



## **Declaration on Rural Cooperation Development and Empowerment of Small Holder Farmers in Georgia**

**November 18, 2016**

We, the undersigned, the member organizations of the Georgian Alliance on Agriculture and Rural Development (hereinafter referred to as the “GAARD”)

**Taking into account** the annual cooperative survey, showing the results of the evaluation of the cooperatives funded within the framework of the European Neighborhood Programme for Agriculture and Rural Development (ENPARD) project implemented by the partner organizations in 2014-2015, according to which in 2014-2015 there is a significant increase in the annual turnover and the individual income of the project beneficiaries;

**Recognizing** the vital importance of the agricultural cooperatives in the sustainability and dynamic development of agriculture in Georgia, that is directly linked to the economic and social empowerment of the rural population in Georgia and inclusive economic growth by 2020 according to the Sustainable Development Strategy of Georgia;

**Following** the suggestions and proposals expressed by the members of the GAARD and the observers board at the GAARD meeting held on 26<sup>th</sup> of October, 2016;

**Recognizing** the conclusions and recommendations prepared by the GAARD working groups on Access to Finance and Cooperation and Small Holders,

**Hereby certify that:**

- According to annual cooperative survey, the projects implemented by the partner organizations in 2014-2015 within the framework of the European Neighborhood Programme for Agriculture and Rural Development (ENPARD), investment and technical assistance schemes, together with the implementation methodology used, markedly contributed to the development of agricultural cooperatives and social and economic empowerment of the beneficiaries;



- From 2013 till now more than 1600 agricultural cooperatives were registered due to the expectations related to favorable tax and regulatory conditions and appropriate awareness raising campaigns. Such a high number of the registered cooperatives is largely attributed to the expectation of receiving external financial support. The Agricultural Development Strategy 2015-2020 developed by the Ministry of Agriculture of Georgia allocates 3,5 million GEL for the investments in the agricultural cooperatives, which, taking into account the number and scope of the existing cooperatives, is considerably lower than required and does not correspond to the existing needs for developing agriculture cooperation in Georgia.
- Current tax incentives for the benefit of the agricultural cooperatives will only persist until January 2018 and that threatens the sustainability of the agricultural cooperation system in Georgia;
- Currently agricultural cooperatives do not run adequate financial accounting systems due to a lack of financial or human resources and/or lack of knowledge and competence. There are cases when the cooperatives are not registered at the Revenue Service, nor do they see the actual need of the registration.
- Certain groups of beneficiaries (e.g. internally displaced persons, other vulnerable persons and groups) do not have the access to some state programs because they are not specifically mentioned as beneficiaries.

**Based on the above stated we address Parliament of Georgia, Government of Georgia, Ministry of Agriculture of Georgia and its subordinated institutions, as well as international donor organizations, within their competencies, to consider following issues while implementing the food and agriculture legislation reforms or drafting policy and development programs:**

- ✓ Create targeted investment and technical assistance schemes and programs replicating the models implemented by the partner organizations of the European Neighborhood Programme for Agriculture and Rural Development (ENPARD) for the development of the agricultural cooperation system in Georgia. Replication of this model can lead to the successful development of agricultural cooperatives over the long term and provide effective tools for the evaluation of the results.



- ✓ Increase the budgetary allocations included in the Action Plan of the Strategy of Agricultural Development in Georgia 2015-2020 up to 25 million GEL annually in order to ensure the development of the agricultural cooperation system.
- ✓ Review the procedure on granting status to the agricultural cooperatives in order to avoid misuse of the 'cooperative' title where one doesn't fit the long-term agriculture cooperative functions. Prior to getting its status a cooperative should be operating for at least a year to demonstrate an operating history and evidence of income revenue.
- ✓ Ensure that agricultural cooperatives enjoy tax incentives during a certain period of time (5-7 years).
- ✓ Present certain guarantees for the ethnic /religious minority groups that they will be able to benefit from created cooperatives and have full access to documentation (also in minority languages), registration procedures and consultative process.
- ✓ Develop special gender-sensitive measures to encourage bigger involvement of women in women's and mixed cooperatives.
- ✓ Develop special protective measures for persons receiving benefits from social assistance programs, which will temporarily keep them on the program list before they will start to receive the financial and material benefits from being in a cooperative.
- ✓ Discuss the possibility of establishing a loan guarantee fund, which will provide access to the financial resources for the agricultural cooperatives and small holder farmers.
- ✓ Ensure the establishment of operational reporting and financial accounting system of the cooperatives;
- ✓ Ensure that there are programs and schemes that give incentives to the agricultural cooperatives to run the financial accounting and the relevant monitoring systems.
- ✓ The above-mentioned programs and schemes shall be directed not only to the agricultural cooperatives, but also to the employees of the regional consultation centers and financial institutions as well as the consultants, who advise the cooperative members on financial, industrial, technical or accounting topics.
- ✓ Ensure that there are provisions in the state programs ensuring that the vulnerable groups (e.g. internally displaced persons, other vulnerable groups and persons) enjoy the additional concessions/advantages in the agricultural cooperatives in order to facilitate their access to the latter;



- ✓ Ensure that the Agricultural Cooperatives Development Agency has sufficient human resources to effectively implement the state programmes taking into account the increasing number of the cooperatives registered in Georgia.
- ✓ Establish an effective information (financial, technical, etc.) sharing system and provide subsidized education/training/exchange programs for the cooperative members in order to ensure the sustainability of the cooperation system in Georgia.
- ✓ Promote the development of service cooperatives (via support programs as well as via various financial incentives).
- ✓ Support a proper monitoring and evaluation system for cooperatives and report to policy makers annually.
- ✓ Ensure that state programs (implemented by Agricultural Project's Management Agency) are accessible, available and affordable for cooperatives and ensure the financing of the priority areas of the cooperation system.

## **Signatories**

GAARD members:

Oxfam GB Georgia

Mercy Corps

CARE International in the Caucasus

Action Against Hunger

People in Need (PiN)

Rural Communities' Development Agency (RCDA)

Biological Farming Association ELKANA

Georgian Economists Association (GEA)

Georgian Farmers' Association (GFA)

Georgian Export Development Association (EDA)



International Centre on Conflict and Negotiation (ICCN)

Georgian Institute of Public Affairs (GIPA)

Association of Business Consulting Organizations (ABCO)

The Union “Agro service”

Association “Rural Development for Future Georgia”

Credit Union “GA Capital”

Caucasus Environmental NGO Network (CENN)

Agribusiness Innovation Center

CNFA

Consortium Legal Aid Georgia (LAG)

International Orthodox Christian Charities (IOCC)

BRIDGE – Innovation and Development

International School of Economics at Tbilisi State University Policy Institute (ISET-PI)

TASO Foundation

IDP Association “Consent”

Women’s Information Center

UNICEF