



Women producers dry rosehips in their solar greenhouse, Georgia. © Oxfam

BUILDING FARMER COOPERATIVES IN GEORGIA

Supporting smallholder farming in the post-socialist context

Smallholder farmers in Georgia face multiple challenges, including low productivity and poor access to the inputs and capacities that they need. Oxfam and its partners are implementing a programme that aims to increase agricultural productivity and support the competitiveness of smallholder farmers. The project works with smallholder farmers to establish and strengthen business-oriented farmer groups. The project also promotes changes to national policy and legislation, in order to create a more conducive environment for their development. Learning from the project reflects the particular challenges of supporting new forms of collective action in a post-Soviet context.

INTRODUCTION

Poverty in Georgia is concentrated in rural areas, and smallholder farmers are particularly likely to be poor. The smallholder farming sector in Georgia faces multiple challenges, including low productivity and poor access to the inputs, knowledge and capacities that farmers need to build profitable farming businesses.

As part of the European Commission-supported programme ENPARD,¹ Oxfam and its partners are implementing a programme that aims to contribute to poverty reduction in rural Georgia through increasing agricultural productivity and supporting the competitiveness of smallholder farmers. The project works with smallholder farmers to establish and strengthen business-oriented farmer groups. The project is also promoting changes to the national policy and regulatory framework in support of small-scale farmers, in order to create an environment that is more conducive to the sustainable development of farmer groups in Georgia.

The project is built on the assumption that collective action among small-scale farmers can support more productive and profitable smallholder agriculture. Collective action would enable farmers to achieve economies of scale, increase their incomes and eventually reduce the levels of poverty in their region. To achieve this, support for farmer groups needs to focus on building a range of capacities and on being business-oriented. For change to be sustainable, wider policy and institutional changes in support of farmer groups are also needed.

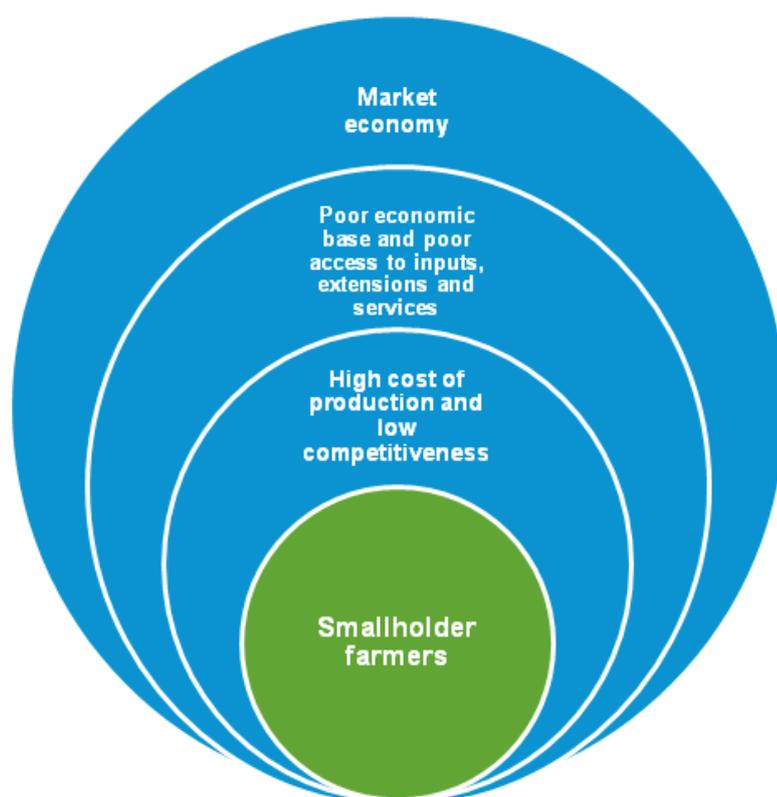
Learning from the project reflects the particular challenges of supporting new forms of collective action in a post-Soviet context, where collective farming has historically had negative associations.

ABOUT OXFAM'S PROGRAMME

In Georgia, land was taken into state ownership during the Soviet era; however, in the 1990s, following the collapse of the former USSR, the Soviet system of collective farming within a planned economy was disbanded. Land ownership in Georgia was reformed and land was transferred to the private ownership of rural households. The agricultural landholdings that were distributed amongst the rural population were highly fragmented and very small. According to the Agricultural Census of 2004, 98.4 percent of all farms are smaller than five hectares, and 67 percent are smaller than one hectare.²

Agriculture accounts for about 52 percent of the labour force in Georgia³. Smallholder farmers experience multiple problems in relation to the poor economic base, poor access to quality inputs and services, and limited knowledge and skills. They find it difficult to influence or respond to the conditions in the market economy that affect their competitiveness and their livelihoods. Figure 1 shows the inter-relation of different social and economic factors affecting smallholder farmers in Georgia.

Figure 1: Challenges faced by smallholder farmers in Georgia



Given these conditions, without stimulating and supporting grassroots collective action with the aim of developing profitable, competitive and sustainable agricultural enterprises, it will be impossible for smallholder farmers to achieve economies of scale and improve their livelihoods.

In response to the challenges facing smallholder agriculture in Georgia, Oxfam and its partners Action Against Hunger (ACF), the Rural Communities Development Agency (RCDA) and the Biological [organic] Farmers Association ELKANA jointly designed and are implementing an integrated programme of cooperative development and capacity building. The programme includes technical training and demonstration units; support to link farmers with state and private sector service providers and market actors; and advocacy to promote positive changes in the policy and regulatory frameworks. The ENPARD programme reflects the importance of providing assistance and expertise to new farmer groups and cooperatives, while simultaneously trying to change and improve the policy environment for the long-term benefit of smallholder agricultural cooperatives in Georgia.

The four-year programme started in February 2014 and is working with 45 farmer groups, selected on the basis that they should include at least 30 percent women in their membership. As a result, of the 428 farmers in the targeted groups, almost half are women. The programme targets business-orientated smallholder farmers who own land of five hectares or less. The average monthly income of the rural households in the programme groups is almost 40 percent below the national average⁴.

The farmer groups are receiving continuous and comprehensive support to enhance their institutional capacities and increase their negotiating power in the market. This support includes participatory organizational development and business planning trainings that comprise of various modules such as problem formulation and objective setting and action planning, agreeing on operating principles and organizational structure, statute development, business, finance and marketing planning. Programme activities have also focused on public messaging and information about cooperatives, and the creation of an organizational development toolkit and training to support the development of the new cooperatives.

WHAT HAS OXFAM LEARNED?

Changes in the laws relating to agricultural cooperatives, entrepreneurship, tax and grants in Georgia have created a real opportunity to stimulate and develop the rural economy, through supporting the development of business-orientated farmer groups and cooperatives. Even within this more favourable institutional context, however, the development of successful and sustainable cooperatives is not an easy process.

Overcoming the legacy of Soviet collectivization: The importance of communication

One barrier to farmers coming together to work cooperatively is the legacy of the Soviet 'kolkhoz' system of collective agriculture. While the kolkhoz system incorporated certain elements of cooperation and collective action, it also represented a totalitarian set-up within the framework of a planned economy. Such set up is not based on democratic, voluntary and independence principles, that constitute fundamental principles of cooperative organization and therefore it contradicted the fundamental principles of cooperative organization such as independence and autonomy, democratic governance and members' economic participation. This difficult history makes it crucially important for Oxfam's programme to be proactive, careful and coordinated in informing farmers and communities about the new models and benefits of farmer cooperation, and to differentiate these from previous forms of collective action. It is very important to avoid any potential contradictory or negative public messaging, in order to build support for the programme in rural areas. One such message was developed by one of the State agencies and it stated that cooperatives will bring about land consolidation, but such use of word can create an impression among the farmers that cooperative is a replication of the old soviet style "collectivization". In fact the cooperative of course can bring about land consolidation but on the voluntary basis and not in a forced way as it was the case during late thirties of the last century (soviet collectivisation). So to avoid a false and negative public opinion towards a reform it was advocated not to convey such message.

The awareness-raising campaign was reinforced through the production of user-friendly guides and toolkits, such as the Organisational Development Cycle of Cooperative organisation Tool. This tool incorporates specific training modules that cover most of the areas of operational and organisational development that the groups need. These include the following areas: problem Identification, objective Setting; and activity planning; operational principles; organizational Structure; statute Development and; business Planning. Together with the Guide on Cooperatives which describes the fundamental principles of cooperative organization; the advantages and the benefits it can bring as well as containing information on the existing enabling legislative and regulatory environment (law on coops, tax incentives etc.). Both tools were jointly developed to-

gether with the ENPARD consortia and the State Agency for Development of Agricultural Cooperatives ACDA.

Private ownership of land is a relatively recent experience for the rural population and the programme has worked hard to avoid any suggestion that land consolidation might be one of the benefits of agricultural cooperation. In its communications, the programme emphasizes that land consolidation is not a prerequisite for efficient cooperative business enterprises and that farmers cannot and will not be forced to contribute land to the cooperative.

Nascent cooperatives need intensive support

As these new forms of cooperation are only just emerging in Georgia, the programme has provided intensive assistance to help groups establish themselves and followed this up with continuous and comprehensive coaching and mentoring during the initial stages of their development. The programme has also recognized that 'one-off' training sessions are not adequate to enable many of the farmer groups and cooperatives to operate independently. This is particularly true in the areas of quality and safety assurance, financial management, and tax obligations. Continuous support and coaching are needed throughout the programme lifecycle.

Work with existing informal group structures

In choosing which farmers to work with, Oxfam and its partners developed criteria to help them identify situations where success and positive impact would be more likely. The programme found that working with pre-existing informal groups of farmers who have already been collaborating with one another provides a degree of assurance that they will be able to formalize these relationships into cooperatives successfully.

Ensure that selected groups and value chains have business potential

The aim of the programme is to create viable examples of business-orientated smallholder farmer groups. By doing this, Oxfam hopes to create a multiplier and demonstration effect which will influence the government to establish programmes supporting the development of agricultural cooperatives for smallholder farmers. Reflecting this aim, it was important to select farmer groups and value chains on the basis of their business potential as well as their inclusiveness. Criteria included: the motivation of the farmers to participate; the business potential within the target value chains; the level of existing or potential cooperative management capacity; the ability of the groups to invest in the development of the business (i.e. through co-financing); the opportunities for women's participation and leadership; and the potential for youth involvement.

Similarly, for the success of a new cooperative to be likely, the development of farmer groups needs to be based on sound business

principles and focused on their commercial viability. From the outset, the beneficiary groups needed to be supported in business planning and in developing a business model that will promote fair business relationships. A project such as this should provide brokering and matchmaking support for beneficiaries with the relevant service providers (such as input suppliers, extension and financial service providers).

Use successful real examples to build support

In order to convince farmers and policy makers to support collective action, it is important to offer concrete and real examples of successful cooperatives that show the quantitative and qualitative benefits that they offer farmers. The project found that building analogies to traditional and indigenous forms of cooperation that farmers already know about and use was a good way to help develop an understanding of how the new cooperatives were intended to work.

Cost-sharing builds a sense of ownership

The programme also found that cost-sharing methodologies were important within programme financing. When groups invest in their own development, they feel a greater sense of responsibility and ownership, and are more committed to achieving the outcomes. Where groups do not share the investment risk, they also do not necessarily feel as responsible for the programme's success. A strict, but realistic cost-sharing methodology should be applied when designing and planning investment grant schemes for farmer groups and cooperatives.

Working with national government – influencing beyond the programme

The vision of the Government of Georgia's Agriculture Development Strategy is to 'create an environment that will increase agricultural competitiveness, promote stable growth of high quality agricultural production, ensure food safety and security, and reduce rural poverty through the sustainable development of agriculture and rural areas'⁵. This commitment to public policy on agriculture that emphasizes the 'triple win' of growth, food security and poverty reduction, and the role of smallholders within this, creates a supportive policy environment for the ENPARD programme.

The ENPARD programme is a large national programme with several sub-components. From the outset it has been important for the stakeholders concerned to build coordination and collaboration. As such, a series of active platforms have been put in place at the national level for the management and coordination of the programme, giving scope for sharing and discussion about all aspects of the programme approach.

Oxfam is working with the newly established ACDA – the state agency for the development of agricultural cooperatives. The information guide on cooperatives and the organizational development and capacity assessment (OCAT) tools were jointly developed with ACDA as part of

the programme. They have now been adopted by ACDA as a part of their methodology, which means that they will be used and applied beyond the immediate programme context.

Build strong relationships with local government

It is likely that in the future, local authorities in Georgia will have greater powers as decision makers. As such, it was important to build the understanding of the local authorities in relation to farmer cooperation, and to promote their active involvement through awareness raising, capacity building and beneficiary selection.

Based on learning from another recent programme led by ACF⁶, the ENPARD programme put in place agricultural 'focal points', which were nominated by the local authority to work together with the programme implementing partners. The focal points are women and men with strong agricultural background, competency and skills. They have good community knowledge and a strong stake in helping deliver high-quality programming in each respective municipality. They have become a conduit between the partners and local authorities. They perform several essential roles within the programme, including developing strong relationships with the farmer groups; providing training; liaising with the municipal extension service centres; and, importantly, providing feedback to senior representatives of local authorities on all aspects of cooperative development.

CONCLUSIONS AND NEXT STEPS

This paper represents the most important learning based on the first year of the programme. It is too early to draw conclusions in relation to the overall success of the programme, and the assumptions that underlie it. However, two key findings emerge from the first year.

First, information dissemination and awareness-raising are key to the success of projects promoting farmer cooperation and collective action. This is especially important in a context like Georgia where there is a history of forced collectivization. It was essential to develop and implement well-planned awareness-raising programmes, underpinned by user-friendly guides and tools explaining how cooperatives can be established, and the benefits and advantages that they can bring. In the case of this programme, the guides and tools were developed in collaboration with the relevant government agency and other partners, which means that they can be adopted, used and disseminated more widely.

Second, taking a multi-stakeholder approach to a programme such as this means making the effort to engage key stakeholders – such as local authorities – as much as possible within the programme activities. This is essential for facilitating transformational change in such challenging contexts.

NOTES

¹ ENPARD is the European Neighbourhood Programme for Agriculture and Rural Development.

² Georgia - Agriculture Census 2004 <http://catalog.ihnsn.org/index.php/catalog/4372>

³ EU – ENPI 2012/298-262

⁴ GEOSTAT/2014

⁵ Ministry of Agriculture – Sector Development Strategy 2015-2020.

⁶ EU-financed "*Non-State Actors and Local Authorities*" action in Georgia (Grant Ref. EU NSA 2011/270-610)

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For further information on the issues raised in this paper please e-mail programme learning team at programmelearning@oxfam.org.uk

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