained in business planning (403) and Animal Health (75)

Indicator 1.3 By the end of the programme at least 70 business-oriented FGs reached operational and financial sustainability

To be determined at the end of the programme

Indicator 1.4 Sales of agricultural products by FGs members increased with 50%

Results to be shown at the end of year 3 following the completion of 2nd Annual Cooperative Assessment

Indicator 1.5 70 three year sustainability plans developed by the business-oriented FGs

To be drafted with cooperatives in year 4

Indicator 1.6 At least 70 FGs received financial support from the programme

By the end of the reporting period 22 cooperatives have received financial support from the programme

Indicator 1.7 80% of the business-oriented FGs utilize environmentally friendly technologies

Information to be gathered from Annual Cooperative Assessment at the end of year 3

Activity 1.1. Information campaign in the target municipalities

In the first year of the programme a comprehensive information campaign had been run to inform regional governors, local authorities and farmers in the 16 target municipalities about the advantages of agricultural cooperation, the new Law on Cooperatives, the goals, activities and opportunities of the Mercy Corps.

In year two it has been the responsibility of the seven Regional Coordinators within the consortium to continue to provide information in the rural communities on the above issues. In July 2015 the programme launched the 4th Cycle call for cooperatives. This call and the call for the subsequent 5th Cycle (see below) was targeted at only registered cooperatives. To back up this launch an information campaign was conducted in which the Regional Coordinators, together with ICC representatives, invited all cooperatives from the 16 target regions that had not previously participated in the ENPARD programme to an information meeting within their region.

In October 2015 the European Commission approved Mercy Corps' request to expand the geographical scope of the programme to include five 'new' municipalities: Dedoplistskaro and Signaghi in Kakheti region and Aspindza, Akhaltsikhe and Adigeni in Samtskhe-Javakheti region. On approval an information campaign in the 5 'new' municipalities was launched with meetings with local authority representatives and ICC staff providing them with information on the ENPARD programme in general and in particular about the planned activities in the new locations including the upcoming call for cooperatives and ASPs. Later meetings were held with prospective cooperative beneficiaries in each of these five municipalities. In total 82 cooperatives attended these meetings, which was felt to be a very strong response and they showed great interest in the programme. However at a later set of meetings only 30 ASPs attended which was lower than anticipated and so Regional Coordinators, with the support of the ICCs, have been contacting all ASPs in the municipalities. Following this information campaign the 5th Cycle call for cooperatives and the 3rd Cycle call for ASPs was launched in December 2015.

Activity 1.2 Baseline survey

This baseline survey has been completed and the results were provided with the first annual report.

Activity 1.3. On-going market analysis

It is Mercy Corps intention to provide deeper market analysis in those sectors that the majority of supported cooperatives are working in, which in most cases will be the sectors where Mercy Corps is also supporting sectoral fora. It is anticipated that this process of collecting data and providing market analysis will take place in the latter half of 2016 when all cooperatives have been selected and the sectoral fora are fully operational. Of particular interest will be to see if there are any limiting factors within the specific value chains and whether support to ASPs may have an impact on these limitations.

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

In March 2015 a one-day **Animal Health** training module was developed by the partner GIPA for all cooperatives working with cattle from the five regions that the programme is covering. The training targeted not only those livestock cooperatives that are being supported financially by Mercy Corps, but also those that are not receiving support and those from municipalities within the region that are not covered by the Mercy Corps programme or by the ENPARD programme in general. To engage with cooperatives from other municipalities in the region the Regional Coordinators received a full list from ACDA and contacted each one in turn inviting them to the training days.

The training curriculum covered the following topics: (i) Farm animal health and welfare requirements; (ii) Influence of animal health on agriculture; (iii) Modern methods of farm management; (iv) Reviewing the risks and existing danger in animal health issues; (v) Farm Management; (vi) Monitoring of animal health issues: the farmers' role; (vii) Administration of livestock processing for the livestock farming cooperatives.

The provision of **business management and technical trainings** to cooperatives is an important aspect of the programme, to ensure that selected cooperatives are able to operate effectively and further develop their business capacity. To this end a working group with five members (2 from Mercy Corps and 1 per each partner organization) was formed to assess the needs of the selected cooperatives in the following areas: (i) Value Chain Development; (ii) New Technologies; (iii) Food Storing and Processing; and (iv) Marketing. Initially the assessment of the cooperatives was done through questionnaires and later this will be followed up through SWOT analysis.

The questionnaire on the **Cooperative Needs Assessment** was created and finalized by all consortium staff. In November and December this assessment was performed with all selected cooperatives from the 1st and 2nd Cycles and the assessment is now being analysed to provide background information for future trainings.

One specific need that has been pre-identified as an almost universal need and requirement by these nascent businesses is support with **Financial Management, Accountancy and Tax issues**. To gain further insight into this situation the programme partner, ABCO has created a Financial Management Checklist that is being used to evaluate the financial management procedures and knowledge on taxation and accountancy of the selected cooperatives. In addition the Agroservice Environmental Safety Specialist has created a structured questionnaire on **environmental safety issues**. The questionnaire has been sent to the beneficiary Cooperatives and ASPs and the collected information will be useful to elaborate training modules on environmental issues

Based on consultations with selected cooperatives conducted by GIPA's legal specialists the training materials on legal issues for agricultural cooperatives have been updated. They now include information on (i) how to add members to the cooperative; (ii) the rights and obligations of cooperative members; (iii) which management bodies for cooperatives are mandatory and which are optional; (iv) rights and obligations of the management bodies; (v) real estate as an input to the cooperative and its results; (vi) funds of the cooperative; and (vii) taxation rules of the cooperative and its benefits.

Activity 1.5. Support with creation of business-oriented FGs

At the outset of the programme the aim was to open up applications to all those Farmers Groups interested in forming a cooperative and applying for business development support. However, following three cycles of applications it was decided by the programme coordination team that future cycles would only be open to those cooperatives that were registered and had received the status document from ACDA. The logic behind this decision was that it was felt that having already held three application cycles over 18 months where more than 350 applications were received, it was no longer necessary to keep the programme open to unregistered

farmers groups. Most farmers in the target regions now had a good understanding of the cooperative business model and those FGs that were planning to form as cooperatives had generally already done so.

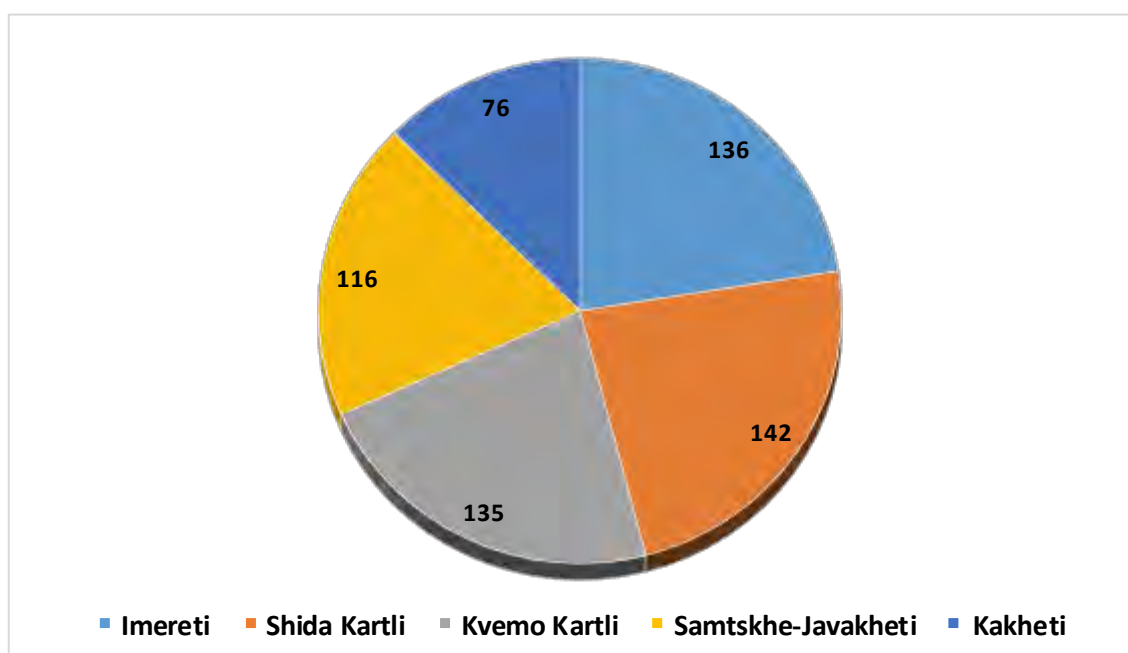
On the 15th July 2015 the 4th Cycle call for applications for cooperatives was opened and the deadline for submission of the EOI forms was set for the 31st August 2015. In total 129 'Expression of Interest' forms were received and in September the Programme Selection Committee (PSC) selected 76 of these cooperatives to participate in the business planning training. This PSC is composed of 5 members of the Mercy Corps ENPARD consortia (two members from Mercy Corps and one from each of the partner agencies) and they review and select EOI forms and, eventually, full business plan applications, based on a majority decision. The principal reasons for applications being rejected were that the applicant group could not be considered as "small-scale" farmers, their business idea was not deemed as feasible within the budgetary parameters, the application was not focused on an agricultural activity or the application was incomplete and there was not enough information to make a decision.

In December 2015 the 5th Cycle application process for cooperatives was opened in the five 'new' municipalities with a deadline set as the 25th December. On this date 90 cooperatives submitted an EOI for assessment. The selection process will take place for this cycle in early 2016.

The number of submitted EOIs per cycle to date is shown in **Table 1**:

Region	Municipality	1 st Cycle	2 nd Cycle	3 rd Cycle	4 th Cycle	5 th Cycle	Total by Municipality
Imereti	Vani	21	5	8	9		43
	Samtredia	4	3	3	6		16
	Sachkhere	9	27	7	5		48
	Chiatura	4	14	8	3		29
Shida Kartli	Gori	5	23	25	15		68
	Kareli	1	1	6	2		10
	Khashuri	7	4	18	12		41
	Kaspi	3	4	12	4		23
Kvemo Kartli	Gardabani	2	1	22	9		34
	Marneuli	8	10	16	8		42
	Tetritskaro	1	40	8	10		59
Samtskhe - Javakheti	Akhalkalaki	2	0	7	15		24
	Ninotsminda	1		6	5		12
	Aspindza					23	23
	Adigeni					22	22
	Akhaltzikhe					35	35
Kakheti	Kvareli	2	2	2	9		15
	Sagarejo	2	5	7	12		26
	Gurjaani	5	4	11	5		25
	Dedoplistskaro					5	5
	Sighnaghi					5	5
TOTALS		77	143	166	129	90	605

Expression of Interest applications by region



Activity 1.6. Trainings for selected members of FGs (cooperatives)

1.6.1 Farmers Cooperation

For the 3rd Cycle applicant Farmers Groups, Introductory Trainings on cooperation were organised to provide a general introduction to FGs on cooperation, as well as more detailed information on the organisational and legal aspects of cooperation. Of the 166 applicants who submitted the EOI, 110 were selected to attend the Introductory Trainings. In total 12 one-day trainings were organised in January and February 2015 and 96 Farmers Groups attended. ABCO and GIPA trainers explained to the participants the procedures of establishing a cooperative; how to receive status of the agricultural cooperative; how to become a cooperative member; what rights and obligations the cooperative members have; which management bodies of the cooperative are mandatory and which are optional; the rights and obligations of the management bodies; shares and dividend; taxation rules of the cooperative and tax benefits. The 14 groups who failed to attend were subsequently rejected from the programme. Following these trainings the partner agency GIPA provided individual legal consultations to the FGs which provided them with the opportunity to ask questions and receive further information about the legal and statutory requirements of being a cooperative. This process was to facilitate the registration of those groups that were interested in legally registering as a cooperative.

For the 4th and 5th Cycle applicants it is deemed unnecessary to hold this Introductory Training as all the selected applicants will be registered cooperatives. Instead a session on organisational and legal aspects of cooperation will be included into the four-day Business Planning Training.

1.6.2 Business Planning Training

2nd Cycle Cooperatives

In December 2014, the PSC reviewed the 78 “Cooperative Assessment” forms of the 2nd Cycle FGs. These “Cooperative Assessments” were performed by a three-person commission that would visit each FG that had attended the trainings to learn more about their proposed organizational structure, decision making processes and how they meet the basic principles of cooperation. This commission would fill in an assessment form and that would be provided to the PSC for a decision to be taken on whether to continue with support to the FG. Essentially, this process aims to screen out those very weak cooperatives structures or those that represent the business interests of one or two individuals.

In total 45 applicants were selected to move to the next phase of the programme and participate in the business trainings. During February and March 2015 Business Planning Trainings were provided to these Farmers Group. These trainings were held in seven locations in the target regions and in total 40 groups attended. The trainings were four days in duration with the first three days focusing on general business planning and how to create a business plan (including marketing, business management, legal structures, taxation and financial planning (costing and pricing, profit and loss statements, cash flow and balance sheets). On the fourth day the participants were required to complete and update their original business idea and to submit it at the end of the training for review by the PSC.

The PSC reviewed these updated business ideas and scored them based upon the following criteria: (i) Viability of business idea by product/services – 25 points; (ii) Clarity of Marketing Vision – 40 points; (iii) Realism of Budget – 35 points. The aim of this process was to determine the most viable and well-conceived business ideas. The applicants who scored 80 points or more were accepted to develop a full business plan. On April 14th 2015 the PSC evaluated 39 Business Ideas prepared by the 2nd cycle FGs during the last day of business training (one FG failed to submit the business idea) and 26 groups were selected to submit a full business plan.

3rd Cycle Cooperatives

Using the same methodology as above, 96 FGs/cooperatives from the 3rd Cycle were visited for the Cooperative Assessment and in total it was deemed that 50 groups were eligible and were invited to the Business Planning trainings. Of the 50 that were invited only 37 groups attended these trainings. It is interesting to note that so many groups would rather 'deselect' themselves from the programme rather than commit to this four-day training. 8 trainings were held to prepare these farmers groups and following the screening of the extended business idea produced at the end of these trainings 31 were selected to prepare Business Plans with the deadline set for submission as the 31st August 2015.

4th Cycle Cooperatives

From the 129 'Expression of Interest' forms that were received from the 4th Cycle applicants the Selection Committee selected 76 of these cooperatives to participate in the business planning training. In November and December 11 business planning training sessions were conducted for the 76 cooperatives that had been pre-selected from the 4th Cycle cooperatives. In total 75 cooperatives attended these trainings and 73 submitted a business idea for assessment.

Over the three cycles a total of 26 four-day trainings were held during 2015 for 152 FGs.

1.6.3 Animal Health Training

In total 7 one-day Animal Health trainings were conducted in the five regions covered by the programme, 75 members from 35 cattle breeding and dairy cooperatives attended these training along with ICC representatives from the respective municipalities.

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

Following the Business Planning trainings and approval to move to full business plan preparation the FGs were provided with a template that had been formulated by ABCO. The FGs were given one month to produce the business plan and project budget and during this period ABCO consultants scheduled visits to the regions to provide advice and support in the drafting of the plan. In addition, the consultants were also available for support by telephone and email. The applicants were also provided with the criteria by which the business plan and budget would be scored so that they were able to see the emphasis placed on each specific aspect of the plan. These criteria were:

- Quality of the business plan
- Viability of the business plan
- Realism of the budget
- Realism of sales plan and financial calculations
- Clarity of marketing vision
- Previous experience of working in chosen sector

- Previous experience of cooperation (informal or formal)
- Strength of cooperative model
- Level of co-investment
- Potential for expansion of cooperative

At the time of submission of their business plan the FGs had to have registered as cooperatives and along with the business plan it was expected that they also submitted their registration document and status document, if they had already received it.

The PSC requires approximately a month to evaluate all plans. The scoring for the plans was out of 100 points and it had been decided that the threshold score for a successful application was 70 points, with a reserve application threshold score of 65 and scores below 65 to be rejected. If three or more members (out of the 5 members) of the PSC scored the plan by 70 points or more, then the application was successful. If three or more scored the plan over 65 points then it was to be placed on the reserve list². If three or more scored the plan under 65 points then it was to be rejected.

2nd Cycle Cooperatives

On the 3rd June the PSC evaluated 23³ business plans submitted by the 2nd Cycle cooperatives. 11 Cooperatives were selected for financial assistance; 3 were placed in the reserve group (to be revisited) and 9 were rejected as they did not score above the designated threshold.

3rd Cycle Cooperatives

On the 16th October the PSC conducted screening of 23 business plans submitted by the 3rd Cycle cooperatives. Based on the committee decision 18 cooperatives were accepted, 2 rejected and 3 moved to the reserve list. After this the PSC compared business plans from the reserve list of cooperatives from the 1st, 2nd and 3rd cycle (9 in total) and selected 3 for participation to the programme. Following visits to all these selected cooperatives and during the sub-grant agreement process only 14 cooperatives will finally choose to sign the sub-grant agreement.

Table 2 below provides data on applicants from each cycle who participated in each stage of the selection process

	Number of Applicants	Pre-selected for Introductory Training	Attended Business Planning Training	Selected to prepare a business plan	Submitted Business Plans	Selected Cooperatives
1 st	77	64	52	32	28	13
2 nd	143	92	40	26	23	11
3 rd	166	113	37	30	23	14
4 th	129	NA ⁴	75	Not completed	Not completed	Not completed
5 th	90	NA	Not completed	Not completed	Not completed	Not completed

² After three cycles of applications the cooperatives who have been placed in the reserve list were reviewed again for a final decision to be made.

³ 3 FGs failed to submit a full business plan

⁴ As the 4th and 5th Cycles were open only to registered cooperatives there was no Introductory Training and cooperatives went directly to the Business Planning Training

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

The next stage for the cooperatives is the signing of a sub-grant agreement and then the provision of assets to support their business development. A sub-grant agreement has been prepared by Mercy Corps and this has three annexes that include the business plan, the investment budget and the specification of items to be procured.

By the end of 2015, 35 of the 38 selected cooperatives from cycles one to three have signed their sub-grant agreement. On signing the sub-grant agreement the cooperatives are requested to transfer their co-financing to the programme to the MC account. Once this has been performed then the assets are purchased for these cooperatives. Even after selection there is no guarantee that all sub-grant agreements will be signed as issues often arise with the applicant or their application that means that MC is unable to proceed with the support or it is mutually agreed to discontinue the agreement.

For example the selected cooperative “Ashurianis Veli” from the 1st Cycle was eventually rejected from the programme (prior to signing the sub-grant agreement) as they were unable to meet the obligations stated in the submitted business plan. There was an issue with regards to the registration of agricultural land which meant that MC was unable to provide them with the requested inputs. The selection committee subsequently selected cooperative “Tsikara” from the reserve list for financial assistance. The cooperative was asked to review the submitted business plan and budget and make any changes needed before the SGA was signed.

Only one cooperative has dropped out of the programme following the signing of sub-grant agreement. “Dago” cooperative from Marneuli had difficulties in meeting its financial co-financing obligations and requested that we wait to start the support after they had concluded the harvest. However when the project design for the greenhouse that they wished to build came in with a higher budget than anticipated, they confirmed that they would not be able to meet their obligations and on November 5th it was mutually agreed to terminate the agreement.

Table 3 provides full information on all 38 cooperatives that have been selected into the programme to date:

#	NAME	MUNICIPALITY	VILLAGE	Members		SECTOR
				Male	Female	
1 st Cycle						
1	Isa	Marneuli	Domia Geurarkh	4	1	Strawberry
2	Khulgumo	Akhalkalaki	Khulgumo	4	16	Potato
3	Five Stars	Akhalkalaki	Kumurdo Kirovokan	5	7	Potato
4	Ore Et Labora	Vani	Tsikhesulori	8	2	Apiculture
5	Vashlara	Vani	Dikhashkho	6	5	Apiculture
6	Gika	Vani	Shuagora	7	2	Apiculture
7	Dzulukhi	Vani	Dzalukhi	5	0	Nuts
8	Mamuli	Samtredia	Vazisubani	6	1	Maize
9	Agroapi	Gurjaani	Vazisubani	21	10	Apiculture
10	Mani	Gurjaani	Gurjaani	3	5	Table grapes
11	Rajdeni	Khashuri	Tsromi	4	2	Potato
12	Gea	Gori	Marana	4	6	Raspberry
13	Tsikara	Gori	Natsreti	12	0	Mechanization
2 nd Cycle						
14	Gezruli	Chiatura	Gezruli	4	19	Poultry
15	Samtredia +	Samtredia		6	0	Maize
16	Chkvishi	Vani	Tchkvishi	8	4	Greenhouse
17	Agro development	Gori	Tortiza	3	2	Maize & vegetables
18	New Dzevera	Gori	Dzevera	4	2	Nursery
19	Ertoba	Gori	Bershueti	3	9	Cereals
20	Meurne	Gori	Karaleti	6	1	Horticulture & cereals
21	Sabarako	Kareli	Kvenatkotsa	5	4	Cereals
22	Gulkartli	Khashuri	Brili, Ali, Nabakhtevi	10	8	Apiculture

23	Tskhvari	Tetritskaro	Koda	4	1	Sheep
24	Nektari 2015	Tetritskaro	Iraga	4	1	Apiculture
3rd Cycle						
25	Zala Ertobashia	Tetritskaro	Kv. Akhalsheni	11	0	Apiculture
26	Liakhvi	Marneuli	Tamarisi	5	2	Fruit production & horticulture
27	Young Beekeepers Union	Gardabani		5	2	Apiculture
28	Ertoba	Gardabani	Kesalo	9	2	Livestock
29	Abuli 2015	Akhalkalaki	Kartikam Abuli	4	7	Potato
30	Haik	Akhalkalaki	Diliska	3	4	Mechanization
31	Agro Meskheti	Ninotsminda	Spasovka	26	2	Dairy
32	Nikromi	Sagarejo	Ninotsminda	7	5	Livestock
33	Apicorpsi	Sagarejo		8	1	Apiculture
34	Lamiru	Gori	Shindisi	5	0	Cereals
35	Tsisartkela	Gori	Akhaldaba	6	0	Fish farm
36	Kvenatkotsa	Kareli	Qvenatkotsa	8	0	Cereals
37	Sachino	Vani		14	2	Livestock
38	Godora	Sachkhere	Tchalovani	5	5	Apiculture
				262	140	
				TOTAL 402		

Note: The cooperatives marked in red have yet to sign the sub-grant agreement.

Based upon the 35 sub-grant agreements that have been signed with cooperatives up until December 2015 the agreed co-investment amount is approximately **€714,610⁵** of which approximately **€498,650** are funds from the EU and **€215,960** is the cooperatives' co-financing contribution to the ENPARD programme, which amounts to **30.22%** of the total amount invested.

Annex 1 provides all the information on the assets that have been purchased for these cooperatives.

Activity 1.10. Monitoring of production target plans of FGs

Two principal assessment tools have been developed to be used during the programme timeframe to monitor the development of the cooperatives and their businesses. The first tool is the **Annual Cooperative Evaluation Tool** (see **Annex 2**) that is being used to assess the development of the cooperative throughout each year of the programme. This evaluation examines the dynamics of the cooperative with regards to membership, management structure, decision making processes, employees, assets, financial information, marketing, relations with service providers and the constraints they face. In this way the programme can learn more about the way that cooperatives function within the Georgian context and the benefits and constraints of the cooperative model. This provides all the information and evidence that the programme can use to effectively advocate for further support to cooperatives or potential changes to the legal framework.

This evaluation tool has been developed through a cross-programme initiative involving all ENPARD agencies. An M&E Working Group comprising of all four consortia members has developed this tool and it is being used by all the consortia so as to be able to provide standardized information from across the whole ENPARD programme. It has also been agreed that all information from each organisation will be submitted to ISET to collate, thus providing a deeper pool of data to analyse. The initial fieldwork for the Annual Cooperative Survey has been completed with the 24 selected beneficiary cooperatives from the 1st and 2nd Cycles and the information sent to ISET.

The second tool – the **Monthly Monitoring Tool** (see **Annex 2b⁶**) – has been developed by Mercy Corps alone (though shared with the M&E Working Group). This tool is used to monitor the production, investments, income, expenditures and profits of the cooperatives on a monthly basis. In this way the programme is able to analyze the business development of the cooperative and the impact of the investment support provided. This brief document is filled in (on paper) by the director of the cooperative on a monthly basis and it is reviewed by the Regional Coordinators and submitted electronically to Mercy Corps. During the year an agreement was finalized with a software specialist to work as a Data Manager. This Data Manager provides expertise and

⁵ This is the amount contracted within the programme timeframe to date and not the actual amount spent

⁶ Mercy Corps has devised a Monthly Monitoring Tool for every sector in which the supported cooperatives are working. The example provided in the annex is for the Apiculture Sector

technical support in the design and maintenance of a software program that records data from the Monthly Monitoring surveys. The data is entered/recorded on the software program on site by the Regional Coordinators. The information is then automatically uploaded to the MC local server for analysis by the M&E Officer.

The monthly monitoring began for the 1st Cycle cooperatives in May 2015 and for the 2nd Cycle cooperatives in October 2015. This monitoring plan not only evaluates the general performance of the cooperative through comparing data to the business plans drafted, but should also give the cooperatives more in depth information by which to monitor the progress of their own operation.

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

The Business Plans that are being developed will form the basis of the sustainability plans and in the final year of the programme will be updated with the support of the ABCO trainers.

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

No cross visits have been organised during the reporting period, however Mercy Corps has been in contact with programme Associate DGRV for the organization of a study visit in year 3 for cooperative members to Turkey or other appropriate countries where the cooperative model is utilised. The primary areas of study that have been identified on such a tour are: (i) How cooperatives are managed and the division of roles and responsibilities between the members; (ii) The relationship between the cooperative and its members – the structure of the cooperative, the legal relationship, how assets are managed, how profits, shares and dividends are managed etc.; (iii) What are the financial management requirements and what bookkeeping and accountancy procedures do the cooperative have; (iv) How the cooperative markets and sells its products.

Activity 1.13. Publications and media activities

i. Interactive map

An interactive map application has been produced for the project by a consultant for Mercy Corps and is located on the Mercy Corps website (<http://maps.mercycorps.ge/>). The interactive map includes clickable dots of Farmer Cooperatives and Agricultural Service Providers at the municipality level. The dots once clicked zoom into the cooperatives and ASPs location on Google Maps and provides basic information about beneficiaries (location, sector, membership by gender and youth. The map also carries statistical information that provides data, charts and graphs on the different stages of the program including the number of submitted EOIs, trainings and the sectors supported. The concept was designed by Mercy Corps ENPARD staff and it was technically implemented by an outsourced partner.

ii. Publications

The following publications have been printed during the reporting period and have been included as **Annex 3.:**

Publication	Number produced	Target Audience
Frequently Asked Questions brochure on Cooperation	1000	All farmers
Information posters for call for applications for 3 rd Cycle ASPs	200	ASPs in all 21 municipalities
Information posters for call for applications for 4 th Cycle FGs	200	Farmer Groups in all 15 municipalities
Information posters for call for applications for 5 th Cycle Cooperatives	50	Cooperatives in 5 'new' municipalities
Banners	46	For cooperative members at the EXPO/agricultural fair
T-shirts	104	
Aprons	310	

iii. Media activities

Throughout implementation Mercy Corps and its partners have regularly engaged with media sources to promote the programme and to develop a broader understanding of agricultural cooperation amongst the public. Mercy Corps regularly coordinates its activities with the ENPARD Communication Unit (ECU) and has attended events organised by this unit. The following media activities have been organised during the reporting timeframe:

- The Mercy Corps ENPARD team participated in an event in Kutaisi University on the 26th January organized by the ENPARD Communication Unit. The event was aimed to provide information (through presentations and video) about the ENPARD Programme to a broad audience including students and farmers. There was a fair of products produced by the agricultural cooperatives and 5 cooperatives selected from the 1st cycle of the Mercy Corps ENPARD programme participated in this fair.
- The Europe Day celebration took place in several cities of Georgia in May. Mercy Corps ENPARD Consortium carried out a successful event in Akhalkalaki town in Samtskhe-Javakheti region together with ECU. Selected cooperatives were invited to present their agricultural products at the event organized at the Akhalkalaki House of Culture. Additionally local folklore dancing/singing groups participated in the event. The event was attended by the EU Ambassador Janos Herman, the EU Attaché in Agricultural Issues Juan Echanove, the Governor of Samtskhe-Javakheti Region, Akaki Matchutadze and other EU and Georgian officials. Guests were able to taste and purchase products produced by ENPARD funded cooperatives.
- Mercy Corps Programme Manager and Co-investment Officer, together with Ms. Maia Chitaia, Country Director of Action Global Communications (ECU team) met with Ms. Teo Urushadze, Dean of Agricultural Faculty of Georgian Agricultural University to discuss possible internship of the Students with ENPARD Farmers Cooperatives and Agricultural Service providers. It was agreed to implement a pilot internship project and in case of successful implementation, the project will be extended for the next year.
- A short video about the study tour of ICC representatives in Kobuleti (see Activity 3.5 below) has been broadcasted on Ajara TV.
- A short video produced by the ENPARD Communication Unit about apiculture cooperatives that have been supported by MC has been uploaded onto the ENPARD web-site: www.enpard.ge . It can be found at the following link: <http://enpard.ge/en/media/mercy-corps-support-to-honey-producing-cooperatives-in-georgia/>
- On 18th-20th November the 15th International Agro+Food+Drink+Tech Expo Georgia and the 1st Agricultural Products Fair was held in Tbilisi. Mercy Corps supported the MoA and ACDA in engaging cooperatives in this event and financing visibility items for the cooperatives. Three cooperatives financially supported by MC represented their produce at the exhibition.

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

Indicator 2.1 600 representatives of at least 60 ASPs trained in more efficient service provision

To date 15 representatives from 4 ASPs have been trained in Animal Health. This support will increase once all ASPs have been selected into the programme.

Indicator 2.2 60 ASPs received guidance in business development

By the end of the reporting period 54 ASPs (57 individuals) have received guidance in business development

Indicator 2.3 80% Increased business transactions between at least 70 FGs and 60 ASPs

Preliminary results to be shown at the end of year 3 following the completion of ASP Assessments

Indicator 2.4 Each ASPs acquired average of 10 of new clients/customers – FGs and/or FGs members

This information will also be provided in more detail on completion of the ASP Assessment, however in monitoring visits of the supported 11 ASPs from the 1st Cycle, 7 stated that they had acquired 17 cooperatives as new clients

Indicator 2.5 Each ASPs provide an average of 15 new services/products suitable for the FGs members

Information to be gathered from ASP Assessments at the end of year 3

Indicator 2.6 Minimum 60 ASPs received technical assistance with new machinery and equipment

To date 16 ASPs have received technical assistance with new machinery and equipment

Indicator 2.7 Minimum 60 ASPs received co-investment for profitable expansion

To date 16 ASPs have received co-investment support

Indicator 2.8 At least 50% more small farmers (members of the FGs) use ASPs services

Information to be gathered from Cooperative Annual Assessments and ASP Assessments at the end of year 3

Activity 2.1. Training/Guidance for ASPs in business development.

The support component for the development of Agricultural Service Providers (ASPs) was launched in July 2014 and to date two cycles of applications have been implemented. Following the receipt of Expression of Interest applications the PSC has selected applicants to be invited to a two-day Introductory Training. These trainings were designed by ABCO and included a half-day session on the new cooperation context and the potential advantages and benefits to ASPs and then one-and-a-half days dedicated to business planning training. Given the maturity of the majority of ASP businesses it was felt that it was unnecessary to provide the four-day training and that additional support could be provided through consultations during the preparation of the business plans.

The 2-day Introductory and Business Planning Trainings for this 1st Cycle⁷ of ASP applicants was conducted in November 2014 and for the 2nd Cycle in April 2015. In total 4 two-day trainings were held for these 2nd Cycle applicants in the different target regions. 47 pre-selected ASPs were invited to the trainings, out of which 35 attended. At this training the Business Plan and Budget template was provided to the ASPs and later ABCO provided consultations on how to most effectively complete this business plan. The ASPs then had approximately three weeks in which to complete and submit the plans and budgets after which they were reviewed and evaluated by the PSC.

In December 2015 a new call was launched for ASPs from all 21 target municipalities (including the 5 'new' municipalities) and the deadline has been set for the receipt of EOIs for the 29th January 2016.

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

Nothing to report. This support activity will be implemented when all ASPs have been selected and target funded agreement signed

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

Nothing to report. This support activity will be implemented when all ASPs have been selected and target funded agreement signed

Activity 2.4. Co-investment for profitable expansion for ASPs

1st Cycle ASPs

The PSC met in January 2015 to review and select from the 18 business plans that had been submitted by the 1st Cycle ASP applicants. In total 12 ASPs were selected for co-investment support however during the preparation of Target Funding Agreements (TFA) with these selected ASPs one selected ASP, IE Marina Akolashvili from Gurjaani elected to leave the programme as she faced problems in mobilizing resources to provide co-investment to the project. In total 11 TFA have been signed with these ASPs and on receipt of their co-funding to the programme, assets are being purchased based on the requirement of the business plans.

2nd Cycle ASPs

At the end of the first year the 2nd Cycle application process was launched for ASPs. It had been noted the number of applicants for the 1st Cycle was much lower than Mercy Corps had expected with only 40 ASPs submitting an EOI application. Mercy Corps analyzed the reasons for such a low interest from ASPs by

⁷ Reported in 1st Year Annual Report

interviewing ICC representatives in the municipalities and the ASPs who were operational but did not express a willingness to participate to the programme. Two of the the main findings were that many of the ASPs did not meet the programme criteria in that they were not legally registered, or had been officially operating less than 1 year, and that they had less than 4 full or part time employees. Mercy Corp discussed this issue in the first year with the EU Agricultural Attaché and it was agreed to reduce the timeframe that ASPs need to be registered – instead of requiring applicants to have been registered for a minimum of 12 months the business merely needs to be registered (with no specified timeframe). It was also agreed to remove the requirement that ASPs should employ a minimum of four staff and that there would be no employment requirement in the future. The new criteria for ASPs to participate in the programme were:

- The applicant must provide agricultural services to small-scale farmers and organisations.
- The applicant should be a legally registered, operational, business prior to the submission of the application form (documentary evidence will be required)
- The applicant must be working – or plan to work, through the support of the programme – in one or more of the 16 target municipalities of the programme.
- The applicant must be able to contribute a minimum of 25% financial (cash) contribution and a minimum of 15% in-kind (non-cash) contribution to co-finance its grant application.

It was also important that applicants could show how their business idea would provide specific support and benefits to small scale farmers and cooperatives. ASPs were able to access an electronic version of the EOI form from www.jobs.ge and the Mercy Corps website. The deadline for submission of the application was the 30th January 2015 and in total 83 application forms were submitted for review, which far exceeded the number of applications form the 1st Cycle.

The selection committee selected 47 ASPs to participate in Business Planning Training and 36 have been rejected as they did not meet basic requirements of the programme. Four 2-day Business Planning Trainings were conducted in April and in total 35 ASPs attended the trainings. However when it came to working on and submitting business plans only 25 made the submission on the deadline of 1st June. Some ASPs on hearing the terms of the programme opted not to continue with their application. Others asked to defer to the next cycle as they were busy at the time of submission. The selection committee meeting for these submissions was held on the 1st July and 16 ASPs were selected to receive co-investment support.

Later in the month committee members visited all the selected ASPs in their business locations and they were asked to make required adjustments to the business plans and provide missing information and/or additional documents prior to the signing of the agreements. During these visits and final assessments it was determined that standards of operation of one milk processor were not of a high quality and was subsequently removed from the selected list meaning that 15 ASPs were finally selected. All these 15 ASPs have subsequently signed the TFA and Mercy Corps is in the process of completing the procurement of assets. A full list of assets procured for ASPs from the two cycles is provided in **Annex 4**

Based upon the 26 target-funded agreements that have been signed with ASPs up until December 2015 the agreed co-investment amount is approximately **€330,749⁸** of which approximately **€190,112** are funds from EU and approximately **€140,637** is the ASPs' co-financing contribution to the ENPARD programme which amounts to **42.52%** of the total amount invested.

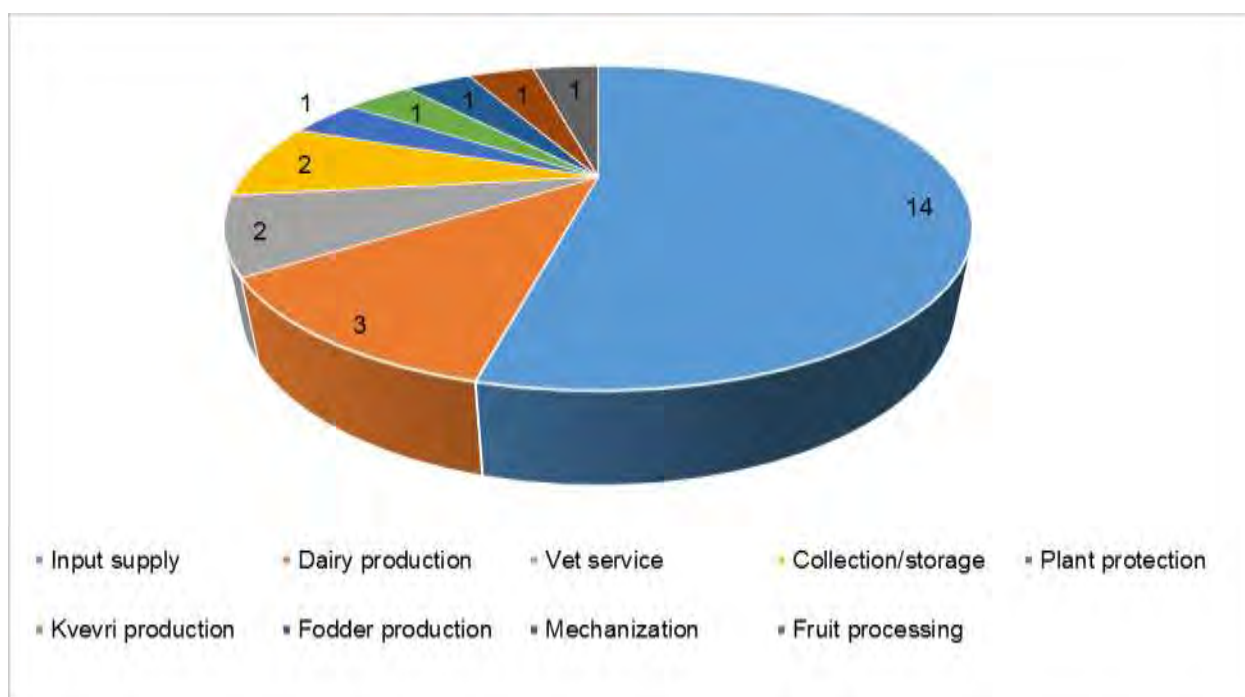
Table 4 below provides information on all selected ASPs, their locations and the sectors that they are working in

#	Name	Region	Municipality	Sector
1	LTD "Agro Service Kareli"	Shida Kartli	Kareli	Input supply
2	IE "Cisia Diglemashvili"	Kakheti	Sagarejo	Input supply
3	LTD "Alva"	Imereti	Sachkhere	Input supply
4	LTD "Nektari"	Imereti	Chiatura	Input supply
5	LTD "Aibolit XX"	Kvemo Kartli	Marneuli	Input supply
6	LTD "Agrokomi"	Shida Kartli	Gori	Input supply
7	IE "Teimuraz Kuchishvili"	Shida Kartli	Khashuri	Input supply
8	LTD "Boran Sopkimia"	Kakheti	Gurjaani	Input supply
9	IE "Mamuka Gaprindashvili "	Imereti	Chiatura	Input supply

⁸ This is the amount contracted within the programme timeframe to date and not the actual amount spent

10	IE "Vugar Elchiev"	Kvemo Kartli	Tetritskaro	Input supply
11	IE "Ashraf Valiev"	Kvemo Kartli	Gardabani	Input supply
12	IE "Levan Aroshidze"	Kakheti	Kvareli	Input supply
13	IE "Ezoiani"	Samtskhe-Javakheti	Akhalkalaki	Input Supply
14	IE "Sosiko Amirkhaniani"	Samtskhe-Javakheti	Ninotsminda	Input Supply
15	IE "Muradiani"	Samtskhe-Javakheti	Akhalkalaki	Dairy Production
16	IE "Karen Simoniani"	Samtskhe-Javakheti	Akhalkalaki	Dairy Production
17	IE "Colak Gregoriani"	Samtskhe-Javakheti	Ninotsminda	Dairy Production
18	IE "Zurab Kartvelishvili"	Imereti	Vani	Vet. Service
19	IE "Grigol Gelovani"	Imereti	Samtredia	Vet. Service
20	IE "Ilia Dvalishvili"	Imereti	Vani	Collection/Storage
21	IE "Dapnari"	Imereti	Samtredia	Collection/Storage
22	LTD "TMT"	Shida Kartli	Kaspi	Fruit Processing
23	LTD "Iveria"	Shida Kartli	Gori	Plant Protection/Nursery
24	EI "Roman Chinchaladze"	Imereti	Chiatura	Kvevri Production
25	LTD "Spelta"	Tbilisi	Tbilisi	Fodder production
26	IE "Soso Gugava"	Kvemo Kartli	Tetritskaro	Mechanization

The following chart provides a breakdown of the sectors in which the selected ASPs are working.



The impact of the programme support to ASPs will be measured through the **ASP Assessment Tool** (see **Annex 5**) that has been designed by Mercy Corps and which is to be conducted on a bi-annual basis. This tool provides information on the sector (input supply, mechanization, collection, veterinary etc.) in which the ASP is engaged, finances and sales, client base and relations with cooperatives. The first assessment has already been conducted for the selected ASPs 1st and 2nd Cycles and the second assessment is scheduled for mid-2016.

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

Indicator 3.1 Dialogue fora established with participation of FGs, ASPs and government in every target municipality and region

Municipal-level meetings have been established in all 21 municipalities and these will form the foundation of the 5 regional fora. One sectoral forum for Apiculture Cooperatives has been established and is operational and a second for the potato sector is in the pipeline.

Indicator 3.2 At least 65 FGs and ASPs establish quarterly meetings at municipal level to discuss information sharing and coordination needs

These meetings will take place within the context of the municipal level fora (see indicator above). The first meetings specifically between cooperative and ASPs are scheduled for early spring 2016.

Indicator 3.3 At least 14 successful advocacy/lobbying campaigns for promoting small farmers needs with the government

In the reporting period 2 advocacy actions have taken place (see activity 3.6 for details)

Indicator 3.4 80% of FGs & ASPs report improved relationship and coordination with the government

Information to be gathered through Annual Cooperative Assessments and ASP Assessments and to be reported upon in years 3 & 4

Activity 3.1 Creation of agricultural lobby groups at municipal and regional level

In September 2015 preparation work for support to the development of agriculture lobby groups at the municipal and regional level was started by the partner organization GIPA. This preparation work included consultations with its lobbying specialist, identification of the target audience and meetings at the municipal level. It was decided that this initiative would be launched at the municipal level, first bringing together cooperatives and ICC members and to later include ASPs working in those municipalities. These fora meetings were open to all cooperatives, not only those supported under the framework of the ENPARD programme.

From this starting point the aim would be for the municipal groups to identify those cooperative members who could best represent them at the regional level. Within the framework of the programme regional fora will be organised in each of the five target regions and they will be supported with agricultural fairs that will allow cooperatives, ASPs and government agencies to network, forge business relations and learn more on each other's activities. The regional fora will represent interests on issues such as new agricultural regulations, creation of an enabling agri-business environment in the region, access to finance, land-tenure issues, irrigation, taxation and assistance from the local government with certain issues. The steps that this support is taking is described in more under the following Activity 3.2.

Activity 3.2 Every municipality and region establishes space for dialogue between FGs, service providers and the government sector

The coordination meetings between agricultural cooperatives, ICCs and ASPs in each of the programme target municipalities was initiated in November 2015. The partner organization, GIPA, has been tasked with overseeing the implementation of this component of the project, though they are supported at each meeting by Mercy Corps

The first round of meetings were held between cooperatives and ICCs in November and December 2015 and focused on the following six elements:

1. The significance and value of municipal /regional meetings with respect to information sharing and future advocacy.
2. Information provision on Mercy Corps consortium's completed and scheduled activities in the municipality/region.
3. Information update by local ICC representative on specific MoA policies, support or projects (including ACDA projects) for farmers and cooperatives.
4. Issues and constraints faced by cooperative in their municipality/region.
5. Discussion on services provided by ICC and recommendations for additional support.
6. Ideas for future topics to be discussed

During November four municipal fora were initiated in Marneuli, Gardabani, Tetritskaro and Gori municipalities. During December the remaining 17 municipal fora were held in the remaining programme target municipalities. There has been a very large turn-out of cooperatives at these meetings with a total of 205 attending. Also at every meeting there have been a minimum of 2 ICC members present and at many meetings often local authority representatives.

The fora were platforms for active discussions on a number of issues and problems faced by the majority of cooperatives. These issues will be brought forward to regional fora and will also be issues that will be the focus of the lobbying and advocacy campaigns supported under Activity 3.6. Some of these issues include:

- Access to Finance: Cooperatives find it difficult to secure loans due limited financial history, outstanding debts of individual members and limited collateral.
- Land Registration: Many cooperatives are using land that is unregistered but are unable to include this land on their balance until the land registration issue resolved.
- Farm Machinery: Lands are left uncultivated due to a lack of farm machinery
- ACDA inputs: there were some complaints that not all received the designated farm inputs that they had applied for.
- Water resources: Lack of irrigation resources enhances risks of drought and diminished yields.

The feedback for ICC members that attended these meetings has also been incorporated into the discussion with the relevant department in the MoA overseeing their work (see Activity 3.3 below). It is envisioned to bring together cooperatives and ASPs at the next round of municipal meetings scheduled for early 2016.

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

In December 2015 Mercy Corps and GIPA met with the Deputy Head of the Regional Coordination Department within the MoA responsible for overseeing the work of the ICCs. The discussion focused on the potential support from the ENPARD programme to develop the ICCs extension work. During the meeting six priority topics of trainings were identified. These topics were as follows: (i) Extension, (ii) Basic Computer Skills, (iii) Improved Communication, (iv) Leadership Skills, (v) Basic Principles of Management and (vi) PR and Social Media. GIPA has started working on the development of the curriculum of the above mentioned trainings, which will be presented and finalized with the MoA in January 2016.

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

The planned trainings for both FGs and ASPs will commence within the third year of the programme, once sub-grant agreements have been signed with a significant number of cooperatives and the municipal and regional fora are fully operational.

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

Mercy Corps and its partners have worked very closely with the ICCs throughout this second year of the programme, providing them with a full overview of programme development and progress. All programme announcement posters and application forms have also been supplied to the ICCs and they have been a valuable support agency to programme implementation. This relationship will continue throughout the final years of programme implementation, as ICC members will be invited to see the impact of the investment support to cooperatives and will be encouraged to attend trainings and study visits.

In addition to the support to be provided to the ICCs under Activity 3.3 Mercy Corps has also facilitated a study tour for ICC representatives from the programme target municipalities to the Ajara Service Center supported by the UNDP ENPARD Ajara programme. The purpose of the visit was to share experience of the service center to the participants and observe the operational capacity of the center such as: (i) mass production of herbs using hydroponics; (ii) introduction of honey packing small enterprise equipment; (iii) shock freezing equipment demonstration; (iv) vine nursery; (v) fruit tree nursery; (vi) strawberry production in greenhouses; (vii) sweet pepper production in greenhouses; (viii) citrus sorting line etc. The Head of the PR department conducted a presentation on the online resources that is openly available for interested farmers. Online resources will be a key training feature of the GIPA training programme to ICCs described in Activity 3.3. The Head of the Center expressed willingness to support ICC and any interested cooperatives operating within the Mercy Corps programme area with information and knowledge sharing.

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

To date the programme has worked on two advocacy actions, though as the municipal and regional fora take root it is envisaged that there will be a number of key issues that affect cooperative and agricultural business development that will be supported through advocacy actions.

In 2015 the Agricultural Cooperatives Development Agency (ACDA) developed a special programme aimed at building the capacity of agricultural cooperatives working in the apiculture field through the provision of new beehives and trainings in beekeeping. To support this initiative and ensure that the ideas of cooperatives were incorporated into these plans, Mercy Corps and its partners, in collaboration with other ENPARD agencies, organised two meetings for agriculture cooperatives. The first meeting was held in Kutaisi on the 18th June 2015 and then on the request of ACDA a second meeting was held in their offices in Tbilisi on the 23rd June. All agricultural cooperatives supported by MC ENPARD in the 1st cycle and selected for future support in the 2nd cycle participated in the meetings. Following this process ACDA reviewed all suggestions and recommendations from the cooperatives and incorporated into the project design. The project was launched for cooperatives at the end of July providing them with preferential terms to purchase two types of beehives. This project had a significant impact on the Mercy Corps programme as following its launch several selected apiculture cooperatives requested to amend their business plan and remove the beehives that were to be procured, as they would buy these through the government project. This was agreed with Mercy Corps and a new asset list was drawn up.

From March 2015 Mercy Corps was involved in several meetings with the ACDA to discuss proposed changes to the Law on Cooperatives. These discussions focused on several key aspects of the amendments, and in particular the idea to increase cooperative membership to 11 members in lowland regions and 5 members in highland regions. After discussions with cooperatives it was felt this amendment was coming too soon and may have an adverse effect on the existing cooperatives. The amendments were adopted in November 2015, however this change was dropped from the legislation.

2.3 Updated Action Plan

Year 3													
	Months												
Activity	1	2	3	4	5	6	7	8	9	10	11	12	Implementing body
1.1 Information campaign in the target municipalities													Mercy Corps, Agro-Service, ABCO, GIPA
1.2 Baseline Survey													Mercy Corps
1.3 On-going market analysis													Mercy Corps, Agro-Service, ABCO, GIPA
1.4 Preparation of new, and update of existing training materials													Agro-Service, ABCO, GIPA
1.5 Support with creation of business-oriented FGs													Mercy Corps, Agro-Service, ABCO, GIPA
1.6 Trainings for FGs													Mercy Corps, Agro-Service, ABCO
1.7 Support the development of viable business plans and selection for sub-grants													Mercy Corps, ABCO
1.8 Provision of start-up capital to new business-oriented FGs													Mercy Corps

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

Year 4														
Activity														Implementing body
1.1 Information campaign in the target municipalities														Mercy Corps, Agro-Service, ABCO, GIPA
1.2 Baseline Survey														Mercy Corps

1.3 On-going market analysis																		Mercy Corps, Agro-Service, ABCO, GIPA
1.4 Preparation of new, and update of existing training materials																		Agro-Service, ABCO, GIPA
1.5 Support with creation of business-oriented FGs																		Mercy Corps, Agro-Service, ABCO, GIPA
1.6 Trainings for FGs																		Mercy Corps, Agro-Service, ABCO, DGRV
1.7 Support the development of viable business plans and selection for sub-grants																		Mercy Corps, ABCO,
1.8 Provision of start-up capital to new business-oriented FGs																		Mercy Corps
1.9 Co-investment for existing business-oriented FGs																		Mercy Corps
1.10 Monitoring of production target plans of FGs																		Mercy Corps
1.11 Guidance in elaborating sustainability plans for FGs and monitoring																		Mercy Corps, ABCO
1.12. Cross visits for FGs inside and outside of Georgia																		Mercy Corps, ABCO, Agro- Service
1.13. Publications and media activities																		Mercy Corps, Agro-Service, ABCO, GIPA
2.1 Training/Guidance for ASPs in business development.																		Mercy Corps, Agro-Service, ABCO
2.2. Facilitation of development of ASPs special service packages																		Mercy Corps, Agro-Service, ABCO
2.3. Awareness raising of new inputs, machinery and equipment and extension service for FGs and ASPs.																		Mercy Corps, ABCO, Agro- Service
2.4. Co-investment for profitable expansion for ASPs																		Mercy Corps
3.1 Creation of agricultural lobby groups																		Mercy Corps, GIPA
3.2. Establish spaces for dialogue between FGs, service providers and the government sector																		Mercy Corps, GIPA
3.3. Trainings to government staff																		GIPA
3.4. Trainings to FGs and ASPs related to Gender, Leadership and Lobbying/Advocacy skills																		Mercy Corps, GIPA

its agencies. It also provides a platform for issues and constraints raised by beneficiaries to be brought to the national level.

3.3 Relationship with other organisations involved in implementing the Action:

- Associate(s)

Mercy Corps is in discussion with the Associate partner **DGRV** regarding the possibilities of supporting a study tour for cooperatives to Turkey or other appropriate countries where the cooperative model is utilised.

- Sub-contractor(s)

Mercy Corps has hired a part-time engineer to support the assessment of projects submitted by cooperatives and ASPs that require building renovation and construction or where the technical scope of the project is beyond the expertise of the Mercy Corps procurement team. The engineer reviews project design and bills of quantities, and supports Mercy Corps in making tender assessment and overseeing all construction works.

- Final Beneficiaries and Target groups

Through the wide-reaching information campaign, the presence of coordinators and offices within every region, and by closely liaising with the ICCs, the programme has been able to reach out to every community within the 21 target municipalities and ensure that all potential beneficiaries are aware of the programme opportunities and how to access them. Also an open line to both the Regional Coordinators and the Mercy Corps office in Tbilisi has allowed farmers the opportunity to gain detailed information on agricultural cooperation and the ENPARD programme. To facilitate information exchange and improved communication in the programme, Mercy Corps continues to use a text messaging service through which all applicant farmers groups and ASPs are notified about the status of their application, upcoming trainings etc. This service is used to complement regular information exchange provided by the Regional Coordinators. Through this approach Mercy Corps feels confident that the programme is both accessible and transparent for all those who wish to engage with it.

- Other third parties involved (including other donors, other government agencies or local government units, NGOs, etc.)

There are regular coordination meetings both in East and West Georgia between the four ENPARD consortia, to provide updates on progress of their respective programmes and to look for opportunities for collaboration. As the programme moves into its third year the implementing agencies are looking at ways to collaborate on training provision and jointly support advocacy fora in the common sectors where supported cooperatives are working. Several working groups have been established to look for common approaches and methodologies. Of particular note is the M&E Working Group that has led to the development of a common, harmonized cooperative assessment tool that is being used by all consortia. Mercy Corps is providing all cooperative assessment forms conducted during this second year to ISET for collation and to analysis.

3.4 Links and synergies developed with other actions

In November when the programme expanded its coverage to other parts of Samtskhe Javakheti the programme team was in contact with the French NGO, **FERT** that are supporting dairy cooperatives in this region. Similarly cooperatives that have been supported under the USAID-financed **Broadening Horizons: Improved Choices for the Professional and Economic Development of Women and Girls** from the Samtskhe Javakheti region have also been contacted about this new opportunity in this region.

3.5 Building upon/complementing previous EU programmes

Nothing to Report

4 Visibility

The programme partners ensure that the programme is widely publicised and that EU and ENPARD visibility is prominent on electronic and printed documents and publications. Programme banners have been produced that are used for workshops and presentations and that prominently display the EU and ENPARD logos and title of the programme. Moreover, Mercy Corps and partner staff always highlight the donor contribution during meetings with government stakeholders, programme beneficiaries, contractors and in presentations and other events.

Mercy Corps is in the process of supporting all ASPs that have received vehicular assets to design and produce advertising stickers for these vehicles, As well as providing information to the farming community on the services on offer the vehicles also bear the ENPARD logo.

The European Commission may wish to publicise the results of Actions. Do you have any objection to this report being published on the EuropeAid website? If so, please state your objections here.

Mercy Corps has no objections to the activities and results of this programme being published on the EuropeAid website.

Name of the contact person for the Action:

Zoe Hopkins

Signature:

Location: **Edinburgh, Scotland**

Date report due: **29 February 2016**

Date report sent: **29 February 2016**