

# Development of Agricultural Co-operatives in Georgia



Seminar on Co-operatives in post-Soviet Countries



Moscow  
25<sup>th</sup> September 2015

**eec** Eurasian  
Economic  
Commission

## Contents

- Policy & Legislative Context
- Current Situation
- Proposed Financial support measures
- Key Challenge



## Policy and Legislative Context (1)

*Georgia, Ministry of Agriculture Strategy for Agricultural Development 2015 - 2020*

The vision of the Agricultural Development Strategy of Georgia published in 2015 is to:

- create an environment that will increase competitiveness in the agro-food sector,
- promote stable growth of high quality agricultural production,
- ensure food safety and security, and
- eliminate rural poverty through sustainable development of agriculture and rural areas.

[http://www.moa.gov.ge/fileman/Uploads/STRATEGIA\\_ENG\\_print.pdf](http://www.moa.gov.ge/fileman/Uploads/STRATEGIA_ENG_print.pdf)



3

## Policy and Legislative Context (2)

*Georgia, Ministry of Agriculture Strategy for Agricultural Development 2015 - 2020*

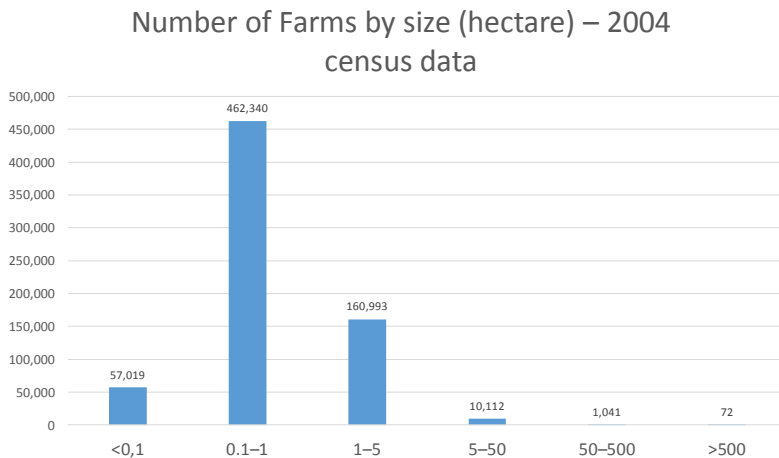
- Programmes targeted at capacity building of agricultural co-operatives will be a key priority.
- This will comprise programmes for
  1. capacity building to coops (for members and managers),
  2. improvement of marketing capacity, and
  3. financial support of co-operatives.



4

## Current Situation (1)

*How many farms in Georgia ?*



- 2014 census data not available until 2016.
- 691,577 farms in Georgia (2004 census)
- 98% of farms operate on less than 5ha,
- 0.16% farm above 50ha.
- Current estimates, between **700,000 and 800,000 farms in Georgia.**

5

## Current Situation (2)

In July 2013, a new law on Agricultural Co-operatives was adopted and the Ministry of Agriculture established the **Agricultural Co-operative Development Agency (ACDA).**

**The main objectives of ACDA are:**



1. Support the development of the Georgian agriculture sector through development of agriculture co-operation
2. Implement state support programmes for agriculture co-operatives
3. Support socio-economic development of rural areas
4. Support growth of agriculture production and competitiveness
5. Support increased profitability of agriculture enterprises and development of national economy.

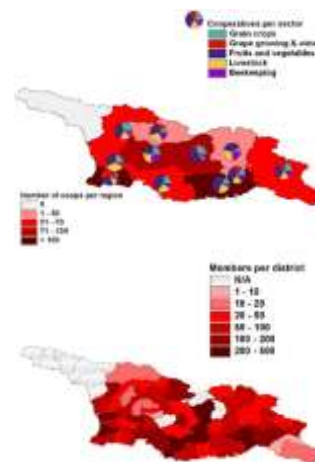
**ACDA began working on the 1<sup>st</sup> October 2013**

6

## Current Situation (3)

*ACDA co-operates with the EUs ENPARD programme, NGO projects and FAO*

- >1000 farmer groups/co-operatives registered with ACDA (since Oct 2013).  
(~70 groups per month)
- Most registered as “multi-activity” groups with less than 5 members
- Groups have capital assets <20,000 GEL (8,000 USD).



## Proposed Financial Support Measures (1)

*some **principles** for support of co-operatives in GEORGIA*

1. Support schemes should reflect co-ops at different **stages of development**
2. Support schemes should respond to **business need** - not sector specific
3. Grant schemes will require **match-funding** from applicants
4. Business Plans (with **objectives and outcomes**) will need to be submitted to support application
5. A **partnership approach** - Regional stakeholder panels of local experts to review applications and ensure transparency

9

## Proposed Financial Support Measures (2)

*3 Proposed Grant Schemes ...within a wider Development Programme for co-operatives*

### 1. Small Cooperative Scheme (SCS):

- **Target:** recently formed co-ops in **PRIMARY PRODUCTION**.
- **Amount:** <12,000 GEL (for small capital items, e.g., machinery)
- **Agreement:** 1 year, coop 25%, 75% match funding
- **Development:** Includes business mgmt training to enable graduation to CIS financing later.

### 2. Co-operative Improvement Scheme (CIS):

- **Target:** established co-operatives involved in **PRIMARY PRODUCTION** to develop **SMALL-SCALE PROCESSING**
- **Amount:** <50,000 GEL (for capital investment only)
- **Agreement:** 1-2 yrs., coop 50%, 50% match funding, business plan required, regional panel



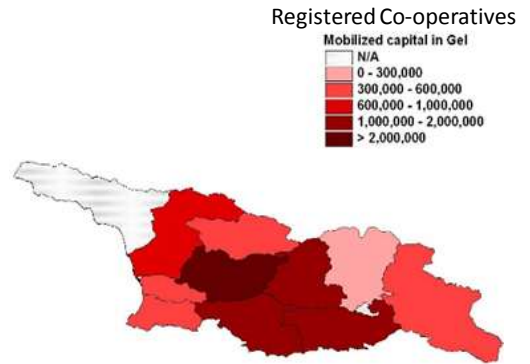
10

# Proposed Financial Support Measures (3)

3 Proposed Grant Schemes ...within a wider Development Programme for co-operatives

## 3. Co-operative Development Scheme (CDS):

- **Target:** established coops for expansion. This would be like “demonstration coops”, used to show best practice in governance, quality assurance, market focus, effective supply chain mgmt.
- **Amount:** >250k GEL, for planned expansion with **SIGNIFICANT BENEFITS TO THE LOCAL ECONOMY** after 5 yrs.
- **Agreement:** 5 years, coop 70%, 30% match funding, feasibility study required.



11

## Financial Support Strategy

*Lessons learnt from FAO experience*

- Priority to economically-viable and independent co-operatives
- Concessional credits, inputs or grants should not be used as incentives for group formation.
- Main focus of group action should be on income generating activity that members identify.
- Properly trained and motivated **group promoters** are essential for promoting sustainable group enterprises.

12

## Key Challenges !

- Generally takes many years and considerable investments and support before co-operatives are able to play a significant role in the market and fill some of the gaps left by market liberalisation.
- Georgian Government needs to understand that co-operative development is not a magic solution to the problems of Georgian agriculture, and they need to recognise the considerable length of time required before co-operatives can attain business viability
- The Ministry of Agriculture will need to support ACDA to enable them to deliver a supportive, targeted and outcome focused service to the emerging co-operative sector

*(an EU funded 2-year ACDA capacity building project will commence in October 2015)*

13

## Development of Agricultural Co-operatives in Georgia



Seminar on Co-operatives in post-Soviet Countries



Moscow  
25<sup>th</sup> September 2015

**eec** Eurasian  
Economic  
Commission